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PRONICARAGUA: YOUR BUSINESS FACILITATOR

PRONicaragua is the official investment promotion agency of the Government of Nicaragua, operating as an economic development program since 2002. As of October 2015, it was created by law by the National Assembly as a decentralized state entity under the rectory sector of the Presidency of the Republic and with a public-private board of directors; whose mission is to generate economic growth and job creation in Nicaragua by attracting high-quality foreign direct investment. The agency provides complimentary support services to qualified investors seeking investment opportunities in our country.

Complete and relevant information on business opportunities in Nicaragua.

Organization of customized site visits with tailor-made information packages.

Facilitation services including advisory and advocacy for foreign investors. We support companies throughout the entire investment process by providing referrals, government contacts and general start-up facilitation services.

Help in finding local companies for possible joint ventures and identifying suppliers or other forms of business alliances.

Assisting with identifying the ideal real estate options for your project and supporting with due diligence.

Aftercare services to identify main problems affecting established investors to improve the business environment.

Contact us to obtain information on how to invest in Nicaragua and to arrange for a customized site visit.

Call us at +505-2270-6400 or 1-786-245-8902 from the United States. You may e-mail us at info@pronicaragua.gob.ni or visit our website at www.pronicaragua.gob.ni to obtain more information about investments in Nicaragua and schedule a customized visit.
DISCOVERING NICARAGUA

Nicaragua, the largest nation in Central America, is located in the heart of the isthmus between North and South America. Honduras to the North and Costa Rica to the South, the Pacific Ocean to the West and the Caribbean to the East border the country. It is a land of dazzling natural beauty, hospitable people, rich cultural traditions, and abundant investment opportunities.

Originally, a colony, Nicaragua claimed its independence from Spain and became an independent Republic in 1821. Its culture reflects the heritage of the colonial period fused with native element.

<table>
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<th>2020 General country information</th>
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<tr>
<td><strong>Official Name</strong></td>
</tr>
<tr>
<td><strong>Total Area</strong></td>
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<tr>
<td><strong>Capital City</strong></td>
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<tr>
<td><strong>Official Language</strong></td>
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<tr>
<td><strong>Standard Time Zone</strong></td>
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<tr>
<td><strong>Temperature</strong></td>
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<tr>
<td><strong>GDP</strong></td>
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<td><strong>GDP per capita</strong></td>
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<td><strong>Total Exports</strong></td>
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<td><strong>Population</strong></td>
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<td><strong>Annual Population Growth Rate</strong></td>
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<td><strong>Population under 40 years</strong></td>
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<td><strong>Human Development Index</strong></td>
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<td><strong>Life Expectancy</strong></td>
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<td><strong>Literacy Rate</strong></td>
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<tr>
<td><strong>Labor Force</strong></td>
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<tr>
<td><strong>Unemployment</strong></td>
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<tr>
<td><strong>Under employment</strong></td>
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<tr>
<td><strong>Currency</strong></td>
</tr>
<tr>
<td><strong>Average Exchange Rate (2020)</strong></td>
</tr>
<tr>
<td><strong>Accumulated Inflation Rate</strong></td>
</tr>
</tbody>
</table>

*Source: Central Bank and PRONicaragua*
A DEMOCRATIC COUNTRY

Nicaragua is a constitutional democracy with Executive, Legislative, Judicial, and Electoral branches of government. The President and the members of the National Assembly are elected to concurrent five-year terms. The National Assembly is unicameral and consists of 90 deputies elected from party lists drawn at department and national level, plus the defeated presidential candidates who obtained a minimal quotient of votes.

Also elected to the same five-year term is the Supreme Court, which supervises the Judicial System, and is chosen by the National Assembly. The Supreme Electoral Council (CSE, for its acronym in Spanish) is the co-equal branch of government responsible for organizing and conducting elections, plebiscites, and referendums. This government institution is led by a council of seven magistrates, who are elected, along with their alternates, to five-year terms by the National Assembly.

Freedom of speech is a right guaranteed by Nicaragua's Constitution and vigorously exercised by its people. Diverse viewpoints are freely and openly discussed in the media and in academia. Other constitutional freedoms include peaceful assembly and association, freedom of religion, and freedom of movement within the country, as well as foreign travel, emigration and repatriation. The Constitution prohibits discrimination based on birth, nationality, political belief, race, gender, language, religion, opinion, national origin and economic or social condition.

AMONG THE SAFEST COUNTRIES IN AMERICA

According to a study by The World Economic Forum on the Global Competitiveness Index for 2019, Nicaragua ranks as the safest country in the American continent with respect to corporate perception on organized crime.

Organized Crime as the Major Problem for Doing Business in America in 2019

Source: World Economic Forum, 2019
The homicide rate measures the number of homicides in each Central American country per every 100,000 inhabitants. The rate shows that Nicaragua holds the first position in Central America for 2020.

Homicide Rate in Central America
(per every 100,000 inhabitants)

<table>
<thead>
<tr>
<th>Country</th>
<th>2018</th>
<th>2019</th>
<th>2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>Nicaragua</td>
<td>11</td>
<td>8</td>
<td>8</td>
</tr>
<tr>
<td>Costa Rica</td>
<td>12</td>
<td>11</td>
<td>11</td>
</tr>
<tr>
<td>Panama</td>
<td>10</td>
<td>11</td>
<td>12</td>
</tr>
<tr>
<td>Guatemala</td>
<td>22</td>
<td>22</td>
<td>15</td>
</tr>
<tr>
<td>El Salvador</td>
<td>51</td>
<td>37</td>
<td>20</td>
</tr>
<tr>
<td>Honduras</td>
<td>40</td>
<td>44</td>
<td>38</td>
</tr>
</tbody>
</table>

Source: Police department of each country.

A DYNAMIC ECONOMY

In 2020, the Nicaraguan economy decreased by -2.0% compared to 2019. Despite this, the country has experienced an average growth rate of 2.7% in the last 10 years, being the country with the highest economic growth in Central America, after Panama and Guatemala.

The Central Bank of Nicaragua established a “crawling peg” exchange rate regime whereby small daily adjustments are planned in the national currency exchange rate against the United States (US) dollar. In 2019, the “crawl” or depreciation with respect to the US dollar was established at 2 percent, which represents roughly a 0.0082 percent daily depreciation of the Cordoba. This successful system assures a high level of currency stability, while at the same time maintaining the country’s export competitiveness.

The official exchange rate is determined and announced daily by the Central Bank of Nicaragua (BCN) on its website, www.bcn.gob.ni.

Fiscal outlook

Tax reforms adopted by the government over the past years have attempted to maintain economic stability, incorporating not only revisions to the national and local tax system, but to the system of incentives for domestic production and exports. Additionally, Nicaragua’s exemplary compliance
with the International Monetary Fund (IMF) agreements have allowed it to access new sources of financing, concessional loans, and external debt relief.

Tax reforms are prepared by The Executive Branch, refined in a first round discussion with the private sector, and then submitted to the legislature, where all sectors of the economy reach a consensus that is finally approved and published in The Gazette, official newspaper.

**Foreign Direct Investment Inflows and Exports**

In 2020, Foreign Direct Investment inflows reached US$0.48 billion. Nicaragua has reached more diversification of FDI Inflows of source countries, going from an accumulated of 34 countries in 2007 to 54 in 2019, which represent a 58% growth.

![Foreign Direct Investment Inflows](image)

*Source: MIFIC, BCN and PRONicaragua*

The top five sectors in 2019 were Mines (21.3%), Industry (18.7), Commerce and Services (13.3%), Telecommunications (12.7%) and Energy (5.5%), which comprised 77.2 percent of total foreign direct investment inflows in 2019.

**Foreign Direct Investment Inflows by Economic Sector 2018 – 2019 (Millions of US$)**

<table>
<thead>
<tr>
<th>Sector</th>
<th>2018</th>
<th>2019</th>
<th>Var. %</th>
<th>Part. 2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mines</td>
<td>79.0</td>
<td>172.4</td>
<td>118.1%</td>
<td>21.3%</td>
</tr>
<tr>
<td>Industry</td>
<td>219.1</td>
<td>151.3</td>
<td>-31.0%</td>
<td>18.7%</td>
</tr>
<tr>
<td>Commerce and Services</td>
<td>186.5</td>
<td>107.4</td>
<td>-42.4%</td>
<td>13.3%</td>
</tr>
<tr>
<td>Telecommunications</td>
<td>135.4</td>
<td>102.8</td>
<td>-24.1%</td>
<td>12.7%</td>
</tr>
</tbody>
</table>
In 2020, Nicaragua's total exports were US$ 5.3 billion. Furthermore, total exports have shown 4.7 percent annual growth rate in the last 10 years.

### Exports

<table>
<thead>
<tr>
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<tbody>
<tr>
<td>3,451</td>
<td>4,327</td>
<td>4,855</td>
<td>4,821</td>
<td>5,221</td>
<td>4,930</td>
<td>4,862</td>
<td>5,223</td>
<td>5,416</td>
<td>5,591</td>
<td>5,321</td>
</tr>
</tbody>
</table>

10 years average growth rate, 4.7%

Source: Central Bank of Nicaragua (BCN).

In 2020, the main export products were textile and apparel, automotive harnesses, bovine meat, coffee, gold, cigars and tobacco, dairy products, sugar, peanut, and beans.
STRATEGIC LOCATION

Nicaragua is strategically located in the heart of the Americas, right in the middle of the Central American isthmus that forms a land bridge between North and South America. It is bordered on its Eastern and Western shores by the Atlantic and Pacific oceans, respectively. Nicaragua is the largest country in Central America, at approximately 130,373.4 square kilometers; it is roughly the size of New York State.

The country has a privileged location, only two hours by air and six days by sea from the Miami, United States. This proximity of Nicaragua to North, Central and South America makes it an attractive country for the facilities of companies that export to these markets and its geographical position facilitates access to the largest markets in the world.

QUALITY OF LIFE

In addition to being a country with great business opportunities, Nicaragua is also a very pleasant place to live, an amazing country that offers a high quality life-style at very affordable costs. It is a multicultural and multilingual country, with a vibrant culture, with gentle people, tourist sites, spectacular beaches, and an incredible market for property investment.

This country has the lowest cost of living in Central America with prices between 20 to 60 percent lower than in the United States.

Nicaragua offers a variety of residential houses, apartments and condominiums, including standard comfort and communication services, at various price ranges. Moreover, there are no restrictions in terms of purchasing real estate, as the law ensures equal rights for nationals and foreigners. The following table shows the approximate price range for rent in Managua:
**General healthcare**

Good quality and affordable health services have been drawing international attention in the last couple of years. The country has both highly trained physicians who speak English, as well as some of the most modern medical facilities in the region. In fact, foreign residents, expatriates and tourists are discovering that the quality of health services in Nicaragua exceeds their expectations.

Not only is high-quality health care available at a reasonable price, but there is also a wide range of health coverage choices available to foreigners. The Vivian Pellas Metropolitan Hospital accepts a huge variety of foreign health insurances, such as HTH International, Morgan White, International SOS, among others.

The Vivian Pellas Metropolitan Hospital, inaugurated in Managua on May 31st, 2004, has emerged as one of the most modern hospitals in Central America. The facility is open 24 hours a day and employs more than 300 leading specialists in areas, such as gynecology, cardiology, orthopedics, pediatrics, internal medicine, surgery, neurology, urology, anesthesiology, ophthalmology, among others.

On July 16th, 2010, the Vivian Pellas Metropolitan Hospital was awarded with an international accreditation by Joint Commission International. This qualification recognizes the hospital's efforts to serve patients with the quality that they deserve in a dynamic security environment, as well as its comprehensive adherence to the highest international quality standards. There are only 21 accredited hospitals in Latin America in 6 countries: Brazil, Mexico, Chile, Argentina, Costa Rica and now Nicaragua.

July 18th, 2016, was the inauguration date of Dr. Alejandro Dávila Bolaños Military Hospital, the most modern infrastructure in all Central America. The hospital possesses 54 thousand square meters of
construction, 476 hospital beds, and the best technology. It has a capacity of 4,300 patients and more than 50 surgeries daily.

Fernando Vélez Paiz Western Hospital is completely finished with worldwide quality standards. Its capacity reaches the 1,000 patients per day and it will provides more than 300 hospital beds. Outside of Managua, there are a great number of high quality clinics and hospitals with available physicians for every day medical attention.

By 2020, Nicaragua has 77 public hospitals, 143 health centers, 1,333 medical posts and 66 mobile clinics, in which it constantly invests in order to incorporate high-tech equipment and improve the quality of services.

Currently, in a context of health crisis, Nicaragua has begun voluntary vaccination for the prevention of COVID-19. In addition, the country also performs the PCR test or “Polimerase Chain Reaction Test” known internationally as a fast and effective diagnostic test in the detection of the virus. To travel outside the country, this service it is offered at “Centro Nacional de Diagnóstico y Referencia (CNDR)” by appointment online or by visiting the center directly. Additionally, public health centers are conducting the PCR test to monitor the development of COVID-19.

**Tourist activities**

Nicaragua offers a wide variety of sports activities that visitors can enjoy. From activities that raise adrenaline, such as canopy and surfing, to recreational activities such as golf, tennis, and the national sport - baseball.

The adventure abounds in the country; any tourist can find a unique and exciting experience to enjoy. Nicaragua comprises more than 720 km of coastline that facilitates some of the most renowned surfing in Latin America, and zip-lining, one of the countries’ most popular activities, is offered in beach, volcano, and lagoon settings. Also at the beach, tourists can engage in diving where the diversity of marine flora and fauna of Nicaragua is evident in both the Pacific and Caribbean coasts. Lastly, sand skiing has become increasingly famous in Nicaragua as this extreme sport can only be practiced in certain areas of the world, including the internationally known Cerro Negro Volcano, in the department of Leon.

**Nature**

Nicaragua is one of the richest countries in the region in terms of natural resources. The Lake Nicaragua, which is the second largest lake in Latin America, is home to a variety of fresh-water bull sharks that are unique to the world. Also unique to the world in Nicaragua is the Island of Ometepe, which is the largest island, formed by two volcanoes residing in a lake, recently named a biosphere reserve by the UNESCO Programme of Man and the Biosphere. Nicaragua is home to 28 volcanoes and 7 percent of the world’s biodiversity, including 3 biosphere reserves, one of which, Bosawas Biosphere Reserve, located in the North Caribbean Coast Autonomous Region.
In addition to its inherent natural beauty, Nicaragua also benefits greatly from its immediate access to the Pacific and Caribbean coasts. In the South, the coast is dominated by cliffs, coves and bays with clear sand beaches and waves and winds that favor surf and sailing. In the Central and North regions, quaternary volcanism formed velvety black sand beaches, and on the Caribbean, pristine beaches and white sands characterize Corn Island, Little Corn Island and The Miskito Keys.

**Culture**

Nicaraguan culture and traditions are characterized by a fusion of indigenous heritage, European, and African elements. The influence of these different elements is reflected particularly in Nicaraguan gastronomy, dances and traditional costumes, handicrafts, national festivals and religious celebrations. Nicaragua is also known for being the birthplace of Rubén Darío, the father of Modernism. Among Nicaragua’s cultural contributions is the Güegüense, a literary work declared by the United Nations Education, Science, and Culture Organization (UNESCO) as a Cultural Heritage of Humanity.

The legacy of Nicaragua’s colonial history is evident in the architecture of its cities as virtually all departments of the country are still marked by characteristic buildings of the era. The Ruins of Leon Viejo and the Cathedral of Leon, both in the city of Leon, are recognized as a World Heritage Site by UNESCO, as they are also one of the oldest Spanish colonial settlements in America and confirm the country’s historical wealth.

The Caribbean Coast of Nicaragua, is recognized for its ethnic variety and profound cultural diversity. Due to the combination of natural resources, history, and geographical position, the Caribbean Coast provides substantial contributions to the social, cultural, political and economic aspects of the country, having as well, a great potential for development.

**NICARAGUA: ¡LET´S GROW TOGETHER!**

**MARKET ACCESS**

Nicaragua maintains prolific commercial relations with most countries of the world. It has been a member of the General Agreement on Tariffs and Trade (GATT), which later evolved into the World Trade Organization (WTO), since 1949, and has been a full member of WTO since 1995.

Nicaragua is also a member of the Central American Common Market (CACM) and has Free Trade Agreements with the European Union, Mexico, Dominican Republic, The United States, Chile, Panama, and Taiwan. It trades under the Generalized System of Preferences (GSP) with various countries, including Canada, Norway, Russia and Japan.
In recent years, Nicaragua has been actively involved in multilateral, regional and bilateral negotiations, in order to achieve a better integration to the world. As a result of these efforts, the country has gained preferential access to key markets and makes it an ideal platform for export. However, the country continues to look for opportunities to ensure its successful insertion in international trade and the global economy.

**Free Trade Agreements**

**DR-CAFTA – Free Trade Agreement between the Dominican Republic, Central America and the United States of America**

This agreement came into force in Nicaragua in April, 2006. The agreement permits the duty-free access into the United States of 100 percent of agricultural production, 80 percent through instant access and 20 percent through quotas. Moreover, industrial production enjoys 100 percent duty-free access. All nations involved hold the right to apply trade restrictions to a short list of products related to the safety, health and protection of consumers.

The single transformation provision grants duty-free benefits to specific types of garments, with the flexibility to use fabric of any origin as long as the products are cut (knit to shape) and sewn in the DR-CAFTA region. The quantity of single transformation trade is unlimited, and the benefit does not expire over time.

DR-CAFTA’s Textile and Apparel provisions include a short supply list of specific yarns and fabrics deemed to be “not available in commercial quantities in a timely manner” in the treaty’s signatory countries. Provided the outer shell of a garment is cut and sewn in a DR-CAFTA country using these specific yarns and fabrics, it may enter the United States duty-free.

The United States is Nicaragua’s most important trading partner. In 2020, Nicaragua exported US$3,032.1 million (including free zones) to this northern country, which represents 59.6% of the total exports of 2020.

**FTA Nicaragua – Mexico**

Mexico is an important trade partner for Nicaragua within the framework of the single Free Trade Agreement between that country and Central America. In 2020, it was the third country destination for shipments of Nicaraguan products to the world market, with a 7.8% share and exporting to this destination the amount of US$398.6 million.

In addition to harnesses, Nicaragua exported to Mexico: beef, crude oil, peanut, clothing and accessories, shrimp, offal of bovine animals, gold coffee, cane sugar, sesame, cotton fabrics, corn starch, writing ink, rum and fish steak among the main.

**FTA Nicaragua – Taiwan**
Since the entry into force of the Free Trade Agreement between Nicaragua and Taiwan, 10 years ago, Nicaraguan exports have shown a positive behavior. In November 2017, an update of the agreement between the two nations was carried out, where Taiwan granted Nicaragua a doubling of the sugar quota sent annually and that the tariff that had to be paid for by-products derived from beef was reduced to zero.

The Taiwanese market is of importance for the exportable supply of Nicaragua, occupying in 2020 the fifth position as country destination of Nicaraguan exports. At the end of 2020, the values exported to Taiwan reached US$124.8 million.

Among the products that Nicaragua has exported to Taiwan are shrimp, beef, cane sugar, gold coffee, lobsters, offal of bovine animals, mollusks and other invertebrates, waste of iron or steel, guts and stomachs of cattle, copper waste, crustaceans and mollusks prepared or preserved, cane molasses, uncooked peanuts, observing great power for other goods.

FTA Nicaragua – Panama


In general, the FTA with Panama has made a positive advance in the process of global openness by commitments that provide duty-free entry to a vast number of products, tariff reduction in both linear and nonlinear terms, minimization and progressive removal of customs procedures that restrict trade and a space for mediation and dispute resolution. The agreement has a reciprocal basis that according to the benefits each partner can grant mutually drives trade liberalization for the future that without being a global market, it is still important and positive for world trade.

Between 2010 and 2019, Nicaragua has been able to export a total of US$308.9 million to Panama, excluding free zone trade. Specifically, in 2019, Nicaragua reached the US$40.2 million mark in exports to Panama in comparison to the US$11.9 million exported in 2009, before the treaty was in place.

FTA Nicaragua – Dominican Republic

Nicaragua exported US$18.2 million to the Dominican Republic in 2020. Both countries are duty free as part of the deal.

The main products exported to the Dominican Republic during 2020 were: cotton fabrics, raw tobacco, bakery, confectionery or biscuit products, cane sugar, tobacco and tobacco substitutes, indented ethyl alcohol, medicinal products for human use, printing, writing or coloring inks,
preparations used in the manufacture of inks, black bean, sawn timber, coffee mill, uncooked peanuts, herbicides, cigars and cigarillos, onion, fish, etc.

FTA Central America – Chile

The bilateral protocol negotiations between Nicaragua and Chile were resumed in 2008, and concluded with the signing of the bilateral Protocol on February 2012. The Treaty with its bilateral Protocol entered into force for Nicaragua and Chile on October 19, 2012.

Nicaragua has exported to Chile during 2020 a total of US$4.4 million. Of the total goods exported to the Chilean market in 2020 stands a basket of 7 products; footwear and clothing articles, cane sugar, coloring materials, waste paper recycling, preparations used in the manufacture of inks, rum and clothing accessories (knitted).

Chile has great commercial opportunities for Nicaraguan exporters as it has a population of more than 18 million people with a high purchasing power. The private sector must take more action aimed at making the most of the FTA.

FTA Nicaragua – South Korea

In October 2014, the Council of Ministers for Economic Integration (COMIECO) agreed to initiate negotiations with South Korea in order to initiate negotiations on a Central American-Korean Free Trade Agreement. So, El Salvador was authorized to initiate contacts on behalf of the Region.

The negotiations were launched in the City of Houston, Texas on June 18, 2015. On July 30 of that year, the Terms of Reference establishing the negotiating structure for a Free Trade Agreement), in accordance with the objectives of the trade policy that contributes to the development strategies of the parties, promoting greater opportunities through job creation, sustained economic growth, strengthening productive capacities and improving quality of life.

In November 2016, the treaty negotiations concluded at a meeting of the holders of the commercial portfolio of the Central American countries with their counterpart from South Korea, which took place in Managua, Nicaragua. In February 2018, the signing of the free trade agreement between Central America and South Korea was held in Seoul.

In 2020, US$60.9 million were exported to South Korea, which represented an increase of 200.8 percent compared to those exported in 2019.

Association Agreement Central America – European Union

On May 19, 2010, the European Union and Central America closed negotiations on the Association Agreement they first signed in 2007. The Association Agreement was already ratified by the National Assembly and is published in the Official Gazette No 78 of May 1, 2013. The commercial part of the treaty came into force in August 1, 2013.
This Association Agreement between Central America and the European Union establishes a significant framework for the further development of bi-regional relations through political dialogue, cooperation and trade.

In 2020, Nicaraguan exports to the European Union reached US$367.7 million, which represents 7.2% of total exports.

**Free Trade Agreements in Negotiation**

**Central America CA4 – Canada**

Negotiations resumed formally in December 2008 in Ottawa, Canada, to make progress on the outstanding issues contained in the joint texts, while at the same time progressing bilateral negotiations between Canada and every country of the Central American Four (CA4; an organization between Guatemala, Honduras, El Salvador, and Nicaragua). This meeting was focused on issues such as market access, rules of origin, financial services, telecommunications, investment, competition, government procurement, dispute settlement and institutional issues.

To date, the agreement has closed on the following issues; customs procedures and trade facilitation, sanitary and phytosanitary measures, technical barriers to trade, trade protection, temporary entry of business people and services across borders. The main outstanding issues remain; market access, bilateral listings, preferential treatment for apparel textile products, accumulation, competition and procurement services, investment, and labor and environmental issues (Environmental Cooperation and Labor Agreement).

Currently, a date has not been set for the next round of negotiations; however, it is in the interests of the CA4 to conclude these negotiations as soon as possible.

**CA4 – CARICOM**

In May 2007, the Second Summit of Heads of State and Government, CARICOM – Central American Integration System (SICA, for its acronym in Spanish) – Dominican Republic, was held in Belize, where the presidents of Central America, CARICOM (Caribbean Community) and the Dominican Republic requested the Finance Ministers of SICA and the Foreign Ministers and Trade Ministers of CARICOM to specify the structure, modalities and schedule for their negotiations. The purpose of the summit was to define a signature time frame for this free trade agreement, between El Salvador, Guatemala, Honduras, Nicaragua, Panama and member countries of SICA and CARICOM, in the near future. The official launch and first round of negotiations took place in Port of Spain, Trinidad and Tobago on August 8th, 9th, and 10th, 2007.

As a result of the first round of negotiations, present parties agreed to work on the development of a Protocol of Amendment and Adherence of the CA4 countries and Panama to the current Free
Trade Agreement between CARICOM and Costa Rica. The protocol would contain necessary amendments to allow the adherence of the CA4 countries and Panama, as well as annexes on the particular rules of each country in CARICOM. A scheduled plan of the negotiation process to discuss this protocol is still pending, however, CARICOM stated that it was unable to resume negotiations immediately because it was immersed in the process of implementing its current Association Agreement with the European Union.

**Preferential access**

Generalized System of Preferences (GSP)

The GSP is a non-reciprocal and non-discriminatory trade scheme, through which industrialized countries apply tariff preferences to imports from developing countries. Nicaragua receives GSP benefits from Canada, Norway, Japan, Russia, and Switzerland.

- **Canada**: free access to citrus, watermelon, cantaloupe, papaya, seafood, bananas, tropical fruits, pineapple, roots, eggplant, cauliflower, tobacco, and spinach. Tariff Preferences are also granted for industrial goods.
- **Norway**: Nicaragua’s agreement with Norway is more favorable than that granted to other Central American countries as Norway grants duty-free access to the entire world of Nicaraguan products.
- **Japan**: preferences to various agricultural and fishery products as well as industrial products, with a list of exceptions.
- **Russia**: preferences are granted to several export products including beef.
- **Switzerland**: preferences to various agricultural and industrial products. The products under this scheme are admissible with tax exemption, except the textiles and apparel which are granted with 50% of exemption of the normal tax.

**Colombia**

The preferential access granted by Colombia is meant to strengthen trade through the granting of tariff and non-tariff preferences with the expectation that Nicaragua will grant such preferences to Colombia, when conditions permit. At the moment, there are 25 items under preferred status.

**Ecuador**

In 2017, the approval of the Partial Scope Agreement between the Government of Nicaragua and the Government of Ecuador was approved. In this way, forty products and their derivatives were free of the tariff’s payment. Among the goods from Nicaragua that will not pay import taxes to the Ecuadorian market are rum, cigars, sea products, honey, potatoes for sowing, garlic, vegetables, beans, wood manufactures; medicines, gum and candy, vehicles and wooden furniture.
ALBA

The Bolivarian Alternative for the Americas (ALBA) is an agreement of economic and social cooperation between Antigua and Barbuda, Cuba, Dominica, Granada, Nicaragua, Saint Kitts and Nevis, Saint Vincent and the Grenadines, Suriname, Venezuela. The ALBA is essentially a model of integration of the Caribbean and Latin American people who share geographical spaces, historical and cultural ties and needs and potential in common.

Additionally, specific cooperation agreements have been signed with Venezuela. Since 1993, Nicaragua has had a Partial Agreement with Venezuela by which it can unilaterally export beef, potatoes, soy flour, soy oil, raw sugar, and molasses, at 100 percent tariff preferences, dehydrated garlic at 80 percent, black beans at 70 percent and soybeans at 60 percent tariff preferences.

Incorporation of Nicaragua to the Latin American Integration Association (ALADI)

In April 14, 2009, the Government of Nicaragua requested accession to the Latin American Integration Association (ALADI, for its acronym in Spanish), which is formed by Argentina, Bolivia, Brazil, Chile, Colombia, Cuba, Ecuador, Mexico, Paraguay, Peru, Panama, Uruguay and Venezuela. The Council of Ministers of Foreign Affairs of ALADI approved Nicaragua's accession to the Treaty of Montevideo of 1980 on August 11, 2011.

This accession represents a very attractive opportunity to enhance our exports on preferential terms, as our country was classified in the preliminary phase such as Country of Minor Relative Economic Development (PMDER, for its acronym in Spanish). This classification gives us the right to negotiate reciprocal conditions between PMDER countries and non-reciprocal with other members.

On March 2013, in ALADI's headquarter in Montevideo, Uruguay, bilateral meetings were held with members of the association in order to begin negotiations of the Payrolls Market Opening (NAM, for its acronym in Spanish) in favor of our country.

As a result of negotiations, some countries granted market access to various Nicaraguan products, and pledged to revise and expand the list in order to grant a greater benefit of our exporters.

Bolivia accepted free trade for all tariffs on a reciprocal basis, representing an unprecedented event in the history of ALADI, since it is the first time that two members included the entire tariff universe in their respective Payrolls Market Opening.

To march 2014, Nicaragua has negotiated the tariff concessions with nine out of the thirteen members of ALADI, becoming into the Central American country that has had more advances in the process of accession to ALADI.
Nicaragua's exports to ALADI have reflected a growing trend in recent years, increasing from US $84.1 million in 2007 to US $402.4 million in 2019, that is, US $320.3 million more, for a percentage increase of 390 percent.

**Bilateral Treaties for the Promotion and Protection of Investments**

The Government of Nicaragua has signed several Bilateral Treaties for the Promotion and Protection of Investments as part of its policy to encourage investment in the country. Bilateral investment treaties set standards for the promotion and legal protection of foreign investments and investors. All countries that have Free Trade Agreements with Nicaragua also include bilateral treaties for the promotion and protection of investments.

<table>
<thead>
<tr>
<th>Bilateral Treaties for the Promotion and Protection of Investments</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Chile (1996)</td>
<td>Italy (2005)</td>
</tr>
<tr>
<td>Argentina (1998)</td>
<td></td>
</tr>
</tbody>
</table>

**LOGISTICS AND INFRASTRUCTURE**

**Telecommunications**

Since the late 1990s, Nicaragua began a technological transformation that implemented the latest technologies to reinforce its telecommunications infrastructure. The telecommunication sector is fully privatized and is considered one of the most modern in Central America. It has also grown to become one of the most important sectors of the country. According to the Nicaraguan Chamber of Internet and Telecommunications (CANITEL, for its Spanish acronym), the telecommunications sector has been placed within the three most important receptors of foreign direct investment and in 2015, it positioned itself in first place with a 31 percent of total foreign investment, generating more than 50 thousand jobs. Nicaragua provides high quality, redundant fiber telecommunications connections via three international submarine fiber optic cable systems (ARCOS-1, MAYA-1 and Emergia).

The following services are available in Nicaragua:

- Internet: Fractional to full DS3 service provided.
- Voice Network: Analogue and digital land line voice services are provided.
• 4G: WiMAX technology through fiber optics and wireless (microwaves) for Internet and mobile phones.

**Electric grid**

Nicaragua’s electric grid has an effective capacity of 1,620 MW approximately, and a maximum demand of 700 MW. In the period between 2007 and 2008 the Nicaraguan Government, in correlation with the Ministry of Energy and Mines (MEM), developed a strategy to eliminate deficit in energy generation, simultaneously promoting the expansion and diversification of the actual energy generation matrix towards renewable, more efficient, and sustainable sources. In 2020, 57 percent of energy generation was derived from clean energy.

By 2033, it is expected that the country’s energy generation matrix will be transformed, reducing to 30 percent the generation of energy from non-renewable sources.

**Highway network**

The Nicaraguan national highway network is composed of approximately 24,768 kilometers in 2019, including the 381.6 kilometers that make up the Pan-American Highway, which branches into other roads leading to different cities in the country.

The Pan-American Highway is the main route for most terrestrial cargo and forms part of the road network interconnecting the largest cities on the Pacific side of Nicaragua. The highway network has been substantially refurbished in recent years, including the main highways that link the capital to the Western, Central and Northern regions of the country, as well as with both borders. The unpaved portions of the highways between Managua and the North Caribbean coast of Bilwi are more accessible during dry season (December-April). Nevertheless, in 2019 an important road was recently finished that runs from Managua to Bluefields, the most important commercial port in the Caribbean.

<table>
<thead>
<tr>
<th>Type of surface</th>
<th>Kilometers</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>All time</td>
<td>9,746</td>
<td>39.3%</td>
</tr>
<tr>
<td>Dry Season</td>
<td>7,401</td>
<td>29.8%</td>
</tr>
<tr>
<td>Coated</td>
<td>2,920</td>
<td>11.8%</td>
</tr>
<tr>
<td>Asphalt</td>
<td>2,549</td>
<td>10.3%</td>
</tr>
<tr>
<td>Cobblestone</td>
<td>1,632</td>
<td>6.6%</td>
</tr>
<tr>
<td>Hydraulic Concrete</td>
<td>478</td>
<td>1.9%</td>
</tr>
<tr>
<td>Gravel road</td>
<td>42</td>
<td>0.2%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>24,768</strong></td>
<td><strong>100.0%</strong></td>
</tr>
</tbody>
</table>

Source: Ministry of Transport and Infrastructure (MTI), 2019.

According to the Global Competitiveness Index 2019 of the World Economic Forum, Nicaragua is the country with the best roads in Central America and ranks sixth in all Latin America. This reflects the
positive impact of the programs executed by the Government of Nicaragua for improvement of infrastructure.

### Quality of Roads 2019

<table>
<thead>
<tr>
<th>Country</th>
<th>Score</th>
</tr>
</thead>
<tbody>
<tr>
<td>Nicaragua</td>
<td>58</td>
</tr>
<tr>
<td>El Salvador</td>
<td>61</td>
</tr>
<tr>
<td>Honduras</td>
<td>66</td>
</tr>
<tr>
<td>Costa Rica</td>
<td>117</td>
</tr>
<tr>
<td>Guatemala</td>
<td>132</td>
</tr>
</tbody>
</table>

*Source: The World Economic Forum, 2019*

### Airports

Nicaragua has one international airport, located in Managua, and eight national airports, located in the Caribbean Region of Nicaragua in Bluefield, Corn Island, Bilwi, Siuna, Rosita and Bonanza, two more located in San Juan del Norte and Nueva Guinea, another located in Tola – Rivas, and one located in Ometepe.

**International airport**

An expansion and modernization of Managua’s Augusto C. Sandino International Airport, worth US$60 million, was finished in 2006. Along with an infrastructure revamp aimed to provide improved services to passengers, the project also included the construction of facilities for a more efficient cargo handling process.

Managua’s Augusto C. Sandino International Airport, considered one of the safest in Latin America, serves as a connection to 15 international destinations daily.

In December 2014, Aeromexico, the biggest Mexican airline, started operations in Nicaragua offering direct flights to Mexico City six times per week except for Saturdays. After a year of operation, the airline carried more than 40 thousand passengers between both capitals, and augmented its capacity by 30 percent, given the high demand. To date, Aeromexico provides more than 1,300 passenger seats and more than 14 flights.

**Direct flights from Managua**

Currently, Managua has direct flights to 3 destinations; one destination in United States and two in Central America.

<table>
<thead>
<tr>
<th>Destination</th>
<th>Flight Times</th>
<th>Airline</th>
</tr>
</thead>
<tbody>
<tr>
<td>Miami, USA</td>
<td>2h 35m</td>
<td>Avianca</td>
</tr>
<tr>
<td>Panama City, Panama</td>
<td>1h 35m</td>
<td>COPA</td>
</tr>
<tr>
<td>San Salvador, El Salvador</td>
<td>1h 0m</td>
<td>Avianca</td>
</tr>
</tbody>
</table>

*Source: COPA, Avianca.*
Up to date international and local travel information can be found at the Augusto C. Sandino International Airport website, www.eeai.com.ni.

Domestic airlines

Nicaragua has one national airline called La Costeña. Its office and check-in counters are located in the west wing of the Augusto C. Sandino International Airport.

La Costeña offers daily flights to Corn Island, Siuna, Bilwi, Bluefields, Bonanza, Rosita, Waspam, San Carlos, San Juan, Ometepe and Costa Esmeralda. Furthermore, offers charter and cargo transportation.

Freight carriers

The Augusto C. Sandino International Airport has a cargo terminal where 5 freight carriers handle and transport cargo to and from North, Central and South America, and Europe. Each carrier has a cargo warehouse, and some of the operating companies include UPS Air Cargo, United Cargo, Avianca Airlines Cargo, COPA Airlines Cargo, and American Airlines Cargo.

Seaports

Nicaragua has six important seaports: Corinto, Puerto Sandino and San Juan del Sur in the Pacific, and Bilwi, the Bluff, El Rama (Arlen Siu) in the Caribbean Coast. The ports are fully equipped to handle and warehouse cargo.

It also has lacustrine ports located in the Cocibolca and Xolotlan lakes, mainly oriented for touristic activities. In the Cocibolca Lake stands out the port of San Jorge which is located in the department of Rivas, and serves as an entry for Ometepe Island and the port of San Carlos. The port of San Carlos is located in the department of Rio San Juan, and is used to travel to the Solentiname archipelago or to sail through San Juan River. The Salvador Allende port is located in the Xolotlan Lake, Managua, and is an interesting touristic destination, which offers tours through the lake and a vast gastronomy.

Puerto Corinto

Corinto is the main and more dynamic port of Nicaragua. It handles most of the imports and exports cargo of the country. Puerto Corinto is located 155 kilometers away from Managua in the North-Western Pacific coast, in the department of Chinandega. The port is considered one of the safest in Central America because a string of islands, which work as a natural shelter that protects it. Furthermore, it is connected to the rest of Nicaragua’s international ports by an excellent asphalted highway.
It is internationally certified as a safe port since June of 2004 because of the fulfillment of the regulations of port and maritime security established by the International Maritime Organization (IMO).

<table>
<thead>
<tr>
<th>Description</th>
<th>Puerto Corinto</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Terminal for General Cargo</td>
</tr>
<tr>
<td>Capacity</td>
<td>2 docks of 370 m long by 22.5 m wide and 11.5 m deep.</td>
</tr>
<tr>
<td>Transit Cargo Warehouse</td>
<td>2 warehouses of 11,850 m² in total</td>
</tr>
<tr>
<td>Outdoor Storage Area</td>
<td>27,000 m² (2.7 hectares)</td>
</tr>
</tbody>
</table>

*Source: National Ports Company*

It has an area of outer port located three kilometers before arriving at the Port, which ensures safe stay for trucks with export cargo or those who take the import cargo out, ensuring orderly access to the Port through the automated recording of trucks entrance.

Similarly, in order to facilitate and expedite the export process, the outer port has an all-in-one information window, as well as the presence of delegates from the Customs Department, Centre for Export Procedures (CETREX) and the Ministry of Agriculture and Forestry (MAGFOR), which ensures that the cargo has the duly validated and revised documentation when entering the Terminal Port. Soon the port will be offering these same facilities for import formalities.

This new operational concept has facilitated the management of port activities because it ensures better security controls and expeditious handling of cargo, allowing greater customer satisfaction and better conditions for international trade in Nicaragua.

Puerto Sandino

Puerto Sandino is located on the Pacific Coast, in the bay formed by the Venado Island and the Tamarindo River in the Department of Leon. The port is 70 kilometers away from Managua by highway.

It is a dual operation port, the loading and unloading operations are performed through light boats on a platform located within two miles of the dock. There are two floating ports to handle liquid cargo (mainly fuel) and solid materials.
Puerto Sandino

<table>
<thead>
<tr>
<th>Description</th>
<th>Terminal 1</th>
<th>Terminal for Liquid Cargo</th>
</tr>
</thead>
<tbody>
<tr>
<td>General Cargo</td>
<td>200 m long by 30 m wide, with a total area of 6,000 m²</td>
<td>Exclusive for oil tankers, which are connected to a network of submarine pipes that unload the material to the reception tanks at the wharf of Puma Energy and then it is pumped through a 6 inches pipe till the refinery located in Managua. 230 m long by 35 m wide, with a total area of 8,050 m². The reception tanks of Puma Energy have a capacity of 660,000 barrels.</td>
</tr>
<tr>
<td>Capacity</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Transit Cargo Warehouse</td>
<td>13,146 m² with a total capacity for 24,800 MT</td>
<td></td>
</tr>
<tr>
<td>Outdoor Storage Area</td>
<td>26,344 m² of which 3,627 m² are for products that come in bulk</td>
<td>8,000 m²</td>
</tr>
</tbody>
</table>

Source: National Ports Company

San Juan del Sur

Located in the bay bearing the same name, the port of San Juan del Sur is located 140 kilometers from Managua and 29 kilometers from Rivas, and it receives international cruisers which anchor a half nautical mile from the wharf, at a depth of 10 meters. The bottom is suitable for a good and safe anchorage.

| Description | San Juan del Sur |
|-------------|----------------|----------------|
| Main Dock | The wharf has a longitude of 110 m, with depths averaging 4.25 m. In low tide its depth shrinks to 2.49 m | |
| Capacity | 3,889 m² with a total capacity for 10,000 MT | 10,000 m² |
| Transit Cargo Warehouse | | |
| Outdoor Storage Area | | |

Source: National Ports Company

Recently in June 2016, the Nicaraguan authorities inaugurated the expansion and modernization of a port in San Juan del Sur, in the Pacific, a project with an investment of 4 million dollars partly financed by the Inter-American Development Bank (IDB).

The project included the construction of four commercial modules, which include souvenir shops and tourist information offices, recreational parks, ranches and restaurants offering typical Nicaraguan food, among others.
El Bluff

El Bluff port is located on the Caribbean Coast, in the Bay of Bluefields, six nautical miles from the coastline and about 98 kilometers to the north of Costa Rica. The port counts only with aquatic communication. The navigation route that connects El Bluff with El Rama is about 100 kilometers over the Escondido River, and buoys signal it. The port offers services for guiding boats through Rio Escondido into the port of El Rama.

<table>
<thead>
<tr>
<th>Description</th>
<th>El Bluff</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Main Dock</strong></td>
<td></td>
</tr>
<tr>
<td><strong>Capacity</strong></td>
<td></td>
</tr>
<tr>
<td>159 m long by 18 m wide, with a 5.50 m depth</td>
<td></td>
</tr>
<tr>
<td><strong>Transit Cargo Warehouse</strong></td>
<td>2,097 m²</td>
</tr>
</tbody>
</table>

*Source: National Ports Company*

Puerto “Arlen Siu"

This port is located in the South Caribbean Autonomous Region of Nicaragua, 292 kilometers from Managua and 1 kilometer away from El Rama City. It is the main access route to the Caribbean international markets and the east coast of the United States. Is provided with an excellent highway where the cargo can be transported with safety.

In February 2018, the National Port Company improved the container yard and built the access slab. The port possesses of a signing system over the Escondido River that allows the nocturne navigation and it counts with equipment and port infrastructure for the handling of the cargo with efficiency and efficacy. It has the capacity to dock ships of 3,500 GRT, as conventional ships like Roll On Roll Off, with a draught of 5.5 meters.

It is internationally certificated as a secure port after fulfilling with the regulations of port and maritime security established by the IMO.

Make easy the international commerce through the one-stop shop that simplifies bureaucrat procedures of imports and exports.

<table>
<thead>
<tr>
<th>Description</th>
<th>El Rama</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Dock 1</strong></td>
<td></td>
</tr>
<tr>
<td><strong>Capacity</strong></td>
<td></td>
</tr>
<tr>
<td>Made of a floating wharf 93 m long and 24 m wide, with a depth of 6.7 m</td>
<td></td>
</tr>
<tr>
<td><strong>Transit Cargo Warehouse</strong></td>
<td>4,503 m³ with a total capacity for 9,000 MT</td>
</tr>
<tr>
<td><strong>Dock 2</strong></td>
<td></td>
</tr>
<tr>
<td><strong>Capacity</strong></td>
<td></td>
</tr>
<tr>
<td>Made of steel, with a longitude of 105 m, 40 m wide and 6 m deep.</td>
<td></td>
</tr>
<tr>
<td><strong>Transit Cargo Warehouse</strong></td>
<td></td>
</tr>
</tbody>
</table>
Outdoor Storage Area

| 10,000 m² (1,300 TEU’S) | 20 power point for refrigerated containers. |

Source: National Ports Company

Bilwi

It is located in the Northern Region of the Caribbean Coast, and it is connected with the Pacific region only by all season highway and air transportation through an international airport. Ships who want to dock in the port must wait until the authorities give the respective permission to access to the canal that drives to the wharf area. Port facilities are facing the open sea without separators, so towing vessels are required during certain periods. The wharf has two sections, one for international boats with a maximum length of 100 m and another for national boats with a maximum capacity for ships of 80 m in length.

<table>
<thead>
<tr>
<th>Puerto Cabezas</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Description</strong></td>
</tr>
<tr>
<td><strong>Main Dock (Made of wood)</strong></td>
</tr>
<tr>
<td>461 m long structure divided into an access bridge 360 m long and 7 m wide and a docking station for international ships, which is 111 m long, 7 m wide, and 6 m deep.</td>
</tr>
<tr>
<td><strong>Capacity</strong></td>
</tr>
<tr>
<td>Transit Cargo Warehouse</td>
</tr>
<tr>
<td>Total capacity of 1,500 MT</td>
</tr>
<tr>
<td>Outdoor Storage Area</td>
</tr>
<tr>
<td>1,500 m²</td>
</tr>
</tbody>
</table>

Source: National Ports Company

OPERATIONAL COSTS

Operational costs in Nicaragua are highly competitive and represent a great advantage for investors.

Water service costs

The Nicaraguan Aqueduct and Sewer Enterprise (ENACAL) is the entity responsible in providing the water and sewer service in the country. This company is regulated and controlled by the Nicaraguan Institute of Aqueducts and Sewers (INAA).

In Nicaragua, a company whose average monthly consumption is greater than 50 m³ of water will apply a quote in concept of services to an approximate fee of US$ 0.40 per m³. ENACAL also applies a fee for every m³ consumed to companies with private wells. For more information, visit www.enacal.com.ni

Energy costs
In Nicaragua, the energy distribution service is provided by DISNORTE-DISSUR, and it is regulated by the Nicaraguan Energy Institute (INE). Industrial companies have the option to choose between power rates with or without time discrimination. For an industrial company with a monthly contracted load above 200 kW and under the category with time discrimination, the cost per kWh would be US$0.21. Additionally, a company whose minimum requirement is a concentrated load of one megawatt per month, can apply to the category of “Great Consumer”, and get a special rate through direct purchase to energy generation enterprises.

For the North Caribbean Coast Autonomous Region, the interconnected is located in the area of Las Minas. In Bilwi, operates the company Puerto Cabezas Power (PCP). However, the project of the electric interconnected has already started, which will be supplied by ENATREL. For more detailed information, visit www.ine.gob.ni

**Telecommunications costs**

In Nicaragua, there are several telecommunication companies such as Claro, Cootel and Tigo, which offer E1 phone service. Additionally, they offer plans of advanced digital lines that include services such as call waiting, three-way conferencing, caller ID, voice mail and text messages (SMS). In such schemes the cost per minute for international calls to the U.S. and Canada are approximately US$0.20 / min.

**Internet costs**

In 2018, Nicaragua reached a network coverage of 90 percent of the total municipal areas, with more than 14,000 Km of fiber optic transmission in the entire national territory. This represents more than 3,000 percent growth in comparison to 2014. Moreover, internet bandwidth connections reached a coverage of 70 percent in fixed connections and 98 percent in mobile connections in all municipal areas.

The main suppliers of business connections in Nicaragua are Claro, Xinwei, Amnet, Navega, IBW, Ideay, among others. They offer various packages of dedicated enterprise data whose approximate average prices can range from US$140 for a connection of 1 Mbps up to US$1,100 by a connection of 10 Mbps. We highly recommend contacting the provider of your choice to quote the data package that best suits the needs and requirements of your business.

**Logistics cost**

Here is a comparative between the Central America countries about the marine transportation cost to the main ports of the USA:

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1 Rates include the land transportation cost from store door in the capital of each country to the port of departure and to the main port in the destination country for 20ft containers. For more details on lower costs and times, contact to the office of the local customs agency.
Corporate real estate

Companies wishing to set up operations in Nicaragua can choose to be in an industrial park under free zone status or to set up operations outside an industrial park and still enjoy free zone incentives.

There are a number of free trade zone industrial parks located in the capital city and its surroundings. These industrial parks are found mainly in Managua, located on “Carretera Norte” area, in proximity of Managua’s Augusto C. Sandino International Airport and only a three-hour drive away from the main Pacific port of Corinto, in Chinandega.

Other free zones are located in the north-western part of the country, in the cities of Chinandega and León, in the central region in the cities of Matagalpa and Jinotega, and in the southwest city of Rivas.

Construction costs

Office space

The average cost of office space in the capital city of Managua varies from US$12.0 - US$17.6 per square meter. Depending on the building, amenities such as security, cleaning service, parking, wireless internet and phone connections may be included.
HUMAN CAPITAL

Education

The Nicaraguan Government firmly believes that education is the foundation of a country’s economic development, and has thus allocated a significant amount of the national budget to invest in primary, secondary and higher education. Education expenditures, including public Universities, amount to approximately 23 percent of the GDP.

As a result, from the literacy campaign carried out by the government in 2007 with the slogan “Yes I can,” a general literacy rate of 96.7% was reached. Based on the results of this campaign, the United Nations Educational, Scientific, and Cultural Organization (UNESCO), declared Nicaragua as a territory free of illiteracy, for presenting an illiteracy rate lower than 4%. In 2012, the Central Bank of Nicaragua reported a literacy rate of 97 percent.

Higher education

In the country, there were more than 50 higher education institutions recognized by the National Council of universities (CNU, for its Spanish acronym) by 2019. According to the 2019 PRONicaragua University Population study, in which 22 universities participated, there were approximately 104,738 students enrolled. In addition, the country has an accredited university in the United States of America and three bilingual university programs.

By 2019, a total of 26,709 students were enrolled in the economics and business area, 23,430 in engineering and architecture areas, 18,186 in educational sciences, about 18,019 in the medical sciences area, 8,395 in the agricultural area, 7,636 in science areas political and legal, and 7,627 in other areas of study.

INCAE Business School, a prestigious regional business school affiliated with Harvard University, is located on the outskirts of Managua. The institute is ranked as number one in Latin America and trains experts in international management, ready to offer its services to excellent companies.

English skills

Although the official language of Nicaragua is Spanish, English is increasingly popular. Public and private academic institutions have started to provide more classes in English, given the high demand of this language. It has become evident the great benefit that the English language provides in the workplace, so the number of courses has increased in private academies. In addition, the demand for English has grown in the labor market of outsourced services for graduates with this important ability.
According to a study carried out by PRONicaragua about the Spanish and English speaking population, the interest of the Nicaraguan population in speaking English as a second language is rapidly. The results of the study showed that in 2016, there were almost 22,558 students learning English in public and private language centers; furthermore, almost 4,844 students successfully completed the study program. In addition to the population in public and private language centers, there were 319 students enrolled in bilingual secondary schools, 3,157 students from language centers and 1,387 students from national universities.

**Workforce**

Nicaragua's population is characterized as flexible, with good work habits, fast learners and low rates of absenteeism and turn over. This has allowed Nicaragua to be one of the most competitive and productive nations of the region in terms of human capital.

The official unemployment figure for 2019 is 5.0 percent and according to National Social Security Institute (INSS, for its acronym in Spanish) statistics, in 2020, the economic activities that generated the most jobs were community, social and personal services, industry, trade, hotels and restaurants, and financial institutions.

The following chart presents the number of people affiliated to the social security by different economic activities over the last two years.

<table>
<thead>
<tr>
<th>2020 Average Social Security Affiliates</th>
<th>2019</th>
<th>2020</th>
<th>Variation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Community, social, and personal services</td>
<td>268,130</td>
<td>263,223</td>
<td>-0.02</td>
</tr>
<tr>
<td>Industry</td>
<td>157,255</td>
<td>149,299</td>
<td>-0.05</td>
</tr>
<tr>
<td>Trade, hotels and restaurants</td>
<td>110,360</td>
<td>104,081</td>
<td>-0.06</td>
</tr>
<tr>
<td>Financial Institutions</td>
<td>68,932</td>
<td>67,130</td>
<td>-0.03</td>
</tr>
<tr>
<td>Agriculture</td>
<td>64,952</td>
<td>63,753</td>
<td>-0.02</td>
</tr>
<tr>
<td>Transportation and communication</td>
<td>31,182</td>
<td>31,943</td>
<td>0.02</td>
</tr>
<tr>
<td>Construction</td>
<td>20,622</td>
<td>20,606</td>
<td>0.00</td>
</tr>
<tr>
<td>Electricity, gas and water</td>
<td>9,306</td>
<td>9,578</td>
<td>0.03</td>
</tr>
<tr>
<td>Mines</td>
<td>4,498</td>
<td>4,852</td>
<td>0.08</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>735,236</td>
<td>714,465</td>
<td>-0.03</td>
</tr>
</tbody>
</table>

*Source: Central Bank of Nicaragua, 2020*

**LABOR LAW**

The minimum guaranties of the Nicaraguan labor rights are privileged with constitutional protection and include the right to:
1) Equal salary for equal work in the same conditions without discrimination on political, religious, social, gender reasons or any other kind;

2) 8-hour workday, weekly rest, vacations, remuneration for national holidays and Christmas bonus in accordance with the law; and

3) Social security for full protection and livelihoods in cases of disability, old age, occupational hazards, sickness and maternity; and their families in cases of death, in the form and manner prescribed by the Law.

The Labor Code is mandatory for all natural or legal person established in Nicaragua. Workers cannot waive to their rights in favor.

Spanish will be the default language to use in all labor relations. In case of those carried out the Caribbean Coast of Nicaragua, the languages of its communities will be used.

It is mandatory for employers to hire at least 90% of Nicaraguan employees; except if the Ministry of Labor (MITRAB, for its acronym in Spanish) authorizes the employers to hire more foreign employees for technical reasons.

Foreigners that want to work in Nicaragua must obtain a permission granted by the General Immigration Department (DGME, for its acronym in Spanish).

Types of Labor Shift

- Day shift: Work undertaken between six in the morning and eight at night is considered a day shift. Regular day shift hours are 8 working hours daily for 48 hours per week.
- Night shifts: Work undertaken between eight at night and six in the morning of the following day is considered a night shift. Regular night shift hours are 7 working hours daily for 42 hours per week.
- Combination day-night shifts: A combined work shift is 7.5 hours per day for a 45-hour workweek.
- Overtime: Work outside regular working hours is always considered overtime. According to the National Labor Code, for overtime employers must pay twice the amount stipulated for regular working hours. A maximum of 3 hours beyond regular hours may be worked, not exceeding a total of 9 hours per week.

Types of employment contract

The individual employment contract is most of the time indefinitely, unless the parties have agreed the term.
If the fixed-term contract expires and the employee continues working for 30 more days, or if the contract is renewed for the third time, the contract will have considered as indefinite.

Fringe benefits

Total fringe benefits amount to 52% for companies with more than 50 workers (social security of 22.5%) and 51% for companies with less than 50 workers (social security of 21.5%). In some cases, there is an agreement about the cash payment of holidays and vacations when the employee does not take them, but it is not mandatory for the employer since the employee should take those days off.

<table>
<thead>
<tr>
<th>Costs for the Employer</th>
<th>% of Ordinary Gross Income</th>
</tr>
</thead>
<tbody>
<tr>
<td>Vacation</td>
<td>8.33%</td>
</tr>
<tr>
<td>Christmas bonus – 13th month</td>
<td>8.33%</td>
</tr>
<tr>
<td>Termination compensation</td>
<td>8.33%</td>
</tr>
<tr>
<td>Holidays</td>
<td>2.50%</td>
</tr>
<tr>
<td>Social security</td>
<td>22.50%*</td>
</tr>
<tr>
<td>National Institute of Technology (INATEC, for its acronym in Spanish)</td>
<td>2.00%</td>
</tr>
<tr>
<td>Total</td>
<td>52.00%</td>
</tr>
</tbody>
</table>

*Source: Labor Code of Nicaragua

Paid Vacations: All workers have the right to 15 take continuous days of vacation, fully paid, for every six months of uninterrupted labor for the same employer.

13th Month: For each year of continued labor, all workers are entitled to a 13th month of salary. The amount of the 13th month is equivalent to a monthly salary. If the worker does not have a year of continued labor, the 13th month is calculated proportional to the months worked. The 13th month must be paid within the first 10 days of December. If the employer fails to comply, he or she must pay a compensation equal to one day’s worth for each day of delay.

Severance Payment: As a rule, an employer can fire an employee without cause, as long as the employer pays a severance payment according to the Article 45 of the Labor Code. This payment also applies if the labor relation ends by mutual agreement or quit and consist in a payment of a month of salary per each worked year, during the first three years; and 20 days of salary per each additional worked year after the fourth year, no more than 5 months of salary. The application of Article 45 has some limitations in cases of workers with union privileges.

When an employee is fired for any of the justified causes enlisted in Article 48 of the Labor Code (and with the Ministry of Labor authorization), it is not mandatory for the employer to pay the severance payment to the employee; nevertheless, the proportional vacation and thirteenth month must be paid.
In case of fixed-term contracts and unfair dismissal, the employer must pay to the employee every pending month of salary until the expiration of the agreed term.

After the expiration of a fixed-term contract, the employee is not entitled of severance payment because it only applies on indefinite term contracts.

The list of national Holidays with full salary benefits is the following:

1. January 1st (New Year)
2. Maundy Thursday (Easter week)
3. Good Friday (Easter week)
4. May 1st (International Workers Day)
5. July 19th (Commemoration of the Triumph of the Sandinista Revolution)
6. September 14th (San Jacinto Battle)
7. September 15th (Central America Independence day)
8. December 8th (Feast of the Immaculate Conception of Mary)
9. December 25th (Christmas)
10. Patron Festivities (2 days for Managua and 1 day for other cities)

**Social security**

Every employee must be registered in the Nicaraguan Social Security Institute (INSS, for its acronym in Spanish) within three days of beginning employment.

The employer must withhold the social security contribution (7.0%) from the employee’s salary, and monthly pay the employer’s contribution (22.5% for companies with more than 50 workers) along with the employee’s contribution to the INSS.

As of February 1 of 2019, there is no maximum limit for the remuneration object of the contribution.

**INATEC**

In addition to social security, the employer must pay a contribution of 2% of the payroll to the National Technologic Institute (INATEC, for its acronym in Spanish), destined to a fund created to promote technical education.

INATEC offers capacitation programs in various disciplines at very affordable costs. By law, the percent of the employee’s salary will be withheld and delivered to INATEC to be applied to the cost of offered courses in the institute, or to be used in training seminars or courses offered by the employer.

**Maternity leave**
Female workers are entitled to a maternity leave that consists of a prenatal rest of 4 weeks and a postnatal rest of eight weeks, both fully paid. The prenatal rest is given pending on the due date certified by a physician. If the worker does not take all the prenatal due to an early birth, she is entitled to add the days she did not rest to the postnatal rest period.

**Sick leave**

There are no limits on the amount of sick days that an employee can take. However, if the sick leave is extended for more than 12 months, a Medical Committee of the INSS must evaluate the worker’s total disability.

Doctors authorized by the INSS are the only ones that can grant subsidies for health reasons. The worker must present to the employer a physician’s certification justifying the proposed rest and its duration.

During the period that the subsidy lasts, INSS pays to the employee 60% of his/her regular salary and employers are not required to pay the remaining 40%.

**Unionization**

The National Constitution and Labor Code grant workers the right to join or form unions. If a company or business has 20 or more workers, they have the right to form a union and negotiate collectively.

Strikes are allowed if employees meet certain requirements, including a preventive attempt of mediation in the Ministry of Labor (MITRAB, for its acronym in Spanish).

The directors of a union enjoy union immunity. To be dismissed, the law requires employers to demonstrate a rightful cause and obtain the approval of the MITRAB. Those employers who violate this disposition can be forced to reinstate the worker.

**Minimum wage**

The Minimum Wage Law (Law 625) states that minimum wage is fixed every six months according to the details of each job and industry. This fixation may be per unit of time, work, or task, and can be calculated per hour, day, and week, per fourteen days, fortnight or month.

The National Minimum Wage Commission will be integrated, in accordance with the Labor Code, by the Ministry of Labor (MITRAB, for its acronym in Spanish), the Ministry of Development, Industry, and Trade (MIFIC, for its acronym in Spanish), the Ministry of Finance and Public Credit (MHCP, for its acronym in Spanish), the Central Bank of Nicaragua and a representative from each of the National Labor Unions and Confederations, as well as a delegate from each of the chambers of employers that have national representation.
The National Minimum Wage Commission must set minimum wage requirements within two calendar months, or else the Ministry of Labor usurps such responsibility.

### Minimum Wage per Economic Activity

<table>
<thead>
<tr>
<th>Economic Activity</th>
<th>Wage with benefits US$</th>
<th>Hour US$</th>
</tr>
</thead>
<tbody>
<tr>
<td>Construction, Financial Establishments and Insurance</td>
<td>307.1</td>
<td>1.28</td>
</tr>
<tr>
<td>Electricity, Gas and Water, Commerce, Restaurant and Hotels, Transport, Warehouse and Communications.</td>
<td>251.7</td>
<td>1.05</td>
</tr>
<tr>
<td>Mines and Quarry</td>
<td>246.5</td>
<td>1.03</td>
</tr>
<tr>
<td>Fishing</td>
<td>208.7</td>
<td>0.87</td>
</tr>
<tr>
<td>Free Zones Regime Industry</td>
<td>215.3</td>
<td>0.90</td>
</tr>
<tr>
<td>Community, Social, Domestic and Personal Services</td>
<td>192.4</td>
<td>0.80</td>
</tr>
<tr>
<td>Manufacturing Industry</td>
<td>184.5</td>
<td>0.77</td>
</tr>
<tr>
<td>Central and Municipal Government</td>
<td>171.1</td>
<td>0.71</td>
</tr>
<tr>
<td>Micro and Small Crafting and Tourism Industry</td>
<td>144.6</td>
<td>0.60</td>
</tr>
<tr>
<td>Agriculture*</td>
<td>137.2</td>
<td>0.57</td>
</tr>
</tbody>
</table>

*Source: MITRAB. 2021 average exchange rate. Includes 52.0% of fringe benefits.

*Does include food

If an employer negotiates a higher salary than the minimum wage established by the government, the employer may not lower the agreed upon salary afterwards.

The Government of Nicaragua, private sector representatives and labor unions recently signed a labor agreement that establishes salary increases in the free zones sector through the 2018 – 2022 period with the purpose of granting further stability to employees and predictability to investors.

The agreement, called the Free Zones Minimum Wage Tripartite Agreement, sets annual salary increases of 8.25 percent for the 2018 - 2022 period for employees working within the country’s free zones sector. Furthermore, the agreement calls for the development of mechanisms aimed at increasing labor productivity within free zones companies and also for the creation of social programs to benefit employees, such as a fund for housing projects, the distribution of food packages and recreational and health programs.
This is the fourth tripartite agreement in which the parties involved have cooperatively sought to strengthen and further develop the free zones sector in Nicaragua, which currently employs over 123,000 people (15 percent of the country’s formal labor sector) and is one of the main motors of the national economy, with exports of over US$2.4 billion in 2020.

**INVESTMENT OPPORTUNITIES**

**LIGHT MANUFACTURING**

The light manufacturing industry is an important economic engine and one of the most dynamic sectors of Nicaragua’s economy. Manufactured products account for 68 percent of the country's total exports by 2020. Additionally, the manufacturing of goods has come a long way in diversifying its processes, becoming gradually more sophisticated.

**Manufacturing of automotive components**

Nicaragua's light manufacturing industry has grown to include higher value-added operations, such as the manufacture of automotive components. The export of these products represents 14.5% of the country's total exports, becoming one of the most important activities within the free zone system.

Additionally, there is a wide variety of investment opportunities related to the manufacture of automotive parts in Nicaragua, such as carpets, linings for seats, interiors, among others.
Two of the largest automotive harnesses manufacturing companies in the world - Yazaki (Japan) and Dräxlmaier (Germany) - have successful operations in Nicaragua, from where they supply important brands, such as Chrysler, General Motors, Ford, BMW and Volkswagen.

![Automotive Harnesses Exports](image)

*Source: National Free Zones Commission (CNZF, for its acronym in Spanish) and MIFIC.*

**Footwear manufacturing**

Nicaragua is emerging as a very attractive platform for shoe manufacturing operations. Currently, leather footwear, synthetic sandals, rubber boots and industrial protection footwear are being manufactured in the country.

Within the regime of free zones, exports amounting to 20 million dollars are reported. Currently, the United States, Mexico, Canada and Panama are the main export markets. However, Nicaragua’s geographical position and connectivity with the rest of the world, in addition to the benefits related to the different preferential access agreements, increase its potential to export to non-traditional markets. An example of this is that, from Nicaragua, footwear is currently exported to China, Hong Kong and Japan.

An important niche in which Nicaragua is particularly competitive is the manufacture of leather footwear and its export to the US market, since Nicaragua enjoys a flexibility benefit under DR-CAFTA. This benefit consists in the use of non-originating raw material and applies for the tariff code (HTS, for its figures in English) 64.03.
Medical devices manufacturing

The production of disposable medical devices shows a continuous growth in our country, evidenced by the expansion of manufacturing companies such as Command Medical and Medisut, which specialize in the production of needles, catheters, cannulas and general surgical devices. The magnitude of the market in disposable surgical products and articles such as those explained under tariff code 9018; show that Nicaragua has a consistent production capacity due to its competitive workforce and the ability to access the most important markets in the world.

The global trend of population growth, coupled with a higher life expectancy in developed countries, boosts the growth of the sector. The competitiveness of Nicaragua due to the attractive fiscal incentives granted to industrial operations with an export turn, makes the country an emerging platform of great attraction for investments in this industry, given the proximity to the largest importer of these products: United States.

Other light manufacturing processes

Additionally, Nicaragua has become an attractive destination for endless other manufacturing operations ranging from furniture manufacturing to assembly of medical devices and appliances.

AGRIBUSINESS

Historically called "The breadbasket of Central America", Nicaragua is renowned for its tropical climate and fertile soils ideal for agricultural and forestry use. The country is divided into four geographic regions: Pacific Region, North, Central and Caribbean Coast, each of these regions have well-defined characteristics such as: climate, soils and topographies.

The Pacific Region is characterized for containing soils of volcanic origin and sedimentary rocks, high fertility, and temperatures between 25°C to 34°C. Given these conditions, the production in this area is predominantly of crops such as: peanuts, sugarcane, sorghum, sesame, plantain, bananas, critics, avocados, basic grains, among other crops. In forestry, there are species such as: teak, mahogany, bamboo, among others. In addition, in the livestock, the cattle and the porcine industries have grown within this region.

The North and Central Region is characterized by a mountainous topography with soils of from basic and acidic volcanic rocks, igneous rocks, metamorphic rocks with a low to high fertility and with climates between 18°C to 28°C. Given these conditions, the production in this area is predominantly of crops such as: arabica coffee, cocoa, vegetables, flowers and ornamentals, tobacco, rice and basic grains. In the forestry sector, certain species standout such as: pines, teak and eucalyptus. Bovine livestock is highlighted, followed by swine breeding.

The South Central Region is characterized by soils mostly originating from basic volcanic rocks in mountainous alluvial sediments in the low plains of Lake Cocibolca, with high apparent fertility and
in some cases low fertility, and with climate variations between 18°C to 30°C. The main activity is livestock, principally, cattle raising and in a smaller proportion porcine raising. The area also has production of: basic grains, yucca, malanga, and in the forestry sector it is possible to find species such as: coconut, teak, cedar, almond, among others.

The Caribbean Coast has soils that were developed from basic volcanic rocks, in the plains and by sedimentary rocks and alluvial sediments in the extensive coastal plains. It is an area with humid tropic climate with temperatures between 25°C to 34°C. The Caribbean, predominantly produces crops such as: cocoa, african palm, yucca, malanga, robusta coffee, palmetto and basic grains. There are forestry species such as: teak, rubber, pine, coconut and in livestock activity, livestock predominates. In addition, the region has 530 km of coastline that is used for fishing, especially, for the fishing of sea cucumber, lobsters, and other species.

**Nicaragua an agro-exportable Country**

The agricultural and agroindustrial activity has always had an important relevance as an engine of socioeconomic growth for the country. It is a source for employment generation and income, it contributes to the improvement of the quality of life in the rural and urban population; and it contributes greatly to the country’s competitiveness as an export model.

As an export model, Nicaragua offers a variety of products in international markets, the country has tariff preference, being competitive with the market, such is the case of United States, European Union, Central America, Taiwan, and others. In addition, Nicaraguan products have been recognized for their quality, as cocoa, coffee, rum, bananas, sugar. The following table shows the ten main exported products:

<table>
<thead>
<tr>
<th>2020 Export Value</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Product</strong></td>
<td><strong>Value (Millions US$)</strong></td>
<td><strong>Share in total exports (%)</strong></td>
</tr>
<tr>
<td>Gold</td>
<td>665.1</td>
<td>23.3</td>
</tr>
<tr>
<td>Bovine meat</td>
<td>541.5</td>
<td>19.0</td>
</tr>
<tr>
<td>Coffee</td>
<td>438.2</td>
<td>15.4</td>
</tr>
<tr>
<td>Dairy Products</td>
<td>146.7</td>
<td>5.1</td>
</tr>
<tr>
<td>Cane sugar</td>
<td>145.4</td>
<td>5.1</td>
</tr>
<tr>
<td>Beans</td>
<td>114.0</td>
<td>4.0</td>
</tr>
<tr>
<td>Peanuts</td>
<td>89.7</td>
<td>3.1</td>
</tr>
<tr>
<td>Beverages</td>
<td>58.7</td>
<td>2.1</td>
</tr>
<tr>
<td>Lobster</td>
<td>49.3</td>
<td>1.7</td>
</tr>
</tbody>
</table>

*Source: MIFIC 2020.*
Livestock, dairy and meat production

Nicaragua has the largest cattle herd in Central America, with an annual compound growth of 7 percent in meat exports. Nicaragua continues to be the main producer of livestock and by-products of the Central American region. Additionally, it has a pasture-based feedlot, which gives it extremely competitive production costs in Central America. As a result, important Mexican companies such as Grupo LALA and SuKarne have established themselves successfully and with high growth expectations; as well as national companies have bet on the sector, developing and expanding their businesses with new business models and products.

For the year 2019, a milk production of 766.5 million liters was registered, of which 299 million liters were used as industrially processed milk, equivalent to 39 percent. This phenomenon indicates that there is enough raw material for the processing of a wide variety of dairy products. On the other hand, during the last 10 years, bovine meat has remained one of the most exported products in Nicaragua, and the trend is expected to continue increasing.

Food processing

Nicaragua produces a great variety of raw materials that could be processed locally. Some of the products with higher potential are bovine meat, fruits and vegetables, cocoa, coffee, sugar, corn, seafood, beans, plantains, among others. The country currently processes cookies, snacks, instant coffee, and carbonated drinks, beer and rum.

Other opportunities with great potential in Nicaragua are the production of corn-based products, peanuts, cassava, cereals, baked goods, fried snacks, sweets, jams and marmalades, canned food, dehydrated fruits, sauces, pickled vegetables and seasonings.

Forestry plantations

Since the approval of the Forestry Incentives Law (Law 462) in 2003, Nicaragua has established over 28 thousand hectares of timber plantations of commercial value such as teak, mahogany and pine. The private sector’s plan is to achieve a critical mass of 120,000 hectares, thus, there are still plenty of investment opportunities, and the government’s support for such initiatives is evident.

Investments in this sector are over US$100 million in the past six years and companies already established have shown interest to invest even more, considering the reforms to the incentives of Law 462 that resulted after the negotiations between the Government of Nicaragua and the Nicaraguan Association of Reforestation (CONFOR, for its acronym in Spanish). There are currently over 3.5 million hectares suitable for forestry plantations of commercial value, such as teak and mahogany and non-timber species such as rubber, cocoa, among others.
OUTSOURCING

Nicaragua has become a very attractive destination for investments in the outsourcing industry, offering even more specialized and higher value-added services. Among the main reasons of this growth are Nicaragua’s proximity to the North and South American markets, its competitive cost structure and the quality of its human talent.

Nicaragua’s outsourcing industry currently has over 45 companies operating and providing BPO, ITO and KPO services. This industry employs over 10,000 people. To date, over US$92 million have been invested and over US$152.5 million were exported by the end of 2018.

Knowledge Process Outsourcing (KPO)

Nicaragua's KPO industry has been growing and diversifying rapidly in recent years, offering high value-added services such as medical billing and coding, digital marketing, financial and accounting services, market research, payroll management, among others.

Share Services Centers

Companies are currently faced with the challenge of reducing costs, increase their efficiency and the quality of their services. This is why more of them are opting for Shared Services Centers (SSC), an operational model in that consolidates and standardizes a wide array of systems, procedures and functions to provide services to multiple divisions within the same company.

Nicaragua represents a great opportunity as a destination for Shared Services Centers of groups with a strong presence in the region. From this operation, a company can consolidate multiple functions such as human resources, finance and procurement, among others.

Business Process Outsourcing (BPO)

The BPO industry has placed Nicaragua on the map of the most attractive platforms for nearshoring. It represents an important source of formal employment for Nicaraguan human talent.

Currently, there are over 22 companies exporting BPO services in both English and Spanish. Most of the services provided by companies with presence in Nicaragua are customer service, chat services, back office, data processing and collections.

RENEWABLE ENERGY

Nicaragua offers a wide range of investment opportunities in the energy sector. Thanks to its richness in natural resources, the country has a potential of 4,500 MW for the generation of renewable energy distributed among geothermal, hydroelectric, wind energy and biomass. In
addition, investment projects in renewable energy have prerogatives in energy contracting and attractive tax incentives.

By the end of 2020, Nicaragua's electric grid had an effective capacity of 1,620 MW approximately, and a maximum demand of 700 MW. About the energy source, 57 percent of energy was generated by renewable sources. For 2033, it is expected that the country's energy generation matrix will be transformed, reducing to 30 percent the generation of energy from thermal or non-renewable sources.

EXPLORATION AND EXPLOITATION OF MINES

The mining sector has consolidated as an important engine of the Nicaraguan economy, having received more than US$1 billion in Foreign Direct Investment (FDI) in the last 10 years, and generating around 16,319 jobs. At present, the Government of Nicaragua has granted 172 metal concessions, of which 159 are inactive. It determines that with the exploitation of only 7% of the metallic mining concessions granted in Nicaragua, the exports of gold and silver have been able to be incorporated into the main goods exported abroad during the last five years generating exports that exceed US$665.1 million in 2020.

In addition, our country has a tax legal regime that offers various incentives to people who develop investments in this area. Today we have investors from Canada, Colombia, Spain, United States, among others.

TOURISM

Nicaragua comprises 720 km of coastline in the Pacific and Atlantic, 28 volcanic formations, more than 10,000 km² of lakes, lagoons and rivers, with the second largest lake in Latin America, which holds the largest island within a lake in the world. Moreover, it has more than 22,088 km² of natural reserve and colonial cities of great cultural richness, among which Granada stands out, being one of the oldest cities founded in American continental soil. The combination of these features, along with high public safety levels makes Nicaragua an attractive tourist destination.

The constant progress that tourism has experienced has turned it into one of the most dynamic economic sectors in Nicaragua, ranking among the top sources of foreign exchange earnings of the country. According to data provided from the Nicaraguan Tourism Board (INTUR), during 2020, Nicaragua recorded more than 494 thousand tourists, which represented US$199 million in revenues from tourism.

The main investment opportunities in the tourism industry include:

- **Hotels and Resorts**: The colonial cities of Granada and León, the capital Managua, beaches and natural reserves figure among the top ten most visited places in Nicaragua.
• **Mixed-dse developments:** The competitive labor and land costs, plus the excellent quality of life and high security levels, give an opportunity to investors to satisfy the “baby boomers” market and retirees interested in these types of projects. Condo-hotels, subdivision areas, hotels, shopping centers, spas, golf courses and marina are some of the services offered by this type of development (projects).

• **Health Tourism:** Numerous hot springs, coming from the volcanos in the country, can be used for medical beauty treatments creating an interesting opportunity for the establishment of spas in Nicaragua.

## LEGAL SYSTEM, INCENTIVES AND TAXES

### CIVIL LAW VERSUS COMMON LAW

The Nicaraguan legal system contains a comprehensive code of rules that are applied and interpreted by judges. This legal system, which is the most widely practiced system of law in the world, is called Civil Law. Civil law is a legal tradition that is practiced in the majority of Latin America.

Civil Law is primarily contrasted against Common Law, which is the legal system mainly implemented in Anglo-Saxon countries. The original difference is historical, as Common Law was developed by custom, prior to any written laws, and continued to be applied by courts even after laws had been written. Civil Law, on the other hand, was developed from the Roman law tradition, where laws are collected and codified, not determined by judges. The difference between Civil Law and Common Law does not lie as much in codification as in the methodological approach to codes and statutes. In Civil Law countries, legislation is seen as the primary source of law. Thus, courts base their judgments on the provisions of codes and statutes from which solutions for particular cases are derived. By contrast, in the Common Law system, cases are the primary source of law, and statutes are only seen as incursions to the Common Law and thus interpreted narrowly.

The underlying principle of separation of powers is seen somewhat differently in Civil Law and Common Law countries. In some Common Law countries, especially the United States, judges are seen as balancing the power of the other branches of government. By contrast, the original idea of separation of powers in Civil Law countries was to assign different roles to legislation and judges, and so only judges can apply the law.

The Nicaraguan Civil Code is a systematic compilation of laws designed to comprehensively deal with the core areas of private law. The preliminary article of the code establishes certain important provisions regarding the rule of law. Laws can only be applied if they have been duly promulgated, and if they had been published officially. It prohibits judges from refusing justice on grounds of insufficiency of the law — thereby encouraging them to interpret the law, prohibits judges from passing general judgments of a legislative value, and it prohibits ex post facto laws (i.e. laws that apply to events that occurred before them).
THE JUDICIAL SYSTEM

Consisting of a Supreme Court and lower courts, the Judicial System handles both civil and criminal cases, courts of appeal and courts of first instance at departmental and municipal levels.

There are courts for small lawsuits (Local Courtrooms), greater lawsuits (District Courtrooms), an Appeals Court (formed by three judges) and the Supreme Court of Justice composed by sixteen magistrates (justices) divided in four branches (Civil, Criminal, Constitutional and Administrative).

For those parties who wish for an expeditious solution, the Arbitration and Mediation Law (Law 540) offers a simplified procedure where differences are resolved by a third impartial party. This solution is final and executable before competent courts as it is considered national law.

This law, adopted on May 25, 2005 and published in The Gazette, official newspaper # 122 on June 24, 2005 holds that Nicaragua recognizes the execution of judgments of arbitration abroad, without reservation. The Mediation and Arbitration Law provides two alternative litigation methods to resolve disputes arising from contractual relations in an expeditious manner, related to both domestic and foreign entities, including the State of Nicaragua, to resolve patrimonial and non-patrimonial disputes.

The law applies both nationally and internationally, without detriment to the treaties, conventions, covenants, or any other instrument of international law subscribed by Nicaragua.

ARBITRATION

Nicaragua became part of the New York Convention whereby it acknowledges the execution of Foreign Arbitration Sentences, known internationally as the “New York Convention of 1958,” without listing any reserves. As stated by the United Nations Commission on International Trade Law,

“The Convention is widely recognized as a foundation instrument of international arbitration and requires courts of contracting States to give effect to an agreement to arbitrate when seized of an action in a matter covered by an arbitration agreement and also to recognize and enforce awards make in other States, subject to specific limited exceptions. The Convention entered into force on 7 June 1959.”

Nicaragua approved and ratified a Convention on the Settlement of Investment Disputes between States and Nationals of Other States (ICSID Convention), subscribed in February 1994 and through which the International Centre for Settlement of Investment Disputes (ICSID) was created.

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Nicaragua has also signed bilateral Agreements for the Promotion and Reciprocal Protection of Investments, which contain resolutions that regulate Dispute Settlements between a party and an investor from another country. These mechanisms basically consist of an initial phase of friendly consultations and a second phase in which the parties can choose to 1) send the dispute to the respective judicial court in the territory in which the investment was made, 2) submit to the ICSID International Arbitration mechanism, or 3) follow the Rules of the Complementary Mechanism for the Administration of Settlement Procedures. By choosing one dispute resolution mechanism over the others, the parties give up the right to choose any other mechanism later on in the procedure.

According to the Foreign Investment Promotion Law (Law 344), all differences, disputes or complaints that arise or are otherwise related to foreign investments are regulated by the law and can only be solved through international or national arbitration procedures, according to the agreements approved and ratified by Nicaragua.

Nicaragua also approved the Inter-American Convention on International Commercial Arbitration known globally as the Panama Convention of 1975. This convention was ratified in 2003.

In the Caribbean Coast Autonomous Region, the system is established in Spanish, with translation to any mother tongue in case of necessary, either Miskito or English.

INCENTIVES FOR FOREIGN INVESTMENT

Foreign Investment Promotion Law (Law 344)

The main incentives granted by this law are:

- Free currency conversion.
- Freedom to repatriate all capital and profits, dividends or earnings generated in the national territory, after paying pertinent taxes.
- Recognition of Copyright, Trademarks and Patents.
- Alternative dispute resolution between investors and the Government.
- No need for minimum or maximum investment amounts.
- There is no discrimination between foreign and domestic investors. In addition, the mandatory participation of a national is not required.
- Prompt and fast depreciation of capital goods.
- National loans are accessible through local banks, according to their terms and conditions of approval.

Tax Concertation Law (Law 822)

The Tax Concertation Law provides numerous tax benefits to certain productive sectors of the economy in order to promote their growth and development. Exemptions and exonerations granted by this law are without detriment to those granted by the legal provisions listed in the article 287.
Tax benefits to exporters

- 0% rate of Value Added Tax (IVA) to exports of domestically produced goods or services provides to clients abroad.
- Exports of goods are taxed at 0% of the Selective Consumption Tax (ISC).
- You can apply a tax credit to the advance payments or annual Income Tax with previous authorization of tax administration in an amount equal to 1.5% of FOB value of exports.

Tax benefits to agricultural producers

- Article 127 presents a list of transfers that are exempt of transferring the Value Added Tax, some of them related to the agricultural sector.
- Additionally, article 274 provides exemption of Value Added Tax and Selective Consumption Tax, transfers of raw materials, intermediate goods, capital goods, spares, parts and accessories for machinery and equipment to agricultural producers and micro, small and medium industrial and fishing enterprises, through a previously approved tax list.

Tax benefits to forestry sector

The Tax Concertation Law (822) extended the benefits granted by the Forestry Incentives Law (462) up to the year 2023.

- Plantations registered on the regulatory entity will be exempted of paying fifty percent (50%) of the Municipal Tax on Incomes (IMI) and fifty percent (50%) on profits arising from the exploitation.
- Areas where plantations are established and where forest management is done through a Forest Management Plan are exempted from Property Tax (IBI).
- Companies of any line of business that invest in forest plantations may deduct, as an expense, 50% of the amount invested for Income Tax purposes.
- Exemption from payment of duties and taxes on imports to companies of secondary and tertiary processing that import machinery, equipment and accessories to improve their technological level in the processing of wood, excluding sawmills.

Temporary Admissions Law (Law 382)

The Temporary Admission Regime for Active Improvement is a tax system that allows both the import of goods into the national customs territory and local purchase of goods without payment of any duties and taxes. Companies that export directly or indirectly, at least 25% of its total sales and an export value not less than US$ 50,000, are eligible for this scheme.
Goods qualifying under this regime are:

- Intermediate goods and raw materials such as inputs, semi-finished products, containers, packaging, any merchandise incorporate export the final product, samples, models and patterns essential for production and staff training.
- Capital goods directly involved in the production process, parts and accessories, such as machinery, equipment, parts, molds, dies and tools that complement for such capital goods.
- Materials and equipment that will be integral and indispensable part of the facilities required for the production process.

**Industrial Free Zones Incentives Law (Law 917)**

Nicaragua offers significant tax incentives under the free zone regime for companies interested in establishing export-oriented operations of goods and services. The tax incentives granted by this law are:

- 100 percent exemption from income tax generated by their activities in the area during the first 10 years of operation, with the possibility to extend one more time with prior authorization.
- Exemption from taxes on transfers of real-estate in any capacity including earnings of capital tax, if any, provided that the firm closes its operations in the area and the property continues to affect the free zone.
- Tax exemption from the set-up, transformation, fusion and reforming of society, as well as on stamp duties.
- Exemption from all taxes and customs duties related to imports, applicable to supplies, materials, equipment, machinery, dies, or spare parts, samples, molds and accessories designed to empower the company for its operations in the area, as well as taxes applicable to the equipment needed for installation and operation of cost-effective dining halls, health services, health care, childcare, leisure, and any other benefits that tend to satisfy the personnel of a company operating in the area.
- Exemption from customs taxes on transport equipment, including vehicles used for cargo, passengers or service intended for normal use of the company in the area. Purchasers outside the area will be charged customs taxes, with respective discounts applied due to the time of use, at disposals similar to those for diplomatic missions or international organizations.
- Full exemption from indirect, selective-sales or consumption taxes (IGV).
- Full exemption from municipal taxes.
- Full exemption from export taxes to products processed within the zone.
- Exemption of taxes on local purchases (IVA, ISC and IMI).
Law to Promote Electricity Generation from Renewable Sources (Law 532)

The power generation projects from renewable sources have the following tax and tariff benefits under the Law 532, an Act to promote electricity generation from renewable sources. These tax and tariff benefits cover new projects and carry out extensions to their installed capacity.

- Exemption from payment of import duties (DAI, for its Spanish acronym), of machinery, equipment, materials and supplies used exclusively for pre-investment work and of building works including the construction of the sub-transmission line necessary to carry power from the generating plant to the National Interconnected System (SIN, for its Spanish acronym).
- Exemption from payment of Value Added Tax (VAT) on machinery, equipment, materials and supplies used exclusively for the work of pre-investment and construction works including the construction of the sub-transmission line needed to carry energy from central generation to the National Interconnected System (SIN).
- Exemption from all existing municipal taxes on property, sales, fees for the construction of the project for a period of 10 years from the commercial operation of the Project, to be applied as follows: exemption of 75% in the first three years, of 50% over the next five years and 25% in the last two years. Fixed investment in machinery, equipment and hydroelectric dams are exempt from all taxes, levies, municipal taxes for a period of 10 years from its entry into commercial operation.
- Exemption from all taxes that may exist for the exploitation of natural resources for a maximum period of 5 years after the start of operation. In the case of Hydroelectric Projects, it exempts the construction or operation of a project under Water Management Permit for a maximum of ten years.
- Exemption from Stamp Tax (ITF, for its Spanish acronym) that may cause the construction, operation or expansion of a project for a period of 10 years with the same tax exemptions.

Special Law on Exploration and Exploitation of Mines (Law 387)

The activities related to exploration and exploitation of mineral resources are regulated in Act 387, Special Law on Exploration and Mining and its Regulation Decree 11-2001.

Under this law, the holders of mining concessions are required to pay:

- Surface Rights, which is a progressive payment per hectare concession along the length of the mining concession.
- Right of extraction, set at three percent (3%) for all minerals, which is deductible from income tax applicable to the mining industry.
- In accordance with the General Law on Exploitation of Our Natural Wealth (Act 316), grantees have the right, by prior compensation case, inside or outside the boundaries of the
lands comprising the mining concession, provided that they were not national lands, to obtain easements of surface necessary for carrying out the exploration or exploitation granted. The mining authority will support the concessionaire in the constitution of the easement, in cases where it is not possible to reach a direct agreement with the owner of the property.

- In accordance with the Act 316, when a licensee considers that for the development of the work for which a concession has been granted, or for the execution of works, the granted easement of private or municipal property the necessary facilities or buildings are not enough, or proves uneconomical for payment of compensation, he may require the expropriation of property to the State. As in the case of easements, the grantee must first seek an arrangement with the landlord and, if this is not possible, require the necessary support to the mining authority.

Given the importance of the mining sector for economic development, the State guarantees fiscal stability for the domestic and foreign investment related to mining activities, apply the following benefits:

- Temporary admission regime, which, in accordance with Act 382, Law of Temporary Admission for Inward Processing Export Facilitation allows the entry of goods into national customs territory, and the local purchase of goods or raw materials without paying any tax or fee, provided that the goods are re-exported or exonerated, after being subjected to a process of transformation, processing, repair or other contemplated under applicable law.
- Under this law, if it is not possible to apply the previous suspension of duties and taxes for reasons of tax administration, the benefit will apply under subsequent refund procedure of the taxes paid.
- Exemption from taxes on the property of the company within the perimeter of the mining concession.
- Zero percent tax rate (0%) for exports, applicable to all exports.

**Law of Incentives for the Tourism Industry (Law 306)**

The Law of Incentives for the Tourism Industry of Nicaragua offers various tax incentives for investment in this sector and is considered the most generous and competitive in the region. This provides incentives and benefits for investment in accommodation, food and beverage, tour operators, tourist transportation, airlines, among others. The incentives are:

- Exemption from 80 to 100 percent of the income tax (IR) for a period of ten years.
- 100% exemption from property tax (IBI) for a period of ten years.
- 100% exemption from value added tax (VAT) applicable to design services, engineering and construction.
• 100% exemption of import tax and duty on the purchase of materials and fixtures of the building for a period of ten years.

In case of reinvestment, if at the end of the incentive regime for ten years, the investor decides to reinvest at least 35 percent of the value of the investment originally approved, they can receive all the benefits for ten additional years.

**Pensioners and Retirees Law (Decree 628)**

Nicaragua passed legislation to encourage retirees and pensioners to retire in the country. The Law of Resident Pensioners and Retirees provides benefits mostly in the form of tax incentives and allows retirees the following:

• Importing household goods up to a maximum of US$20,000 without paying tax.
• Import or buy a new car up to US$25,000 for personal use, exempt from import duties and sales. The imported used car should not be more than seven years old from its manufacture date.
• Importing a vehicle every 4 years with the same tax exemptions.
• Import and/or purchase of building materials up to US$50,000 tax-free for the construction of a house.
• Exemption of sales tax (VAT) on cars hired for tourism.

**TAXES**

Being aware of the need for a tax policy that help to improve the required conditions to increase productivity, exports, employment generation and a favorable environment for investment, in January 2013, came into force the Tax Concertation Law (Law 822), whose main objective is to modernize and improve tax administration, as well as simplify the payment of taxes, regulate the exemptions and exonerations, reduce tax evasion and enlarge the tax base.

**Income tax**

The Income Tax (IR, for its acronym in Spanish) is a direct and personal tax that is applied to income of Nicaraguan source obtained by taxpayers, whether residents or not. Income is classified as follows:

- Work Revenue
- Income from economic activities
- Capital income and earnings and loss of capital
The income tax is also applied to any increase in capital that is not justified and to income that is not explicitly exempt or exonerated by law.

The Tax Concertation Law establishes that any person, natural or legal (even if foreign), that remains in the country for more than 180 days within a one-year period, not necessarily in an uninterrupted period, will be subject to income tax and must pay as if that person was a Nicaraguan resident.

Starting in January 2013, the fiscal year will change from July 1st through June 30th of the next year, to calendar year from January 1 through December 31st of that same year.

Work income

Work Income are those from all kinds of compensation, remuneration or revenue, whatever its designation or nature, in cash or kind, arising from personal work provided by others. Some examples of work income include fixed and variable salaries, seniority, bonuses on salaries, performance awards and other forms of additional compensation.

In addition to the examples of work income stated above, the article 12 of the Tax Concertation Law refers to incomes that are generated by work done outside the national territory and are subject to the payment of IR.

For more information on exemptions, deductions, tax rates and other items related to work income, consult the Tax Concertation Law form the article 17 to article 29.

Income from economic activities

Income from economic activities are those earned or received in cash or kind by a taxpayer who provides goods and services, including capital income and earnings and loss of capital, as long as they are constituted or integrated as income from economic activities.

Income from economic activities are those arising in this economic sectors: agriculture, forestry, fishing, mining, quarrying, manufacturing, electricity, water, sewage, construction, housing, trade, hotels, restaurants, transportation, communications, financial intermediation services and others related, ownership, government services, personal and business services, other activities and services.

Other taxable economic activities are established in article 14 of the Tax Concertation Law. For more information about the tax treatment of income from economic activities is advisable to refer from the article 30 to article 73 of the Tax Concertation Law.
Capital income and earnings and loss of capital

Capital income are revenues earned or received in cash or kind, from the operation or disposition of assets under any legal concept, such as transfer, assignment, exchange, auction, nonrecourse debt, among others.

Earnings and loss of capital are changes in the equity value of the taxpayer, as a result of the sale of goods, or assignment or transfer of rights. In addition, capital incomes are those from gambling, betting, donations, legacies and bequests, and any other similar income.

When the amount of capital income is greater than or equal to forty percent of total income from economic activities, these incomes pay the same taxes of the economic activities. If you require additional information on the tax treatment of capital income, please refer to the Tax Concertation Law from the article 74 to article 92.

Value Added Tax

The value added tax (IVA, for its acronym in Spanish) is applied to the transfer of goods (property transfer of a good from one person to another), services (operations that do not transfer property over goods but involve costs) and imports (introduction of tangible goods to the country).

The Value Added Tax (IVA, for its acronym in Spanish) is 15 percent of the value of a product or of an activity carried out. Article 111 of the Tax Concertation Law establishes a series of activities that are exempt from the IVA.

Selective Consumption Tax

The Selective Consumption Tax (ISC, for its acronym in Spanish) is an indirect tax that is applied to the transfer and import value of goods and merchandises in annexes I, II and III of the Tax Concertation Law. Exports are subject to 0 percent of ISC. Some products subject to ISC include alcoholic beverages, beer, cigars, cigarettes, sodas and sparkling water.

Stamp Tax

This tax applies to certain documents listed in article 240 of the Tax Concertation Law when they are issued in Nicaragua, or when issued in foreign countries, but take effect in Nicaragua. The person that receives the good or right is obligated to pay the tax. The Stamp Tax is applied according to the rates established in articles 240 and 241 of the Tax Concertation Law.

Real Estate Tax

The real estate tax (IBI, for its acronym in Spanish), which must be paid by December 31st every year, is applied to properties located within the boundaries of each municipality. Terrains, stable or permanent plantations and the fixed and permanent constructions or installations on them as
defined in Articles 599 and 600 of the Civil Code, are considered real estate (immovable objects, their parts, and the goods that are permanently fixed to the property).

The real estate tax payment is one percent (1%) over the base, which can be established in three ways in order of priority:

1) Land Registry Municipal Appraisal, which is based on the application of the guidelines of Land Registry of DGI-MHCP. The land appraisal can also be outsourced by the Mayor’s Office to companies specialized in land and property appraisal.

2) The Self-Appraisal, which is declared by the tax payer based on the property’s description according to formats, value tables and municipal costs provided by the municipal Mayor’s Office.

3) The property value is estimated by the tax payer, the value is based on the book value or acquisition value of the property minus the accumulated depreciation; whichever is highest.

When the base is determined by the municipal land registry or self-appraisal, the taxable amount would be 80 percent of the total value of the property. The real estate tax can be cancelled in two equal portions, of which 50 percent is payable during the months of January, February and March and the other 50 percent no later than June 30 of the same year. A 10 percent discount is applied if the tax payer pays the full amount of the real estate tax during the first trimester.

**Municipal Tax on Incomes**

The Municipal Tax on Incomes (IMI, for its acronym in Spanish) establishes the payment of a monthly tax equal to one percent of total gross income. This tax applies to any person or entity engaged in the sale of goods, industrial activity or the provision of services, whether the services are professional or not. Exports, state institutions, among others are exempted of paying this tax.

**Municipal Registration Tax**

This tax applies to any person or entity engaged in the sale of goods, industrial activity or the provision of services, whether the services are professional or not. The amount of the registration tax is the 2 percent of the average monthly gross income from the sale of goods or services in the last three months of last year. In cases of starting a business, the municipal registration tax is 1 percent of the social capital.

**Customs Duties on Imports**

Customs duties on imports (DAI, for its acronym in Spanish) taxes are contained in the Central American Import Tariff and apply to the CIF value of goods imported from outside Central America. DAI taxes are applied ad valorem, that is, proportional to the value of the imported goods, whose average maximum rate is 10 percent. The DAI is governed according to the Convention on Central American Tariffs and Customs, its protocols, the relevant provisions of the treaties, agreements and
international trade agreements and regional integration, as well as established under the World Trade Organization (WTO).

**INCORPORATION OF A SOCIETY IN NICARAGUA**

There is a Mercantile Registry that handles the registration of corporations and the changes in the Articles of Incorporation and its bylaws, among others. The system is public and transparent.

**REQUIREMENTS**

**New enterprise or branch office**

Investors have two options:

1) To create a new enterprise: A notary has to write the articles of incorporation for the new company, and obtain the signatures and photocopy of the identifications of the stockholders. (Skip to *Number of Partners*)

2) To open a branch: The Nicaraguan Commerce Code establishes that any Corporation duly incorporated in a foreign country that wishes to establish a branch office for the purpose of doing business in Nicaragua must be subject to the following dispositions:

   - Registration of the articles of incorporation and bylaws in the Public Registry, as well as the designation of its managers or agents.
   - Publication in The Gazette, official newspaper, of the general balance sheet containing assets and liabilities, as well as the designation of the individuals in charge of its administration and direction, in the case of Share Corporations.
   - Appointment and maintenance of a representative domiciled in Nicaragua with a duly registered general power of attorney.

The documentation required to establish branch offices in Nicaragua are the following:

1) Hold a Board of Directors or General Shareholders Meeting in which it is resolved to open a Branch office in Nicaragua as well as establish the activities that the branch office is going to perform, its initial equity, the legal or commercial name that the branch is going to use, and the domicile address. In addition, it is necessary to appoint an individual to be present before a Nicaraguan Notary Public to request the incorporation of the local Branch office and to grant a general power of attorney to an individual who will be appointed as the representative of the Branch office in Nicaragua. This resolution must be legalized and authenticated before the nearest Nicaraguan Consulate in the country of origin.

2) A certified copy of the main company’s articles of incorporation and its bylaws duly legalized and authenticated before the nearest Nicaraguan Consulate in the country of origin.
Once complying with the above mentioned requirements the branch office must obtain the corresponding permits from the tax and municipal authorities.

In both cases, the Ministry of Development, Industry, and Commerce (MIFIC) recommends that the person in charge of the incorporation process be a citizen of Nicaragua or a foreign person with legal residence status in Nicaragua, since this expedites the process. If the investor does not have a Legal Representative in Nicaragua, he/she must come to Nicaragua to obtain residency, which unfortunately slows down the process.

**NUMBER OF PARTNERS**

As a general rule, corporations in Nicaragua must be constituted by at least two partners, but six months after, any partner has the legal right to unilaterally dissolve the corporation, so in order to prevent this from happening, it is recommended that a third partner be included.

Partners can be individuals or corporations, either nationals or foreigners. If they are individuals, the requirements are:

- First and last names, legal age status, marital status, occupation or profession and legal residency
- Citizen identification number (if national); residency identification or passport number if foreigner, that resides in the country or is in transit through Nicaragua, or any other legal identification.
- Presence in Nicaragua on the day of signature of the Articles of Incorporation and its bylaws, or Power of Attorney issued to signing representative valid in Nicaragua.

The Companies can be partners of new Societies, if their deed of constitution so establishes. At the time of preparation and authorization of the new company, the Notary Public must have in view the Articles of Incorporation and the Articles of Association of such Companies, as well as the identification and special power of the person representing them. If the Company is foreign, the nearest Nicaraguan Consulate or apostille must duly authenticate all documentation submitted to the Notary Public.

**NAME AND COMMERCIAL PURPOSE OF THE CORPORATION**

The partners choose the corporate name and the purpose of the Company. In case the company is to operate under the Free Zone system, it is recommended that the company name be submitted before the National Commission of Free Zones, for its validation, since a single object is required as a prerequisite of Law.
DURATION OF THE CORPORATION

By law, the Companies have a maximum lifetime of ninety-nine years, and the partners can define a shorter time.

Social capital

The Corporation’s Equity, which is usually nominal, must be expressed in local currency. There is no minimum capital required. However, for a corporation to launch operations at least 50 percent of the capital must be paid-in and at least 10 percent must be paid in cash.

STOCKS

Shares may be registered or bearer shares and are privately recorded in the Company's Share Book. It is recommended that the shares be nominative and inconvertible to the bearer, otherwise, the company will not be able to open bank accounts in any institution of the Nicaraguan Financial System. The Company may grant any type of shares, whether common or preferred.

MANAGEMENT OF THE CORPORATION

The administration of the company is delegated to the Board of Directors. Stockholders have the faculty of choosing the members of the Board of Directors as well as their positions. However, both the President and the Secretary must be named in the articles of incorporation. If the partners are corporations, these can designate an individual to represent them on the board.

The members of the Board of Directors can be chosen for up to ten years. Re-election is allowed. The Stockholders Assembly can discharge, at any time, the directors who were chosen.

SUPERVISION

Stockholders will name a supervisor to oversee the correct administration of the company. In consequence, the supervisor cannot be a member of the Board of Directors. The members of the Board, their representatives and the supervisor can be either nationals or foreigners.

It is a usual practice that the supervisor or company prosecutor is a shareholder of this company, as it is in the best interests of both to ensure the smooth functioning of the business.

STOCKHOLDER’S ASSEMBLY

The Stockholders assembly is the supreme body of the corporation. The Stockholders Assembly must meet at least once a year.
Proxies can form stockholders assemblies. In the Stockholders assemblies partners cannot represent more than ten percent of the registered equity or over twenty percent of the equity present in the Stockholder Assembly.

The articles of incorporation and its bylaws shall establish if the company can call Stockholder Assemblies or designate Board members outside of the Republic of Nicaragua. Moreover, the statutes may provide for the possibility of holding meetings outside the territory or by using TV or video conferencing. In the latter case, the subsequent collection of the signatures of the participants is mandatory.

**FISCAL YEAR AND PUBLICATIONS**

The fiscal year established by the Tax Concertation Law in Nicaragua begins on January 1 and ends on December 31. Once a year, companies can publish their balance sheet in the Official Gazette of the government, showing their capitals and liabilities.

**LEGAL RESERVE**

Nicaraguan companies must have a legal reserve fund. Consequently, at least 20 percent of the corporation’s net income has to be destined to this reserve fund until the value of the reserve fund has equaled 10 percent of the corporation’s total equity.

The reserve fund can be used when necessary, but should always be replaced up to the ten percent required minimum.

**DIVIDENDS**

Dividends will be paid at the closure of the fiscal year and in accordance to the requisites established in the articles of incorporation and its bylaws.

**REGISTRY AND OTHER PROCEDURES**

The corporation must be registered at the Mercantile Registry to start operations. To obtain such a status, the legal representatives shall request it in writing to the Public Registry. Prior to this registry, the company’s accounting books (Book and Journal Staff) must be registered in the same office, together with the stock record books and records of the JJDD and the General Assemblies of Shareholders.

The accounting books of the corporation also have to be registered at the Department of Revenue. This registration is done parallel to the application and registration of the corporation as a taxpayer to obtain the tax identification card, known as Registration Number Taxpayer (RUC, for its acronym in Spanish). This process should be initiated at least within 30 days after registration of the Articles of Incorporation and Bylaws of the Company, under penalty of a fine.
Additionally, the corporation must be registered before the corresponding Municipality. In order for a corporation to be authorized by the corresponding municipality and begin operations, it must pay a license fee that consists of one percent of the corporation’s equity.

In order to expedite this process, you can register the corporation at the One-Stop Shop (VUI, for its acronym in Spanish). The One-Stop Shop for Investments opened in 2003 with the purpose of creating a system that would simplify the procedures involved with the establishment, registration, and legalization of a company. The main goals were: decreasing costs, steps and the administrative and legal requirements necessary for the incorporation of a company in Nicaragua, as well as developing agile and high quality customer service mechanisms for the establishment of these corporations. The incorporation of a company used to take about two months and a half, and with the One-Stop Shop this process was reduced to five days.

Investments up to US$30,000 will have the right to be registered at the Statistic Registry of Foreign Investments.

These steps are fundamental for the incorporation of a company:

1. Sign the incorporation papers before a notary public
2. Buy company accounting books and corporate books
3. File incorporation statutes, register accounting books and register as a trader with the Commercial Registry at the one-stop shop
4. Pay the inscription fees
5. Obtain the DUR, a single document that allows registering at the same time for sales of taxes (RUC), social security (INSS), and the pre-municipal license at the one-stop shop or at the DGI.
6. Obtain a municipal license

The costs of Constitution and Registration are in the range of US$1,500 to US$2,000, and it depends on the law firm selected. This table presents an approximation of the costs incurred by investors in establish and registering a company.

<table>
<thead>
<tr>
<th>Approximate Constitution and Registry Costs</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Legal costs of constitution</td>
<td>US$900</td>
</tr>
<tr>
<td>Registry tariffs</td>
<td>US$200</td>
</tr>
<tr>
<td>Obtain the DUR and request the municipal license</td>
<td>US$200</td>
</tr>
<tr>
<td>Commercial registration cost</td>
<td>US$100</td>
</tr>
<tr>
<td>Corporate books</td>
<td>US$50</td>
</tr>
<tr>
<td>Obtain a municipal license</td>
<td>US$50</td>
</tr>
<tr>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>US$1,500</strong></td>
</tr>
</tbody>
</table>

*Source: Survey of PRONicaragua 2018.*
In case of companies that want to establish in any of the Caribbean Coast Autonomous Region, they must fulfill the requirements established in the regional autonomous law and its due established institutions.

**REQUIREMENTS TO OBTAIN A NICARAGUAN RESIDENCY CARD**

According to General Law of Immigration (Law 761) published on July 2012 and its regulations Decree No. 31-2012 published on October 2012, the General Migration and Immigration Department (DGME, for its acronym in Spanish) is the entity that will process, issue and establish the status of residence in Nicaragua.

All requirements must be submitted in Spanish. When the documents are in another language, they must be translated into Spanish.

Common requirements to obtain the residence:

1. Application Form
2. Photocopy of used pages of the passport, i.e. all the pages that show your last migration records. Furthermore, photocopy of the passport page where your personal information is (bio data page).
3. Photographs size 4 ½ tall by 3 ½ wide, passport size, white background, no glasses, no hat or cap.
4. Certificate of birth or naturalization issued by the competent authority in the country of origin.
5. Criminal Record Certificate issued by the competent authority of the country of origin or country of residence of the last three years, authenticated by the Consulate of Nicaragua and the Ministry of Foreign Affairs. The Criminal Record Certificate issued by Interpol Nicaragua is also accepted. All children under 18 years old are exempt from this requirement.
6. Health certificate issued by the competent authority in the country of residence or Nicaraguan health authorities.
7. Exceptionally, some additional documentation may be required to approve or deny the residency card request. If documentation is not presented within the time limit, the foreign applicant will submit the request again.
8. Deposit equivalent to the value of the return air ticket to your country of origin (Central American countries are exempted of this deposit).
IMMIGRANT RESIDENT WITH CAPITAL OR INVESTOR

All foreign citizens who apply for residence in Nicaragua and plan to set up a business with their own capital that will provide them the means to live modestly without becoming an economic or social burden for the Republic of Nicaragua, have to submit the following documentation as well:

- Investment Registration Certificate issued by the MIFIC.
- A certified copy of the constitution act of the company or statement as a trader registered in the Mercantile Registry.
- Copy of the commercial registration of the City Hall and the General Revenue Department.

RESIDENT WITH EMPLOYMENT CONTRACT

Foreign citizens who are trained as scientists, professionals, technicians or specialists who wish to be hired by public or private domestic companies, in addition to common requirements should also provide:

- Original employment record which detailed the position held by the applicant and the basic monthly salary that will receive. Furthermore, it must include that the applicant is an active worker in the company. Important: the employment record must be printed on letterhead and sealed by the company.
- Certified labor contract intention by the Ministry of Labor, one copy to attach to the applicant form of the Nicaraguan Temporary Residency.
- Original public deed of support letter which must be signed by the Legal Representative of the company.
- Applicant’s professional degrees.
- Photocopy of the ID card of the legal representative of the company.
- Letter of application for the Nicaraguan Temporary Residency addressed to the General Director of Immigration.
- Certified copy of the Constitution Deed of the company who hired the applicant.
- Updated Unique Taxpayer Registry (RUC, for its acronym in Spanish) of the company.
- Photocopy of the company’s updated Municipal Registration issued by the City Hall. If there is Municipal solvency of the Real State Tax attach a photocopy too.
- Certified copy of the power granted to the legal representative of the company.
- Original public deed of support letter of the applicant for his / her family, if applies.
- Original marriage certificate, in case the employee come with his / her partner.
INSTITUTIONAL RESIDENT

Foreign citizens trained in directive, managerial, operational, or administrative positions that are transferred from abroad to Nicaragua by companies, national or foreign, to take specific assignments, in addition to the common requirements set should provide:

- Copy of the constitution act and bylaws of the company registered in the Mercantile Registry, and certified by a notary.
- Copy of the valid Commercial Registration of the respective City Hall and the General Revenue Department.

INDEPENDENT RESIDENT

Foreign citizens classified as employed or as employees seeking to obtain temporary residence in Nicaragua, in addition to the common requirements set should provide:

- Statement trader registered in the Mercantile Registry.
- Copy of commercial registration of the City Hall.
- Copy of registration of the General Revenues Department.
- Notarized statement of income sources.
- Independent consultants should present a copy of the certificate of state supplier.

RETIREE RESIDENT

- Certification of origin of the annual or monthly amount of the pension or retirement benefit received by the applicant issued by the competent authority of the country where the pension arises, by the international organization, public or private company in which he or she served.
- Resolution of the Nicaraguan Tourism Board (INTUR, for its acronym in Spanish) ratifying the retiree or pensioner status.
KEY CONTACTS

▪ AMCHAM – American Chamber of Commerce
  The American Chamber of Commerce (AMCHAM) fosters trade and investments between the United States of America and Nicaragua through free trade and free enterprise.
  Tel: (505) 2266-2758; (505) 2266-2920
  Fax: (505) 2266-2758
  www.amcham.org.ni

▪ ANITEC – Nicaraguan Association of Textile and Apparel Industries
  ANITEC is vertically integrating the industry (textile, apparel and retailers) and horizontally (manufacturers and service providers) for the benefit of its members and the Nicaraguan industry’s faster development.
  Tel: (505) 2277-2955; (505) 8852-2409
  www.anitec.net

▪ APEN – Nicaraguan Association of Producers and Exporters
  The association supports small, middle, and large producers interested in exporting their products.
  Tel: (505) 2268-6053
  Fax: (505) 2266-5160
  www.apen.org.ni

▪ CADIN – The Nicaraguan Chamber of Industries
  The chamber represents and promotes the interests of the industry in Nicaragua, offering services and technical assistance in order to promote the industry’s development, modernization, growth, competitiveness and globalization.
  Tel: (505) 2266-8847
  Fax: (505) 2266-1891
  www.cadin.org.ni

▪ CANATUR – National Chamber of Tourism
  This chamber groups companies in the tourism industry in Nicaragua, representing and advancing their interests and promoting new legislation in the Parliament.
  Tel: (505) 2270-2587
  Fax: (505) 2278-9971
  www.canatur-nicaragua.org

▪ CNPE – National Commission for the Promotion of Exports
  Administrates the Temporary Admissions regime and seeks to continually improve and ease the export process.
  Tel: (505) 2267-0012
  Fax: (505) 2267-0176
- **CNZF – National Free Zone Commission**
  The Industrial Free Zone Export Regime’s governing body, which serves as a promoter and Regulatory Regime of Free Zones of Nicaragua.
  Tel: (505)2263 – 1530
  Fax: (505)2263 – 1700
  [www.cnzf.gob.ni](http://www.cnzf.gob.ni)

- **CZF – Free Zone Corporation**
  It seeks the efficient administration and control of state-owned industrial parks as well as the execution of the Master Plan approved by the Free Zone National Commission.
  Tel: (505) 2263-1530
  Fax: (505) 2263-1700

- **COSEP – Council for Private Enterprise**
  Its mission is to promote democracy in the economic, political, and social arenas while strengthening a free market economy.
  Tel: (505) 2288-2030
  Fax: (505) 2228-2041
  [www.cosep.org.ni](http://www.cosep.org.ni)

- **DGA – Customs Department**
  Controls the traffic of international merchandise and administers tariffs and other trade taxes associated to international commerce.
  Tel: (505) 2244-2032
  [www.dga.gob.ni](http://www.dga.gob.ni)

- **DGI – Revenue Department**
  Develops and enforces national tax collection procedures.
  Tel: (505) 2252-4040
  [www.dgi.gob.ni](http://www.dgi.gob.ni)

- **DGME – Immigration Department**
  Monitors and executes immigration procedures for national and international travelers; issues passports for nationals and resident status IDs for international citizens.
  Tel: (505) 2222-7538
  [www.migracion.gob.ni](http://www.migracion.gob.ni)

- **EEAI - International Airports Administration Company**
  International Airport Augusto C. Sandino
  **PBX:** (505) 2233-1624/28
  **Fax:** (505) 2263-1072 (General Management)
  [webm@eaai.com.ni](mailto:webm@eaai.com.ni)
EPN – National Port Company
Provides port services to companies and organizations in sea, lake, and river locations around the country. There is 24 hours service for shipping and cargo, and attention to clients is regulated Monday – Friday from 8:00 am to 12:00 pm, and 1:00 pm to 5:30 pm.
Tel: (505) 2266-3039/ (505) 2266-2468 / (505) 2266-3274
www.epn.com.ni

IICA – Inter-American Institute for Cooperation in Agriculture
Supports Member States in the modernization of rural areas while providing technical training and developing a competitive agricultural and farming sector.
Tel: (505) 2276-2754; (505) 2276-2755
Fax: (505) 2276-2504
www.iica.int.ni

INATEC – National Training Institute
Government institute that offers technical and professional training for the employees of Nicaragua’s private sector.
Tel: (505) 2254-4382; (505) 2254-4378
www.inatec.edu.ni

INTUR – Nicaraguan Tourism Board
Manages and applies the national tourism policy. This institute is responsible for the promotion, development and expansion of tourism in Nicaragua.
Tel: (505) 2254-5191
Fax: (505) 2222-6610
www.intur.gob.ni

MARENA – Ministry of the Environment and Natural Resources
Agency in charge of the preservation, protection, and sustainable use of Nicaragua’s natural resources and the environment. It applies, supervises and enforces national environment policies.
Tel: (505) 2263-2825; (505) 2233-1112
www.marena.gob.ni

MAG – Ministry of Agriculture, Farming and Forestry
Promotes the interests of the agriculture, farming and forestry sectors, representing them before the Parliament and other international organizations. Provides country statistics regarding national production and the use of forestry.
Tel: (505) 2276-0200; (505) 2276-0204
www.magfor.gob.ni
- **MIFIC – Ministry of Development, Industry and Trade**
  Develops and executes strategies for the economic and sustainable development of the country. Facilitates foreign investment opportunities and promotes competition in small businesses.
  Tel: (505) 2267-0161
  www.mific.gob.ni

- **MITRAB – Ministry of Labor**
  Fosters and contributes to cordial labor relations between employees and employers. It seeks the improvement of labor conditions for the benefit of workers and the companies’ productivity.
  Tel: (505) 2222-2115
  www.mitrab.gob.ni

- **MTI – Ministry of Transportation and Infrastructure**
  Contributes to the development and progress of the country through the formulation, execution and control of politics aimed to improve and maintain transportation and construction projects.
  Tel: (505) 2222-5111; (505) 2222-5952
  www.mti.gob.ni

- **National Police**
  Enforces national legislation and works for the safety of all citizens living in Nicaragua.
  Telefax: (505) 2277-4130; (505) 2277-4133
  www.policia.gob.ni

- **UPANIC – Association of Agriculture and Farming Producers of Nicaragua**
  Represents producers in the agriculture and farming sector, develops and strengthens agricultural activities from the private sector through technical programs that promote better production alternatives.
  PBX: (505) 2251-0340
  Fax: (505) 2251-0307
  www.upanic.org.ni

- **VUI – Investment One-stop Shop**
  The Investment One-stop Shop’s purpose is to simplify the procedures involved with the establishment, registration, and legalization of a company. It seeks to decrease costs, and the administrative and legal steps necessary for the incorporation of a company in Nicaragua.
  Tel: (505) 2277-3860; (505) 2277-3871; (505) 2278-9820
  www.mific.gob.ni/vui