1. (C) - ENTIRE TEXT.

2. US economic assistance to the government of Nicaragua was formally suspended by a presidential determination of April 1, 1981. President Reagan issued this determination in accordance with Section 523 (F) of the International Security and Development Cooperation Act of 1976 which states in part that CUCIT, the president shall terminate assistance to the government of Nicaragua...if he determines that the government of Nicaragua cooperates with or harbors any international terrorist organization...and quote, by April 1981 irrefutable evidence had become available that the government of Nicaragua assisted in the transferment of weapons from Cuba to insurgents in El Salvador.

3. The major part of the FY 91 economic assistance program to Nicaragua consisted of a $20 million dollar USF loan to the government of Nicaragua, signed in October 1980. The loan agreement stipulated that at least 60 percent of the funds are to benefit the private sector. Expenditures under this loan are continuing since the presidential determination was interpreted to mean that no new requests for new funds to the government were to be obligated after April 1, 1981. In addition, a modest assistance program channeling funds directly to the private sector and private voluntary organizations has continued throughout FY 91 and at present is expected to continue in FY 92 as well.

3. The statement in Para 2 of report that all economic aid has been suspended is incorrect. Only assistance to the government has been suspended, as pointed out in the determination intended to
CONTINUE ASSISTANCE TO NICARAGUA'S PRIVATE SECTOR AND PRIVATE VOLUNTARY ORGANIZATIONS. HAIG

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