Doing Business in Nicaragua:

2016 Country Commercial Guide for U.S. Companies

Doing Business in Country

Market Overview

- Nicaragua boasts a young population with roughly 70% of its people under the age of 35. Nicaraguan consumers are familiar with U.S. products and brands, which are viewed favorably for high quality.

- Nicaragua's gross domestic product (GDP) increased by an estimated 4.9% in 2015, due largely to increased fixed investment, domestic consumption, and growing remittances. Inflation in 2015 was 3.05%. The Central Bank of Nicaragua forecasts GDP growth of 4.5% for both 2016 and 2017.

- On April 1, 2006, the United States - Central America - Dominican Republic Free Trade Agreement (CAFTA-DR) entered into force for the United States and Nicaragua. 100% of U.S. exports of consumer and industrial goods now enter Nicaragua duty-free. Tariffs on most U.S. agricultural products will be phased out by 2024, with all tariffs eliminated by 2026.

- The United States is Nicaragua's largest trading partner, the source of roughly a quarter of Nicaragua's imports and the destination for approximately two-thirds of its exports (including free trade zone exports). U.S. exports to Nicaragua totaled $1.3 billion in 2015, including machinery, electric machinery, mineral fuel, knitted or crocheted fabrics, vehicles and food industry residues and waste. Nicaraguan exports to the United States were $3.2 billion in 2015, including knit or crocheted apparel articles, electrical machinery, not knit apparel, natural pearls, precious stones, coffee, meat and tobacco. Other important trading partners for Nicaragua are Venezuela, El Salvador, Costa Rica, Mexico, and the European Union.

- The Central Bank of Nicaragua (BCN) stated that in 2015 foreign investment inflows were $1.22 billion, down from $1.44 billion in 2014. Additionally, BCN estimated that net foreign direct investment was $850 million.

Market Challenges

- Weak governmental institutions, deficiencies in the rule of law, and extensive executive control can create significant challenges for those doing business in Nicaragua, particularly smaller foreign investors.

- The legal environment is very weak. Property rights, including intellectual property rights, are especially difficult to defend. There is a widespread perception that the judicial sector and police forces have been politicized and are subject to external influence. Investors regularly complain that regulatory authorities and courts are arbitrary, negligent, slow to apply existing laws, and often favor one competitor over another.

- The Nicaraguan Customs Authority regularly subjects shipments of commercial and even donated goods to bureaucratic delays and arbitrary valuation. Importers and exporters alike accuse the Nicaraguan Customs Authority of regularly assessing excessive fines for minor administrative discrepancies. In some cases, shipments are held for days, weeks, or months, with no justification.

- For large industrial and commercial customers, electricity service in Nicaragua is the most expensive in Central America. A complicated tariff structure subsidizes some users at the expense of others, with larger consumers generally paying very steep costs. Rates are established through a political process that can lack transparency and poses challenges for long term planning. Internet penetration is improving but remains low and customers face a high cost of access. Seaport infrastructure is limited and transport costs are high.

- The Nicaraguan economy is small and purchasing power is limited for many consumers. Of the total population of approximately 6.07 million, 29.6% live below the poverty line according to 2014 official data (LSMS 2014 GON and World Bank). Remittances—valued at $1.19 billion in 2015—significantly augment incomes for many Nicaraguans, as do government transfers.

Market Opportunities

- The Central America – Dominican Republic – United States Free Trade Agreement (CAFTA-DR) has expanded/enhanced market opportunities for U.S. exports to Nicaragua. The treaty has also expanded/enhanced opportunities for Nicaraguan exports to the United States, especially for meat, dairy, seafood, agricultural produce and processed foods.

- Nicaragua offers business opportunities in the tourism sector that are enhanced by attractive tax incentives. Nicaragua's emerging tourism industry is an opportunity to those entrepreneurs who accept the risk of investing in Nicaragua. The major challenges to investing in the sector are land title disputes and lack of supportive infrastructure.
- Market opportunities exist in the following sectors: construction, food processing and packaging equipment, and hotel and restaurant equipment.

Market Entry Strategy

- The use of agents and distributors is the most common way to export U.S. products and services.
- The Nicaraguan retail market is relatively small in numbers and size but challenging to access due to limited transportation infrastructure, so identifying one representative for the Pacific and central regions and another for the Caribbean coast is often required to ensure nationwide coverage.
- A local lawyer should be consulted to determine the pros and cons of various types of agency or representation agreements.
- U.S. companies should visit potential partners or agents prior to entering into a relationship.
- U.S. firms should check the bona fides of potential partners before establishing a formal business relationship.
- Extra due diligence should be applied before entering into any contractual or partnership arrangement.
- U.S. citizens should be aware of the risks of purchasing real estate in Nicaragua and should exercise extreme caution before committing to invest in property.

Political Environment

Political Environment

Principal Government Officials

- President — Daniel Ortega Saavedra
- Vice President — Omar Halleslevens Acevedo
- Minister of Foreign Affairs — Samuel Santos López

- Ambassador to the United States — Francisco Campbell Hooker

Nicaragua maintains an embassy in the United States at 1627 New Hampshire Avenue NW, Washington DC 20009 (tel: 202-939-6570), and consulates in Washington D.C., Houston, Los Angeles, Miami, San Francisco and New York.

For more background information on the political and economic environment of the country, please click on the link below for the U.S. Department of State Background Notes:

http://www.state.gov/p/wha/ci/nu/

Government of Nicaragua website: http://www.presidencia.gob.ni/

Selling U.S. Products & Services

Using an Agent to Sell U.S. Products and Services

Partnerships between U.S. and Nicaraguan businesses are common. There is no single information clearinghouse for identifying potential partners in Nicaragua or checking their bona fides. U.S. companies seeking agents, distributors, or partners in Nicaragua may request an International Partner Search, Gold Key Service, or a Contact List through their nearest U.S. Export Assistance Center or the Economic/Commercial Section of the U.S. Embassy in Managua. In some cases, organizations such as the investment promotion agency ProNicaragua, the American Chamber of Commerce of Nicaragua, and the Chamber of Commerce and Services of Nicaragua may provide additional information on potential business partners.

Establishing an Office

Registering a business is a relatively straightforward process. The Nicaraguan government operates a One-Stop Shop for Investment (VUI) within the Ministry of Development, Industry and Trade to streamline investment and business licensing. According to the 2016 World Bank Doing Business Report, the process to start a business in Nicaragua takes 13 days on average. The services of the VUI are equally available to domestic and foreign-owned businesses. An investor should retain a local attorney to assist in establishing a presence in Nicaragua. See E-Regulations Nicaragua for detailed information on registering a business in Nicaragua.

Franchising

Nicaragua has no specific law regulating franchising, but the Commercial Code and the Foreign Investment Law (2000/344) apply. There are more than 25 foreign franchises operating in

Nicaragua, including McDonald’s, TGI Friday’s, Pizza Hut, Domino’s Pizza, Papa John’s, Subway, Quiznos, Napa Auto Parts, Hertz, Avis, Budget Rent A Car, DHL, Best Western, Holiday Inn, and Burger King. Many Nicaraguans are familiar with popular U.S. brands and have grown accustomed to U.S. fast food outlets and other services.

Direct Marketing

No specific law or regulation governs direct marketing. Some consumer product companies report successful direct selling campaigns. Restaurants often use courier services to distribute brochures offering coupons for modest discounts. Confusing postal addresses provide an obstacle to profitable direct marketing.

Joint Ventures/Licensing

Nicaragua’s Commercial Code governs the establishment of joint ventures, licensing arrangements, general and limited partnerships, and corporations.

Selling to the Government

The Government Procurement Chapter of the United States - Central America - Dominican Republic Free Trade Agreement (CAFTA-DR) requires that Nicaragua apply fair and transparent procurement procedures and rules and prohibits the Nicaraguan government and its procuring entities from discriminating in purchasing practices against goods, services, and suppliers from the United States. Although Nicaragua is not a party to the plurilateral World Trade Organization (WTO) Agreement on Government Procurement, CAFTA-DR procurement rules are broadly based on that agreement, including the establishment of national treatment, requiring the Nicaraguan government to treat suppliers of goods and services from the United States no less favorably than it does domestic counterparts. CAFTA-DR also provides rules aimed at ensuring a fair and transparent procurement process.

CAFTA-DR applies to most central government entities for goods and services valued above $58,550, and construction services valued at $6,725,000 or more. The threshold for municipalities and other decentralized government entities is $477,000 for goods and services, and $6,725,000 for construction services. Annex 9.1.2(b)(i) of the Government Procurement Chapter lists entities covered under the agreement; entities not listed are not covered. Purchases wholly or partially financed by foreign governments or international organizations are conducted according to the procedures of the donor organization.

CAFTA-DR also establishes rules designed to ensure transparency in procurement procedures. Nicaragua must publish its laws, regulations, and other measures governing procurement, along with any changes to those measures. Procuring entities must publish notices of procurement opportunities in advance. The agreement provides that procuring entities may not write technical specifications to favor a particular supplier, good, or service. It also sets out the circumstances under which procuring entities are allowed to use limited tendering. CAFTA-DR requires Nicaragua to maintain procedures to declare suppliers that have engaged in fraudulent or other illegal procurement actions ineligible for participation in future procurement.

The Government Procurement Law (amended 2010/737) and the Municipal Procurement Law (2007/622) provide detailed procurement procedures, including rules for open bidding, qualified bidding, limited tendering, and purchase by quotation. The Ministry of Finance Procurement Office operates an electronic portal for central government and municipality procurement, NICARAGUACOMPRA.

The Government Procurement Law establishes safeguards to encourage open competition among suppliers bidding on government contracts. It states that in order for the Nicaraguan government to purchase goods and services, it must allow suppliers to compete under equal conditions. All government purchases must be planned and approved by procurement committees within each public entity.

The law allows foreign contractors to bid on projects on equal terms with locally registered companies. While foreign companies need not register locally in order to take part in the bidding process, they must present documentation from their home countries in order to prove that they are qualified bidders. If a foreign company wins a bid, it will need to register with the Nicaraguan government.

U.S. Commercial Service Liaison Offices at the Multilateral Development Banks (Inter-American Development Bank, World Bank)

The Commercial Service maintains Commercial Liaison Offices in each of the main Multilateral Development Banks, including the Inter-American Development Bank and the World Bank. These institutions lend billions of dollars in developing countries on projects aimed at accelerating economic growth and social development by reducing poverty and inequality, improving health and education, and advancing infrastructure development. The Commercial Liaison Offices help American businesses learn how to get involved in bank-funded projects, and advocate on behalf of American bidders. Learn more by contacting the Commercial Liaison Offices to the Inter-American Development Bank (*http://export.gov/idb*) and the World Bank (*http://export.gov/worldbank*).

Web Resources

Commercial Liaison Office to the Inter-American Development Bank: http://export.gov/idb

Commercial Liaison Office to the World Bank: http://export.gov/worldbank

Distribution & Sales Channels

Local distributors and agents generally handle distribution and sales of imported products through wholesale, self-service (supermarkets and convenience stores), and retail ("mom and pop" stores and informal vendors) channels.

More than 1,000 wholesalers operate in Nicaragua. PriceSmart operates two retail warehouse stores in Managua, and also sells wholesale. There are four major supermarket chains in Nicaragua: Palí, Maxi-Palí, La Unión, and La Colonia. Wal-Mart Central America operates the mid-range Palí and Maxi-Palí, and upscale La Unión stores. In December 2015 Wal-Mart Central America opened their new $17 million flagship store, the first in the country branded as Walmart with a floor plan similar to stores in the United States. La Colonia is a local chain of supermarkets located in Managua, Granada, Estelí, León and Chinandega. There are also as many as 16,000 "mom and pop" stores and informal vendors that compete with larger retailers.

The Nicaraguan national highway network is composed of approximately 24,033 kilometers, including the 381 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. This Highway runs North-South along the western coast from Honduras to Costa Rica, giving Nicaragua access to the Caribbean coast seaports of Puerto Cortés in Honduras and Puerto Limón in Costa Rica.

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 international borders. The unpaved portions of the highways between Managua and the North Caribbean coast, leading to Bilwi, are more accessible during the dry season (December-April). Nevertheless, an important secondary road was recently finished that runs from Managua to El Rama, the most important commercial port in the Caribbean.

The Pacific coast Puerto de Corinto, the largest port in the country, is equipped with two warehouses, several storage tanks, special equipment for bulk freight, one crane to handle containers, and power outlets for refrigerated containers.

The Sandino International Airport, located 13 kilometers (8 miles) from the capital, is a modern facility. The airport offers basic cargo handling, including refrigerated storage, with connections to major cities in Central America and the United States. Bluefields and Puerto Cabezas on the Caribbean coast each have a small commercial airport. There is also now an airport in Tola, Rivas for smaller aircraft.

The Central Intelligence Agency's World Fact Book provides basic information on infrastructure in Nicaragua.

Express Delivery

Selling Factors & Techniques

Sales and marketing techniques in Nicaragua are similar to those employed in the United States. Trade fairs and industry-specific trade shows are common. Nicaraguan companies have begun to adopt modern marketing techniques, including door-to-door advertising, point-of-sale promotions, and internet sales. Spanish language is a must.

eCommerce

CAFTA-DR's Electronic Commerce chapter requires nondiscriminatory, duty free treatment of digital products and encourages cooperation in numerous policy areas related to electronic commerce. Electronic commerce is still developing in Nicaragua. Currently, there are no laws or regulations restricting its use. However, all eCommerce businesses must be incorporated with a physical address in the country.

The Digital Signature Law (2010/729) extends legal validity to electronic signatures and digital certificates to facilitate business and government transactions, especially international transactions. The governing body for the accreditation of an electronic signature is the Director General of Technology, which is part of the Ministry of Finance and Public Credit. There is no indication, however, that the system necessary to accredit electronic signatures has been implemented.

Trade Promotion & Advertising

Much of the population receives information via radio. Other popular means of promotion are billboards, banners, printed flyers, and loudspeaker announcements. Advertising for higher-income segments of the population can be found in newspapers, television, cinema, and cell phone text messaging. Publicity through the internet continues to be limited, although growing, especially through social media, especially Facebook.

Pricing

The Harmonized Tax Law (2012/822) was updated in December 2014 (2014/891) in an effort to improve, modernize and simplify the local tax system. There are three main sources of taxes in Nicaragua: income tax (IR), a value-added tax (IVA), and a selective consumption tax (ISC). The Nicaraguan fiscal year runs from January 1 to December 31.

Income tax (IR) has three different categories: a) employment income, b) income from economic activities and c) capital income. Nicaragua applies a graduated income tax with rates from 10 to 30%. In addition, individual and corporate taxpayers whose income originates from industries such as agriculture, cattle ranching, forestry, fishing, mining, manufacturing, construction, hotels, restaurants, financials services, and others, are subject to a 1% minimum tax on gross sales.

A value added tax (IVA) of 15% applies to the sale of many goods and services. There are some exceptions such as certain food products, medicine, and some agricultural products.

A selective consumption tax (ISC) is levied on a variety of goods. The tax generally ranges from 10% to 30% but is as high as 59% for tobacco products and alcoholic beverages. The ISC on domestic goods is based on the manufacturer's sale price, while the ISC on imported goods is based on the CIF value (a pricing term indicating that the cost of goods, insurance, and freight are included in the quoted price).

Commodity transactions on the Nicaraguan exchange market are subject to 1.5% tax.

Based on the Consumers' Rights Protection Law (2013/842), the Nicaraguan Ministry of Development, Industry and Trade regulates maximum prices for retail and wholesale generic and branded pharmaceutical products. The Nicaraguan Energy Institute regulates liquefied natural gas prices. Prices for public utilities such as water and electricity are also regulated. See Chapter 6 of the Country Commercial Guide: Investment Climate Statement for more information.

Sales Service/Customer Support

Many local businesses place less emphasis on customer service than is considered standard in the United States. Nicaraguan consumers are beginning to demand better service and are receptive to foreign-owned businesses that make customer service a priority.

Protecting Intellectual Property

Protecting Your Intellectual Property in Nicaragua:

Several general principles are important for effective management of intellectual property ("IP") rights in Nicaragua. First, it is important to have an overall strategy to protect your IP. Second, IP may be protected differently in Nicaragua than in the United States as the laws differ. Third, rights must be registered and enforced in Nicaragua, under local laws. For example, your U.S. trademark and patent registrations will not protect you in Nicaragua. There is no such thing as an "international copyright" that will automatically protect an author's writings throughout the entire world. Protection against unauthorized use in a particular country depends, basically, on the national laws of that country. However, most countries do offer copyright protection to foreign works in accordance with international agreements.

Granting patents registrations and registering trademarks are generally based on a first-to-file basis, so you should consider how to obtain patent and trademark protection before introducing your products or services to the Nicaragua market. It is vital that companies understand that intellectual property is primarily a private right and that the U.S. government cannot enforce rights for private individuals in Nicaragua. It is the responsibility of the rights' holders to register, protect, and enforce their rights where relevant, retaining their own counsel and advisors. Companies may wish to seek advice from local attorneys or IP consultants who are experts in Nicaraguan law. The U.S. Commercial Service can provide a list of local attorneys registered with U.S. Embassy Managua.

While the U.S. Government stands ready to assist, there is little we can do if the rights holders have not taken the fundamental steps necessary to securing and enforcing their IP in a timely fashion. Moreover, rights holders who delay enforcing their rights on a mistaken belief that the U.S. Government can provide a political resolution to a legal problem may find that their rights have been eroded or abrogated due to legal doctrines such as statutes of limitations, laches, estoppel, or unreasonable delay in prosecuting a law suit. In no instance should U.S. Government advice be seen as a substitute for the responsibility of a rights holder to promptly pursue its case.

It is always advisable to conduct due diligence on potential partners. A good partner is an important ally in protecting IP rights. Consider carefully, however, whether to permit your partner to register your IP rights on your behalf. Doing so may create a risk that your partner will list itself as the IP owner and fail to transfer the rights should the partnership end. Keep an eye on your cost structure and reduce the margins (and the incentive) of would-be bad actors. Projects and sales in Nicaragua require constant attention. Work with legal counsel familiar with Nicaraguan laws to create a solid contract that includes non-compete clauses and confidentiality/non-disclosure provisions.

It is also recommended that small and medium-size companies understand the importance of working together with trade associations and organizations to support efforts to protect IP and stop counterfeiting. There are a number of these organizations, both Nicaragua or U.S.-based. These include:

- The U.S. Chamber of Commerce
- The Superior Council of Private Enterprise in Nicaragua (COSEP)
- National Association of Manufacturers (NAM)
- International Intellectual Property Alliance (IIPA)
- International Trademark Association (INTA)
- International Anti-Counterfeiting Coalition (IACC)
- Pharmaceutical Research and Manufacturers of America (PhRMA)
- Biotechnology Industry Organization (BIO)

IP Resources

A wealth of information on protecting IP is freely available to U.S. rights holders. Some excellent resources for companies regarding intellectual property include the following:

- For information about patent, trademark, or copyright issues -- including enforcement issues in the United States and other countries -- call the STOP! Hotline: **1-866-999-HALT** or visit www.STOPfakes.gov.

- For more information about registering trademarks and patents (both in the United States as well as in foreign countries), contact the U.S. Patent and Trademark Office (USPTO) at: 1-800-786-9199, or visit http://www.uspto.gov/.

- For more information about registering for copyright protection in the United States, contact the U.S. Copyright Office at: **1-202-707-5959**, or visit http://www.copyright.gov/.

- For more information about how to evaluate, protect, and enforce intellectual property rights and how these rights may be important for businesses, please visit the "Resources" section of the STOPfakes website at http://www.stopfakes.gov/resources.

- For information on obtaining and enforcing intellectual property rights and market-specific IP Toolkits visit: www.stopfakes.gov/businesss-tools/country-ipr-toolkits. The toolkits contain detailed information on protecting and enforcing IP in specific markets and also contain contact information for local IPR offices abroad and U.S. government officials available to assist SMEs.

The U.S. Department of Commerce has positioned IP attachés in key markets around the world. For more information about the IP attaché program, please visit the United States Patent and Trademark Office website.

Due Diligence

Thorough due diligence can reduce the risk inherent in doing business in Nicaragua. Before finalizing any contract, agreement, or relationship, U.S. companies are urged to obtain information on the bona fides of the contracting firm, including reliable business and financial references. For commercial transactions, requiring cash in advance or negotiating a letter of credit is advisable until a payment track record is established.

The Embassy's Economic/Commercial Section can provide assistance in identifying potential business partners through its International Partner Search. Representation or distribution agreements should include an arbitration clause and be reviewed by a local attorney.
See Chapter 6 of the Country Commercial Guide: Investment Climate Statement for more information.

Local Professional Services

The Embassy strongly recommends hiring a local attorney to facilitate business transactions. Many attorneys have cooperative agreements with law firms throughout Central America and the United States.

Several local accounting firms have established cooperative agreements with U.S. accounting firms. Many are members of the American Chamber of Commerce of Nicaragua and may be contacted through that organization.

A limited number of contact centers and business process outsourcing vendors employ bilingual professionals who offer a variety of services to international firms, including telemarketing, consumer and commercial collections, back office work, data entry, market intelligence, and financial analysis.

Limitations on Selling U.S. Products and Services

There are no manufacturing sectors or services where only Nicaraguan citizens are allowed to own or sell, except in some very limited cases related to national security. Please contact the Economic/Commercial Section for more information.

Selling U.S. Products and Services Web Resources

National Electricity Company (ENEL)
Government Procurement Law

Municipal Procurement Law
Ministry of Finance Procurement Office
NICARAGUACOMPRA
Empresa Nacional Portuaria
Puerto de Corinto
Sandino International Airport
World Fact Book
Electronic Commerce
Director General of Technology
Ministry of Finance and Public Credit
Nicaraguan Institute for Telecommunications and Postal Service (TELCOR)
Harmonized Tax Law (2012/822)
Nicaraguan Energy Institute
www.StopFakes.gov
Embassy Managua Economic/Commercial Section

Trade Regulations, Customs, & Standards

Import Tariff

As a member of the Central American Common Market (CACM), Nicaragua applies a harmonized external tariff on most items at a maximum of 15% with some exceptions. Approximately 95% of tariff lines are harmonized at this rate or lower. In response to rising prices in 2007, Nicaragua issued a series of decrees to unilaterally eliminate or reduce to 5% tariffs on many basic foodstuffs and consumer goods. These decrees have been extended every six months,are currently in effect through 2016, and are likely to be extended thereafter. The Nicaraguan Customs Authority maintains an online database of import tariffs, including tariffs applicable under the Central America – Dominican Republic – United States Free Trade Agreement (CAFTA-DR).

Under CAFTA-DR, 100% of U.S. consumer and industrial goods now enter Nicaragua duty free. More than half of U.S. agricultural exports now enter Nicaragua duty free thanks to CAFTA-DR. Nicaragua will eliminate its remaining tariffs on nearly all agricultural goods by 2024, including those on pork, rice, and yellow corn. Nicaragua will eliminate its tariffs on chicken leg quarters and rice by 2023 and on dairy products by 2025. For certain products, such as poultry leg quarters, tariff rate quotas (TRQs) allow duty free access for increasing quantities as tariffs are phased out. Nicaragua will liberalize trade in white corn through expansion of a TRQ, but there is no tariff phase out.

Trade Barriers

The U.S. Embassy receives numerous reports from U.S. businesses and nongovernmental organizations that the Nicaraguan Customs Authority regularly subjects shipments of commercial and even donated goods to bureaucratic delays and arbitrary valuation. Importers and exporters alike say customs officials regularly assess exorbitant fines for minor administrative discrepancies on paper work. In some cases, shipments are held for days, weeks, or months with no justification provided by customs agents. Other issues include arbitrary denials of import permits for products with no justification. Most cases that come to the Embassy's attention are for products that are sensitive to the Nicaraguan economy. The U.S. Embassy rarely has success in obtaining information from the Nicaraguan Customs Authority concerning these cases.

The Nicaraguan government levies a selective consumption tax (ISC) on many items, as described in Chapter 3 of the Country Commercial Guide: Selling U.S. Products and Services. The tax is not applied exclusively to imports, but imports are taxed on the cost, insurance, and freight value, while domestic goods are taxed on the manufacturer's price. All alcoholic beverages and tobacco products are taxed on the price charged to the retailer.

Import Requirements & Documentation

An importer must present the following documentation to the Nicaraguan Customs Authority:

- bill of lading
- packing list
- original invoice
- declaration of invoice authenticity
- permits issued by Nicaraguan authorities (if necessary, see below)
- certificate of origin (to determine applicability of CAFTA-DR and other trade agreements)

Importers must also register as a taxpayer with the Nicaraguan Tax Authority. Once they have their tax identification number, they must register it with the Nicaraguan Customs Authority, Legal Affairs Division, which also requires importers to present proof of fiscal solvency on a monthly basis.

The process for sending donations to Nicaragua is to request authorization from the Ministry of Foreign Relations. The donating organization may wish to hire a local customs broker familiar with Nicaragua's customs procedures in order to ensure that the donation is not lost. Customs may seize a shipment if it is not removed from their warehouses after 20 days, but the importer can pay a fine in order to avoid it being auctioned.

Labeling/Marking Requirements

The Nicaraguan Technical Standard on Prepackaged Foods for Human Consumption (1999/03-021) requires that prepackaged foods be labeled in Spanish and indicate product origin, contents, price, weight, production date, and expiration date. The Ministry of Development, Industry and Trade, Standards Office, will determine if the product complies with the labeling requirements, once the product has been registered with the Sanitation Office at the Ministry of Health.

The Ministry of Health, Pharmaceutical Office, requires that pharmaceutical products be packaged and labeled in Spanish for retail distribution and that their dosages be clearly indicated.

For those companies that are interested in participating in government tenders, sample products must be submitted with the required labels in Spanish.

Nicaragua is a signatory of the Cartagena Protocol on Biosafety. As mandated by the protocol, Nicaragua requires that agricultural goods containing more than 5% living modified organisms (LMOs) be labeled to indicate that they "may contain" LMOs.

U.S. Export Controls

Food and Beverages

The Ministry of Health Food Inspection Office issues import permits for food and beverages. All imports of non-processed food must be registered with the Ministry of Agriculture's Agricultural Health and Sanitation Office. If a product is imported in bulk and packaged in Nicaragua, a phytosanitary or sanitary certificate is required from the country of origin and the Nicaraguan Ministry of Health Food Inspection Office. For sugar, the Ministry of Development, Industry, and Trade issues import licenses.

Medicines and Cosmetics

The Ministry of Health, Pharmaceutical Office, issues import permits for medicines, cosmetics and hygiene products. Importers must present documentation demonstrating safety and effectiveness and pay fees to obtain a sanitary registration, as well as fees for laboratory analysis (this fee varies if the products are made in Nicaragua). To ascertain fee amounts, please contact the Ministry of Health.

For more information on registering a product or the documents required for importing pharmaceutical products, please contact:

Ministry of Health
Pharmaceutical Division
Complejo Nacional de Salud "Dra. Concepción Palacios" costado oeste, Colonia Primero de Mayo, Módulo 4, Managua
Tel: (505) 2289-4700
Fax: (505) 2289-4401
div-far@minsa.gob.ni

Laboratorio Nacional de Control de Calidad de Medicamentos
Donde fue la Pepsi 2 c. al Sur, 3 c. Abajo, Managua
Tel: (505) 2244-1925
lnccm-cndrminsa@hotmail.com

Agriculture and Livestock

The Institute of Agricultural Protection and Safety (IPSA) is responsible for plant and animal health inspections. The Ministry of Agriculture, Agrochemicals Office, issues import permits for agrochemical products and for medicine for veterinary purposes. The Ministry of Agriculture, after consideration of a risk analysis, makes a final decision on biotechnology imports.

Telecommunications

The Nicaraguan Institute for Telecommunications and Postal Service (TELCOR) issues import permits for radio communication equipment, cable television installation equipment, telephone switchboard equipment, and commercial radio broadcast equipment.

Containers for Liquefied and Compressed Gasses

The Fire Department, Fire Prevention Office, issues import permits for new and used cylinders or containers for liquefied or other compressed gases.

Firearms

The National Police, Firearms and Ammunition Office administers an import permit system for firearms, ammunition, and explosives under the Special Law for Control and Regulation of Firearms, Ammunition, Explosives, and Related Materials (amended 2006/591).

Temporary Entry

Under the National Treatment and Market Access for Goods Chapter of CAFTA-DR, Nicaragua must provide duty-free temporary admission for products such as professional equipment, goods for display or demonstration, and commercial samples. The Chapter also includes specific provisions on the international transit of vehicles and containers.

The Ministry of Development, Industry and Trade, through the National Export Commission is responsible for administering Nicaragua's Temporary Admission Law, which defines the circumstances under which merchandise may be imported duty free, primarily in the case of re-export after a transformative process, repair, or alteration. This law applies only to companies that directly or indirectly export at least 25% of total production (no lower than US $ 50,000 per year). The Nicaraguan Customs Authority is responsible for applying this law, and additional information is available by writing to cnpe@mific.gob.ni.

Prohibited & Restricted Imports

Law 2014/891, which is an amendment to Nicaragua's Harmonized Tax Code, prohibits the importation of vehicles that are seven years or older. There are several exceptions such as classic or historic vehicles, certain donated vehicles, and certain vehicles used for cargo or public transportation.

Customs Regulations

The Customs Administration and Trade Facilitation Chapter of CAFTA-DR establishes rules designed to encourage customs transparency, predictability, and efficiency. Under the agreement, Nicaragua must promptly publish its customs measures, including on the Internet. Nicaragua must also release goods from customs promptly and expeditiously clear express shipments.

The Central American Uniform Customs Code establishes harmonized customs procedures for Guatemala, El Salvador, Nicaragua, and Honduras, including uniform documents, electronic transmission of customs information, and electronic prepayment of charges, tariffs and taxes.

On August 4, 2015, Nicaragua ratified the World Trade Organization's Trade Facilitation Agreement. The agreement contains provisions for expediting the movement, release and clearance of goods, including goods in transit. It also sets out measures for effective cooperation between customs and other appropriate authorities on trade facilitation and customs compliance issues. It further contains provisions for technical assistance and capacity building in this area.

Importers must use the services of a licensed customs broker. Nicaragua applies the World Trade Organization Agreement on Customs Valuation to determine customs duties. Many importers report, however, that the Nicaraguan Customs Authority misclassifies goods in order to apply a higher duty rate. They also allege that officials apply arbitrary reference prices. Information on current customs regulations can be obtained from the Nicaraguan Customs Authority at Tel: (505) 2248-2642, (505) 2249-5699, (505) 2249-4259 or by submitting questions to their website.

Trade Standards

The Technical Barriers to Trade Chapter of CAFTA-DR requires that Nicaragua build on the WTO Agreement on Technical Barriers to Trade to promote transparency, accountability, and cooperation on standards and regulatory issues.

The Technical Standards and Quality Law (1996/219) establishes a National Standards and Quality Commission, including public and private sector members, to develop standards and regulations. The Ministry of Development, Industry and Trade, Technology, Standards, and Measurement Office, serves as secretariat for the commission.

The Technical Barriers to Trade Chapter of CAFTA-DR requires that Nicaragua recognize conformity assessment bodies located in the United States on terms equivalent to those located in Nicaragua. Conformity assessment in Nicaragua is limited to export products such as coffee and peanuts.

The Technical Standards and Quality Law (1996/219) establishes the Ministry of Development, Industry and Trade, National Accreditation Office, as the government entity responsible for accrediting standards certifying organizations. The Ministry of Development, Industry and Trade publishes technical standards and requirements governing standards certifying organizations

The Ministry of Development, Industry and Trade, National Accreditation Office, publishes Obligatory Nicaraguan Technical Standards as well as Standards Subject to Public Consultation.

The Ministry of Development, Industry and Trade, National Accreditation Office employs the following contacts:

Department of Standards and Measurements
Telephone: 505-2267-4551 Ext. 1276
Email: dtnm@mific.gob.ni
Department of Standards
Head of the Standards Department
Telephone: 505-2267-4551 Ext. 1238
CODEX Alimentarius Point of Contact
Telephone: 505-2267-4551 Ext. 1258
Email: codex@mific.gob.ni
Information Center on Technical Barriers to Trade
Telephone: 505-2267-4551 Ext. 1230

The U.S. Department of Commerce’s International Trade Administration employs a regional expert in standards, based in Mexico City:

Commercial Officer/Standards Attaché
Office of Standards Liaison for Canada, the Caribbean, Central America and Mexico
Telephone: 52-55-5140-2603

Trade Agreements

Nicaragua, along with Costa Rica, El Salvador, Guatemala, Honduras, and the Dominican Republic, signed the Central America – Dominican Republic – United States Free Trade Agreement (CAFTA-DR) in August 2004. The agreement entered into force for Nicaragua and the United States on April 1, 2006. In 2010, Central American countries, including Nicaragua, signed a trade agreement with the European Union. In 2014, a partial free trade agreement came into effect between Nicaragua and Cuba. Nicaragua has trade agreements with Mexico, Panama, Taiwan, Chile and the Dominican Republic.

Nicaragua has signed and ratified bilateral investment treaties with Argentina, BLEU (Belgium-Luxembourg, Economic Union), Chile, the Czech Republic, Denmark, Finland, France, Germany, Italy, the Netherlands, Russian Federation, South Korea, Spain, Switzerland, Sweden, Taiwan, and the United Kingdom

The Secretariat for Central American Economic Integration (SIECA) provides technical and administrative support to Nicaragua, Costa Rica, El Salvador, Guatemala, and Honduras in their efforts to establish a Central American Common Market. Nicaragua is negotiating separate free trade agreements with ALBA member countries, South Korea, Canada, Peru and Bolivia.

The Ministry of Development, Industry and Trade, International Trade Office, is responsible for the negotiation and implementation of trade agreements.

Trade Regulation Web Resources

Central American Common Market

Central American Uniform Customs Code

Secretariat for Central American Economic Integration

Nicaraguan Customs Authority

Nicaraguan Tax Authority

Nicaraguan Ministry of Foreign Relations

Nicaraguan Ministry of Health

Nicaraguan Ministry of Agriculture

Nicaraguan Institute for Telecommunications and Postal Service

Nicaraguan National Police, Firearms and Ammunition Office

Nicaraguan Ministry of Development, Industry and Trade, National Export Commission

Nicaraguan Ministry of Development, Industry, and Trade, National Accreditation Office

Ministry of Development, Industry and Trade, International Trade Office

Investment Climate Statement

Executive Summary

The Government of Nicaragua is actively seeking to increase economic growth by supporting and promoting foreign investment. The Government emphasizes its pragmatic management of the economy through its model of consensus and dialogue with private sector and labor representatives. A key draw for investors is Nicaragua's relatively low-cost and young labor force, with approximately 75 percent of the country under 39 years old. Additionally, the country's relative physical safety compares favorably with other countries in Central America.

To attract investors, Nicaragua offers significant tax incentives in many industries, including mining, and tourism. These include exemptions from import duties, property tax incentives, and income tax relief. The country has a well-established free trade zone regime with major foreign investments in textiles, auto harnessing, medical equipment, call centers, and back office services. The construction sector has also attracted significant investment, buoyed by major infrastructure and housing projects. The country's investment promotion agency, ProNicaragua, is a well-regarded and effective facilitator for foreign investors.

In August 2015, the Government of Nicaragua resolved the last of the property claims disputes covered under Section 527 of the Foreign Relations Authorization Act, ending a twenty-year period of waiver reviews and potential aid restrictions. Although the waiver cases have been resolved, the Embassy continues to hear accounts from U.S. citizens seeking redress for property rights violations that were not covered by this legislation and has raised concerns to the Nicaraguan government about the infringement of private property rights affecting U.S. citizens. The Embassy continues to advocate that the Government resolve all outstanding property claims and improve its overall investment and business climate.

Weak governmental institutions, deficiencies in the rule of law, and extensive executive control can create significant challenges those doing business in Nicaragua, particularly smaller foreign investors. Many individuals and entities raise concerns about customs and tax operations in particular. Large-scale investors and firms with positive relations with the ruling party are advantaged in their dealings with government bureaucracy. There is a widespread perception that the judicial sector and police forces have been politicized and are subject to external influence. Additionally, the important presence of state-owned enterprises and firms owned or controlled by government officials reduces transparency and can put foreign companies at a disadvantage.

American and other property rights holders have voiced concerns over the proposed inter-oceanic canal across Nicaragua. In 2013 the Government of Nicaragua granted the Hong Kong Nicaragua Development Group (HKND) a 100-year concession to build the proposed canal with no competition and no opportunity for public comment. The Nicaraguan law that grants the canal concession states that property owners will be paid at “cadastral value,” which U.S. investors fear will be below fair market value and in violation of the Nicaraguan government's obligations under the Free Trade Agreement between the United States, Central America, and the Dominican Republic (CAFTA-DR). The U.S. Embassy in Managua has reminded the Nicaraguan government of its obligations under CAFTA-DR as well as the need for an open and transparent process.

Table 1

Measure	Year	Index or Rank	Website Address
TI Corruption Perceptions index	2015	130 of 168	transparency.org/cpi2014/results
World Bank’s Doing Business Report “Ease of Doing Business”	2016	125 of 189	doingbusiness.org/rankings
Global Innovation Index	2015	130 of 141	globalinnovationindex.org/content/page/data-analysis
U.S. FDI in partner country ($M USD, stock positions)	2014	USD $201	bea.gov
World Bank GNI per capita	2014	USD $1,870	data.worldbank.org/indicator/NY.GNP.PCAP.CD

Millennium Challenge Corporation Country Scorecard

The Millennium Challenge Corporation, a U.S. Government entity charged with delivering development grants to countries that have demonstrated a commitment to reform, produced scorecards for countries with a per capita gross national income (GNI) of $4,125 or less. A list of countries/economies with MCC scorecards and links to those scorecards is available here: http://www.mcc.gov/pages/selection/scorecards. Details on each of the MCC’s indicators and a guide to reading the scorecards are available here: http://www.mcc.gov/pages/docs/doc/report-guide-to-the-indicators-and-the-selection-process-fy-2015.

Nicaragua does not have an MCC Compact.

Openness to and Restrictions upon Foreign Investment

Attitude toward Foreign Direct Investment

The Government of Nicaragua actively seeks to attract foreign direct investment as one of its primary tools to generate economic growth and increase employment. Many of the investment incentives are designed to attract export-focused companies that require large amounts of unskilled or low-skilled labor.

ProNicaragua is the country's investment and export promotion agency and helps facilitate foreign investment. The agency provides a range of services, including information packages, investment facilitation, and prospecting services to interested investors. It is a well-regarded institution and has been recognized by international organizations as among the most effective investment promotion agencies in the region. For more information, see http://www.pronicaragua.org.

Other Investment Policy Reviews

Nicaragua conducted a trade policy review through the WTO in 2013.

Laws/Regulations on Foreign Direct Investment

The Free Trade Agreement between the United States, Central America, and the Dominican Republic (CAFTA-DR) entered into force on April 1, 2006, for the United States and Nicaragua. The CAFTA-DR Investment Chapter establishes a secure, predictable legal framework for U.S. investors in Central America and the Dominican Republic. The agreement provides six basic protections: (1) nondiscriminatory treatment relative to domestic investors and investors from third countries; (2) limits on performance requirements; (3) the free transfer of funds related to an investment; (4) protection from expropriation other than in conformity with customary international law; (5) a minimum standard of treatment in conformity with customary international law; and (6) the ability to hire key managerial personnel without regard to nationality. The full text of CAFTA-DR is available at http://www.ustr.gov/trade-agreements/free-trade-agreements/cafta-dr-dominican-republic-central-america-fta/final-text.

In addition to CAFTA-DR, Nicaragua's Foreign Investment Law (Law 344 of 2000) defines the legal framework for foreign investment. The law allows for 100% foreign ownership in most industries (see Right to Private Ownership and Establishment for exceptions). It also establishes the principle of national treatment for investors, guarantees foreign exchange conversion and profit repatriation, clarifies foreigners' access to local financing, and reaffirms respect for private property.

ProNicaragua, the American Chamber of Commerce of Nicaragua, and the Ministry of Trade publish a "Doing Business in Nicaragua 2015-2016" guide for investors with more information regarding existing regulations and laws, available at http://www.amcham.org.ni/?download=6451.

Business Registration

Nicaragua does not have an online business registration system. At a minimum, a company must typically register with the national tax administration, social security administration, and local municipality. The Ministry of Industrial Development and Trade (MIFIC) has established a one-stop shop (Ventanilla Unica) to assist with business registration for foreign investors. According to MIFIC, the process to register a business takes a minimum of 13 days. Establishing a foreign-owned limited liability company (LLC) takes 42 days, and one of the legal representatives of the company must be a resident of Nicaragua. There is no regime allowing simplified business creation without a notary.

Micro, small and medium-sized enterprises (MSMEs) are defined as companies having less than 4, 21, and 51 employees respectively. The Nicaraguan Council of Micro, Small, and Medium Enterprises (CONIMIPYME) is a private organization responsible for facilitating MSME investment and business operations. There are no special benefits available to foreign-owned MSMEs under Nicaraguan law.

Industrial Promotion

ProNicaragua is actively promoting investments in the following sectors: food processing and packaging, textiles, apparel and sporting goods, automotive and ground transportation, environmental technologies, and services. Additional government incentives also exist in the energy and mining sectors. All investment incentives and promotions are disseminated by ProNicaragua.

Limits on Foreign Control and Right to Private Ownership and Establishment

Foreign and domestic private entities have the right to establish and own business enterprises and engage in all forms of remunerative activity. Any individual or entity may make investments of any kind. In general, Nicaraguan law provides equal treatment for domestic and foreign investment. There are a few exceptions imposed by specific laws, such as the Border Law (2010/749), which prohibits foreigners from owning land in certain border areas.

Nicaragua allows foreigners to be shareholders of local companies, but the company's representative must be a national or a foreigner with legal residence in the country. Many companies satisfy this requirement by using their local legal counsel as a representative.

Privatization Program

N/A

Screening of FDI

The Government of Nicaragua does not formally screen, review, or approve foreign direct investments. However, President Daniel Ortega maintains de facto review authority over any foreign direct investments, though the review process remains unclear.

Competition Law

N/A

Conversion and Transfer Policies

Foreign Exchange

The Foreign Investment Law (2000/344) and the Banking, Nonbank Intermediary, and Financial Conglomerate Law (2005/561) allow investors to convert freely and transfer funds associated with an investment. CAFTA-DR ensures the free transfer of funds related to a covered investment. Local financial institutions freely exchange U.S. dollars and other foreign currencies. The Superintendent of Banks and other Financial Institutions (SIBOIF) monitors financial transactions for illicit activity, and the Financial Intelligence Unit (UAF) enforces anti-money laundering legislation.

The official exchange rate is adjusted daily by the Nicaraguan Central Bank (BCN) according to a crawling peg that devalues the Córdoba against the U.S. dollar at an annual rate of 5%. The official exchange rate as of December 31, 2015, was 27.93 Córdobas to one U.S. dollar. According to the BCN, the accumulated rate of inflation for 2015 was 3.05%

Remittance Policies

The Foreign Investment Law (2000/344) allows foreign investors to transfer funds abroad, whether dividends, interest or principal on private foreign debt, as well as royalties, and from compensation payments for declarations of eminent domain. Foreign investors also enjoy foreign currency convertibility through the local banking system. There are no limitations on the inflow or outflow of funds for remittances of profits or revenue.

In 2012 the local Financial Analysis Unit (UAF) commenced operations to conduct legal, financial and accounting assessment of local financial entities. On February 27, 2015, the Financial Action Task Force (FATF), an inter-governmental body that develops policies to combat money laundering and terrorist financing, announced that because of the country's progress in such areas, Nicaragua would no longer be subject to FATF's ongoing compliance process.

Expropriation and Compensation

During the 1980's, the Government of Nicaragua confiscated approximately 28,000 properties in Nicaragua. Owners were often not compensated even when the right to compensation was recognized by law. Since 1990, thousands of U.S. citizens have filed claims against the government to have their property returned or receive compensation through the administrative process established to address these claims. Section 527 of the Foreign Relations Authorization Act in 1994 threatened meaningful foreign assistance funding restrictions in response to outstanding property claims. In August 2015, the last of these claims was resolved. However, the

Embassy continues to hear accounts from U.S. citizens seeking redress for property rights violations which were not covered by this legislation. The Embassy raises concerns to the government about infringement of private property rights affecting U.S. citizens. Some U.S. citizens have reported difficulties exercising property rights due to lack of government action, such as failure by local authorities to remove illegal occupants or long unexplained delays in government authorities' performing basic duties such as cadastral surveys or issuance of documents needed by property owners. The Embassy has also received reports of excessive government action, such as U.S. citizens having been subjected to false accusations as part of efforts to take their properties, including threats to incarcerate those who do not voluntarily surrender property. U.S. citizens who wish to report an expropriation or confiscation of their property by government authorities may contact ManaguaPropOffice@state.gov.

In June 2013, the Government of Nicaragua granted a 100-year concession to Hong Kong Nicaragua Canal Development Investment Company Limited (HKND) to seek funds to build a canal through Nicaragua. This concession included a law that allows the Canal Authority to expropriate any land needed for canal purposes. The Embassy has been contacted by a number of U.S. citizen property owners concerned that their property will be affected by the canal project. The U.S. Embassy in Managua has repeatedly reminded government officials of Nicaragua's obligation under CAFTA-DR Investment Chapter to pay prompt, adequate, and effective compensation when expropriating property for a public purpose.

Dispute Settlement

Legal System, Specialized Courts, Judicial Independence, Judgments of Foreign Courts

Nicaragua is a civil law country in which legislation is the primary source of law. The legislative process is found in Articles 140 to 143 of the Constitution. Difficulty in resolving commercial disputes, particularly the enforcement of contracts, remains one of the most serious drawbacks to investment in Nicaragua. The legal system is weak and cumbersome. Members of the judiciary, including those at senior levels, are widely believed to be corrupt and are subject to significant political pressure, especially from the executive branch. A commercial code and bankruptcy law exist, but both are outdated and rarely used.

Bankruptcy

Although bankruptcy provisions are included in the Civil and Commercial Codes, there is no tradition or culture of bankruptcy in Nicaragua. More often than not, companies simply choose to close their operations and set up a new entity without going through a formal bankruptcy procedure, effectively leaving their creditors unprotected. For their part, creditors typically avoid a judicial procedure fraught with uncertainty and instead attempt to collect as much as they can directly from the debtor, or they simply give up on any potential claims they may have. Moreover, Nicaragua's rules on bankruptcy focus on the liquidation of business entities rather than on their reorganization. They do not provide for an equitable treatment of creditors, to the detriment of creditors located in foreign jurisdictions. Because of problems in the country's judicial system, the notion of efficient and impartial resolution of bankruptcy procedures does not exist.

Investment Disputes

Enforcement of court orders is frequently subject to non-judicial considerations. Courts routinely grant injunctions ("amparos") to protect citizen rights by enjoining official investigatory and enforcement actions indefinitely. Foreign investors are at a disadvantage in disputes against nationals with political or personal connections. International treaties, such as CAFTA-DR, become domestic legislation once ratified by the National Assembly, and while CAFTA-DR derogated some laws, these laws have been mistakenly applied by some courts to resolve commercial disputes. Misuse of the criminal justice system sometimes results in individuals being charged with crimes arising out of civil disputes, often to pressure the accused into accepting a civil settlement.

Dispute resolution is even more difficult in the Northern and Southern Caribbean Autonomous Regions, where most of the country's fishery, timber, and mineral resources are located. These large regions, which share a Caribbean history and culture, comprise more than one-third of Nicaragua's land mass. The division of authority between the central government and regional authorities is complex and ambiguous. Local officials may act without effective central government oversight.

International Arbitration

The Mediation and Arbitration Law (2005/540) establishes the legal framework for alternative dispute resolution. The Nicaraguan Chamber of Commerce and Services founded Nicaragua's Mediation and Arbitration Center. Arbitration clauses should be included in business contracts, but legal experts are uncertain whether local courts would enforce awards resulting from international or local proceedings.

The Nicaraguan government accepts binding international arbitration of investment disputes between foreign investors and the state. Nicaragua is party to the Inter-American Convention on International Commercial Arbitration and a member of the International Center for the Settlement of Investment Disputes (ICSID).

CAFTA-DR establishes an investor-state dispute settlement mechanism. An investor who believes the government has breached a substantive obligation under CAFTA-DR or that the government has breached an investment agreement may request binding international arbitration in a forum defined by the Investment Chapter.

ICSID Convention and New York Convention

Nicaragua is a member of the Convention of the Settlement of Investment Disputes between States and Nationals of Other States (ICSID). The Nicaraguan government signed the 1958 New

York Convention on the recognition and enforcement of foreign arbitration awards in 2003. There is no specific domestic legislation providing for enforcement under the 1958 New York Convention or for the enforcement of awards under the ICSID Convention.

Duration of Dispute Resolution – Local Courts

Nicaraguan bureaucratic procedures can be slow and cumbersome. U.S. investors should expect that resolutions in Nicaragua will take significantly more time than they do in the United States. Subsequent enforcement of court decisions are generally carried out, although the Embassy is aware of at least one Nicaraguan Supreme Court decision that has not been enforced.

Performance Requirements and Investment Incentives

WTO/TRIMS

The Government of Nicaragua has not notified the WTO of any measures that are inconsistent with the requirements of the WTO's Trade Related Investment Measures (TRIMs) obligations. The Embassy is not aware of any measures by the Government of Nicaragua that are inconsistent with its WTO TRIMs obligations.

Foreign investors in Nicaragua are not required to purchase from local sources or to export a specific percentage of output, nor are their access to foreign exchange limited in proportion to their exports. Likewise, Nicaraguan tax and customs incentives apply equally to foreign and domestic investors. Among these incentives, exporters are able to recover most import duties paid on raw materials and components incorporated into exported goods

Investment Incentives

The Tax Equity Law (amended 2009/712) allows firms to claim an income tax credit of 1.5% of the free-on-board (FOB) value of exports. The Law of Temporary Admission for Export Promotion (2001/382) exempts businesses from value-added tax (VAT) for the purchase of machinery, equipment, raw materials, and supplies if used in export processing. Businesses must export 25% of their production to take advantage of these tax benefits. See Foreign Trade Zones/Free Trade Zones for a description of incentives for investments in free trade zones.

The Fishing and Fish Farming Law (2004/489) exempts gasoline used in fishing and fish farming from taxes. This law's Article 111 was amended (2012/797) to allow individuals or companies to request a temporary permit to take advantage of unexploited or underexploited aquatic resources during closed season. Environmental regulations also apply (see Transparency of the Regulatory System).

The Hydroelectric Promotion Law (amended 2005/531) and the Law to Promote Renewable Resource Electricity Generation (2005/532) provide incentives to invest in electricity generation, including duty free imports of capital goods and income and property tax exemptions. Regulatory concerns limit investment despite these incentives (see Transparency of the

Regulatory System). In particular, private investment in hydroelectric dams is banned from the Asturias, Apanás, and Río Viejo Rivers, and the approval of the National Assembly is required for projects larger than 30 megawatts on all other rivers.

The Special Law on Mining, Prospecting and Exploitation (2001/387) exempts mining concessionaires from import duties on capital inputs (see Transparency of the Regulatory System for additional information on the mining sector).

The Tourism Incentive Law (amended 2005/575) includes the following basic incentives for investments of $30,000 or more outside Managua and $100,000 or more within Managua: income tax exemption of 80% to 90% for up to 10 years; property tax exemption for up to 10 years; exoneration from import duties on vehicles; and value added tax exemption on the purchase of equipment and construction materials. The General Tourism Law (amended 2010/724) stipulates that hotel owners pay a tax of $0.50 per customer and 2% of the rental rate per room for tourism promotion. It also imposes anti-discrimination, public health, and environmental regulations on tourism-oriented businesses.

Research and Development

N/A

Performance Requirements

Article 14 of the Nicaraguan Labor Code states that 90% of any company's employees must be Nicaraguan. The Ministry of Labor may make exceptions when justified for technical reasons.

Data Storage

There are no requirements for foreign IT providers to turn over source code or provide access to surveillance.

Protection of Property Rights

Real Property

Many foreign investors in Nicaragua experience difficulties defending their property rights. The expropriation of 28,000 properties in Nicaragua during the 1980s has resulted in a large number of claims and counter claims involving real estate. Property registries suffer from years of poor recordkeeping, making it difficult to establish a title history, although some improvements have ensued from World Bank-financed projects to modernize the land administration systems in certain regions. Unscrupulous individuals have engaged in protracted confrontations with U.S. investors to wrest control of beachfront properties along the Pacific coast in the Departments of Carazo, Rivas, and Chinandega, as well as prime real estate in the cities of Managua, Granada, and Leon. Judges and municipal authorities have been known to collude with such individuals, and a cottage industry supplies false titles and other documents to those who scheme to steal land.

During the current administration, there have been reports of land invasions. President Ortega has declared on numerous occasions that the government will not act to evict those who have illegally taken possession of private property. Police often refuse to intervene in property invasion cases or assist in the enforcement of court orders to remove illegal occupants. Those interested in purchasing property in Nicaragua should seek experienced legal counsel very early in the process. The Embassy maintains a list of attorneys, available at http://nicaragua.usembassy.gov/attorneys_registered_at_embassy_managua.html. The Nicaraguan investment promotion agency, ProNicaragua, also offers assistance with due diligence.

The Capital Markets Law (2006/587) provides a legal framework for securitization of movable and real property. The banking system is expanding its loan programs for housing purchases, but there is currently only a limited secondary market for mortgages

Intellectual Property Rights

Through CAFTA-DR implementing legislation, Nicaragua established standards for the protection and enforcement of intellectual property rights (IPR) consistent with U.S. and emerging international intellectual property standards. To implement the agreement, Nicaragua strengthened its legal framework to 1) provide protections for digital products such as software, music, text and videos; 2) afford stronger protection for patents, trademarks, and test data, including an electronic system for the registration and maintenance of trademarks; and 3) deter piracy and counterfeiting.

The legal regime for protection of IPR in Nicaragua is adequate, but enforcement of intellectual property law has been limited. In 2009, the Nicaraguan government focused on improving interagency cooperation on IPR enforcement against copyright and trademark infringement. The Nicaraguan government also improved its cooperation with private industry to combat IPR crimes in some areas, such as identifying vendors of pirated goods and offering training to Nicaraguan police officers. Despite Nicaragua's efforts, the U.S. continues to be concerned about the piracy of optical media and trademark violations in Nicaragua. The U.S. also has concerns about the implementation of Nicaragua's patent obligations under CAFTA-DR, including the mechanism through which patent owners receive notice of submissions from third parties, how the public can access lists of protected patents, and the treatment of undisclosed test data. Nicaragua is not listed in the Office of the U.S. Trade Representative's Special 301 Report or the Notorious Market report.

With the advent of the European Union Central America Association Agreement, a wave of Geographical Indications (GI's) has been registered in Nicaragua for various products of European origin. Thus far, no adverse effects on U.S. businesses have been observed due to implementation of GI obligations under the Association Agreement, although U.S. industry representatives are concerned that this could change in future as markets continue to grow.

For additional information about treaty obligations and points of contact at local IP offices, please see WIPO's country profiles at http://www.wipo.int/directory/en.

Resources for Rights Holders
List of Local Attorneys: http://nicaragua.usembassy.gov/attorneys_registered_at_embassy_managua.htm

Embassy Managua - Commercial Services
Km 5½ Carretera Sur, Managua, Nicaragua
(505) 2252-7100
ManaguaEcon@state.gov

Transparency of the Regulatory System

Investors regularly complain that regulatory authorities are arbitrary, negligent, or slow to apply existing laws, at times in an apparent effort to favor one competitor over another. Lack of a reliable means to resolve disputes with government administrative authorities or business associates quickly has resulted in some disputes becoming intractable. The vast majority of companies in Nicaragua have little accounting and few adhere to internationally accepted accounting standards. The government of Nicaragua does not have transparent policies to establish clear "rules of the game." Companies report that personal connections and affiliation with industry associations and chambers of commerce are critical to navigate the country's regulatory system.

Draft legislation is ostensibly made available for public comment through meetings with associations that will be affected by the proposed regulations. However, no information is published on official websites and the legislature is not required by law to give notice.

The Competition Promotion Law (2007/601) created a decentralized institution, PROCOMPETENCIA, to investigate and discipline businesses engaged in anticompetitive business practices, including price fixing, dividing territories, exclusive dealing, and product tying.

The Government Procurement Law (amended 2010/737) establishes safeguards to encourage open competition among suppliers bidding on government contracts. CAFTA-DR also stipulates that CAFTA-DR member companies receive national treatment when bidding on government contracts. However, there are still many allegations of irregularities in the procurement process, in particular the splitting of procurements into smaller lots, an action which allows the government to use a different set of regulations that creates a less competitive bidding process.

The Directorate General of Taxation in the Ministry of Finance and Public Credit (MHCP) collects income and value-added taxes, as set forth in the Tax Code (2006/598). Investors have complained of arbitrariness in taxation and customs procedures, as well as a lack of delegation of decision-making authority. Tax audits of foreign investors have increased in frequency and duration, to the point where they may hinder normal business operations. Investors also complain that customs authorities classify goods incorrectly and doubt its declared value so as to boost tariff revenue. The Embassy has received complaints from investors and non-governmental organizations about goods and donations being held up in customs without legal reason.

The Environment and Natural Resources Law (amended 2008/647) authorizes the Directorate General for Environmental Quality in the Ministry of Natural Resources and the Environment (MARENA), to evaluate investment plans and monitor ongoing operations to verify compliance with environmental standards. Some investors complain that MARENA takes political considerations into account in determining whether to issue an environmental permit. Budgetary constraints limit MARENA's ability to enforce environmental standards.

The Coastal Law (2009/690) provides a framework for environmental protection, public access rights, commercial activity, and property rights along the shoreline of any body of water in Nicaragua. For coastal property along the Atlantic and Pacific Oceans, the law establishes environmental and public access requirements. Developers have expressed concern that the government implements measurement techniques outside of those stipulated by the law.

In addition to environmental regulation, mining investments are regulated under the Special Law on Mining, Prospecting and Exploitation (2001/387), which the Ministry of Energy and Mines (MEM) administers. MEM also retains the authority to grant oil and gas exploration concessions. In November 2009 the Committee on Infrastructure and Public Services in the Nicaraguan National Assembly decided to allow MEM to directly issue licenses for study, exploration, and the eventual exploitation of geothermal energy throughout the country (2009/714). These reforms to the Law of Exploration and Exploitation of Geothermal Resource (2002/433) allow MEM to negotiate directly with any investor interested in geothermal exploration without public bidding or licensing process.

The Electricity Sector Law (amended 2004/465), Energy Stability Law (amended 2008/644), and Electricity Distribution and Use Law (2008/661, amended 2010/731) establish the legal framework for the electric power sector. The Ministry of Energy and Mines Law (2007/612) sets policy for the sector and grants licenses and concessions to investors, while the Nicaraguan Energy Institute sets prices and regulates day-to-day operations. The Renewable Source Electricity Generation Law (2005/532) establishes tax, financial and economic incentives that contribute to renewable energy development within Nicaragua, exonerating hydroelectric, geothermal, wind, and solar energy investors and producers from many taxes.

Under CAFTA-DR, Nicaragua is committed to opening its telecommunications sector to U.S. investors, service providers, and suppliers. In practice, the sector lacks a regulatory framework that would encourage free competition. In a widely criticized concession process, TELCOR awarded radio spectrum in September 2009 to Russian firm Yota which has close ties to senior government officials. In January 2013, in yet another questionable concession process, TELCOR awarded a mobile phone concession to Chinese firm Xinwei.

Nicaragua is a member of UNCTAD's international network of transparent investment procedures: http://www.tramitesnicaragua.gob.ni/. Foreign and national investors can find detailed information on administrative procedures applicable to investment and income generating operations including the number of steps, name and contact details of the entities and persons in charge of procedures, required documents and conditions, costs, processing time and legal bases justifying the procedures. The site is available only in Spanish.

Efficient Capital Markets and Portfolio Investment

Existing policies allow the free flow of financial resources into the product and factor markets, as well as foreign currency convertibility. The Central Bank respects IMF Article VIII and does not impose any restrictions. Credit is allocated on market terms, and foreign investors are able to secure credit on the local market through a variety of credit instruments.

Money and Banking System, Hostile Takeovers

Among other services, local financial institutions offer commercial loans, credit lines, factoring, leasing, and bonded warehousing. BANPRO, Lafise BANCENTRO, and BAC constitute the largest financial institutions in Nicaragua, and collectively represent over 80 percent of the country's market share, and as of December 2015 had total assets worth $5.2 billion. BANCORP, a new bank owned by ALBANSIA and with close ties to the government, began accepting deposits in 2015.

The Foreign Investment Law allows foreign investors residing in the country to access local credit and local banks have no restriction in accepting property located abroad as collateral. However, many investors find lower cost financing and more product variety from offshore banks. Short-term government and Central Bank bonds, issued in Córdobas but indexed to the dollar, dominate Nicaragua's infant capital market. Foreign banks have acquired a presence in Nicaragua through the purchase of local banks.

Foreigners are allowed to open bank accounts as long as they are legal residents in the country. Recent Central Bank data show that in 2015 the credit portfolio of Nicaraguan commercial banks grew 23 percent. The banking system's loan portfolio totaled $4.36 billion as of December 2015. Interest rates on loans denominated in Córdobas averaged 12.45 percent; loans denominated in U.S. dollars averaged 9.49 percent.

The Superintendent of Banks and other Financial Institutions (SIBOIF) regulates banks, insurance companies, stock markets, and other financial intermediaries. SIBOIF requires that supervised entities provide audited financial statements, prepared according to international accounting standards, on a regular schedule. The Deposit Guarantee System Law (2005/551) established the

Financial Institution Deposit Guarantee Fund (FOGADE) to guarantee bank deposits up to $10,000 per depositor, per institution.

CAFTA-DR allows U.S. financial services companies to establish subsidiaries, joint ventures, or bank branches in Nicaragua. The agreement also allows cross-border trade in financial services. Nicaragua has ratified its commitments under the 1997 World Trade Organization Financial Services Agreement. These commitments cover most banking services, including the acceptance of deposits, lending, leasing, the issuing of guarantees, and foreign exchange transactions. However, they do not cover the management of assets or securities. Nicaragua allows foreign banks to operate as 100%-owned subsidiaries or as branches.

Competition from State-Owned Enterprises

President Ortega has used funds provided by Venezuela through the Bolivarian Alliance for the Americas (ALBA) to increase the role of the state and quasi-state actors in the economy. Through Petronic, Nicaragua's state-owned oil company, the government owns a 49% share in ALBA de Nicaragua (ALBANISA), the company that imports and monetizes Venezuelan petroleum products through the ALBA Energy Agreement. President Ortega and the Sandinista Party (FSLN) have used ALBANISA funds to purchase television and radio stations, hotels, cattle ranches, electricity generation plants and pharmaceutical laboratories. BANCORP, a new bank wholly owned by ALBANISA, began accepting deposits in July 2015. ALBANISA's large presence in the Nicaragua economy and its ties to the Nicaraguan government put companies trying to compete in industries dominated by ALBANISA or government-managed entities at a disadvantage.

The government owns and operates the National Sewer and Water Company (ENACAL), National Port Authority (EPN), National Lottery, and National Electricity Transmission Company (ENTRESA). Private sector investment is not permitted in these sectors. In sectors where competition is allowed, the government owns and operates the Nicaraguan Insurance Institute (INISER), Nicaraguan Electricity Company (ENEL), Las Mercedes Industrial Park, Nicaraguan Food Staple Company (ENABAS), the Nicaraguan Post Office, the International Airport Authority (EAAI), and the Nicaraguan Petroleum Company (Petronic). Through the Nicaraguan Social Security Institute (INSS), the government owns a pharmaceutical manufacturing company, Laboratorios Ramos.

Total assets of all SOEs in Nicaragua are unclear as not all SOEs have publicly available or audited accounts. There are few mechanisms to ensure the transparency and accountability of state business decisions. The U.S. Department of State's Fiscal Transparency report cites the need for Nicaragua to improve reporting on allocation to and from state-owned enterprises. Nicaragua is not a signatory to the WTO Agreement on Government Procurement.

OECD Guidelines on Corporate Governance of SOEs

The government does not have a centralized ownership entity that exercises ownership rights for each of the SOEs nor is there a specific ownership code. Governance of SOEs varies by company and is not always reported.

Sovereign Wealth Funds

N/A

Responsible Business Conduct

Many large businesses have active Corporate Social Responsibility (CSR) programs that include improvements to the workplace environment, business ethics, and community development projects. The Nicaraguan Union for CSR (UniRSE), which includes 102 companies, is working to create more awareness for CSR in Nicaragua. UniRSE organizes events and studies best practices throughout the region. Increasingly, both Nicaraguan and foreign businesses recognize that CSR and responsible business conduct (RBC) programs must go beyond compliance with environmental or labor law, but more work is needed in this area. The government of Nicaragua does not factor RBC policies or practices into its procurement decisions nor explicitly encourage generally accepted RBC principles.

Political Violence

In 2015, political, economic, and social demonstrations occurred frequently. A large number of demonstrations involved opposition to the proposed building of an interoceanic canal and demands for transparent elections. The motives for other demonstrations included workers/veterans rights, availability of public utilities, traffic and transportation concerns, and other national issues.

Most demonstrations begin peacefully, but the presence of counter-demonstrators or police can lead to an escalation in tension and violence. Typically, protests in Managua take place at major intersections or rotundas. Outside of the capital, they often take place in the form of road/highway blockages. Protests have included the use of gunfire, tear gas, fireworks, rock throwing, tire/vehicle burning, and road blocks.

Nicaragua is scheduled to hold Presidential and National Assembly elections in November 2016. There have already been reports of increased political protests and violence against political activists. This trend is likely to continue or escalate closer to the elections. The proposed inter-oceanic canal that would cross all of Nicaragua has led to over 60 protests along the route. Protestors have blocked roads, burned tires, and in one instance threatened to light a gas tanker truck on fire. In December 2014, clashes between protestors and police turned violent and media reported that 50 protestors were injured.

Police have often been slow to respond and reluctant to interfere in violent confrontations between rival political factions, and have been accused of facilitating attacks by ruling party thugs against protestors. Additionally, increased politically-motivated violence is being reported in the Northern Departments of the country, and crime rates in the Mining Triangle and the Caribbean Coast remain significantly higher than in other parts of the country.

Corruption

Public sector corruption remains a major challenge for U.S. firms operating in Nicaragua. Companies report that bribery of public officials, unlawful seizures, and arbitrary assessments by customs and tax authorities are common. In a 2016 survey of 2,500 Nicaraguan companies, one-third of all respondents reported arbitrariness and illegal actions by government offices that regulate property rights and business establishment.

The Penal Code (amended 2007/641) and the Special Law on Bribery and Crimes Against International Trade and Foreign Investment (2006/581) define corruption offenses and establish sanctions. Offering or accepting a bribe is a criminal act punishable by a fine and a minimum three years in prison. Legislation similar to the U.S. Foreign Corrupt Practices Act makes bribery by a Nicaraguan company of a foreign official a criminal act punishable by a minimum five years in prison. The Attorney General and the Controller General share responsibility for investigating and prosecuting corruption cases. The anticorruption provisions of CAFTA-DR require each participating government to ensure under its domestic law that bribery in matters affecting trade and investment is treated as a criminal offense or subject to comparable penalties.

U.S. Foreign Corrupt Practices Act: In 1977, the U.S. enacted the Foreign Corrupt Practices Act (FCPA), which makes it unlawful for a U.S. person, and certain foreign issuers of securities, to make a corrupt payment to foreign public officials for the purpose of obtaining or retaining business for or with, or directing business to, any person. The FCPA also applies to foreign firms and persons who take any act in furtherance of such a corrupt payment while in the United States. For more detailed information on the FCPA, see the FCPA Lay-Person's Guide at: http://www.justice.gov/criminal/fraud/

UN Anticorruption Convention, OECD Convention on Combatting Bribery
Nicaragua ratified the United Nations Convention against Corruption (UNCAC) in 2006 and the Inter-American Convention Against Corruption in 1999. Nicaragua has a well-developed legislative framework criminalizing acts of corruption. The Penal Code and Law 581 cover all relevant aspects of corruption, including bribery, embezzlement, extortion, and money laundering. The country is not party to the OECD Convention on Combatting Bribery of Foreign Public Officials in International Business Transactions.

Resources to Report Corruption
Nicaragua's Supreme Audit Institution is the Contraloría General de la República de Nicaragua (CGR). The CGR can be reached at (505) 2265 2072 and more information is available at its website www.cgr.gob.ni.

Bilateral Investment Agreements

Bilateral Taxation Treaties

Nicaragua has signed and ratified bilateral investment treaties with Argentina, BLEU (Belgium-Luxembourg Economic Union), Chile, the Czech Republic, Denmark, Finland, France, Germany, Italy, the Netherlands, the Russian Federation, South Korea, Spain, Switzerland, Sweden, Taiwan, and the United Kingdom. CAFTA-DR and the EU Association Agreement also include an Investment Chapter. Nicaragua does not have a bilateral income tax treaty with the United States.

OPIC and Other Investment Insurance Programs

The U.S. Overseas Private Investment Corporation (OPIC) offers financing and insurance against political risk, expropriation, and inconvertibility to U.S. investments in Nicaragua. Nicaragua is a member of the World Bank's Multilateral Investment Guarantee Agency.

Labor

Nicaragua's population is young and while official unemployment rates are low (6.3 percent in 2015), 55 percent of the working population is underemployed. Nicaragua lacks skilled labor and often employers import administrative or managerial employees from outside of the country.

Per Nicaraguan labor law, at year-end employers must pay an equivalent of an extra month's salary. Upon termination of an employee, the employer must pay a month's salary for each year worked, up to five months' salary. Some business groups say this provides an incentive for workers to seek dismissal once they have completed five years with a firm. There are no special laws or exemptions from regular labor laws in the free trade zones, and only a minority of those workers is a member of a union.

The law provides for the right of all public and private sector workers, with the exception of those in the military and police, to form and join independent unions of their choice. Workers can exercise this right in practice, though roadblocks exist for unions not affiliated with the ruling party. In general, labor unions are allied with political parties, and clash with each other along party lines. The law provides the right to collective bargaining. A collective bargaining agreement cannot exceed two years and is automatically renewed if neither party requests its revision.

For more information regarding labor conditions in Nicaragua, please see the annual Human Rights Report at humanrights.gov and the Department of Labor Child Labor report at dol.gov/ilab/reports/child-labor.

Foreign Trade Zones/Free Ports/Trade Facilitation

The Nicaraguan government reported that in 2015, there were 257 companies operating in the free trade zones (FTZs) throughout Nicaragua and a total of 50 industrial parks, creating over 107,000 jobs. Most free zones are in Managua and approximately 40% belong to the textile and apparel sector.

In addition to export incentives and duty free capital imports granted by the Tax Concertation Law and the Temporary Admission Law for Export Promotion, the Free Trade Zones for Industrial Exports Decree (1991/46 and amendments) provides a 10-year income tax exemption for Nicaragua and foreign investments in FTZs. The National Free Trade Zone Commission of Nicaragua (CNFZ) administers the FTZ regime. The CNFZ requires a deposit to guarantee that final salaries and other expenses be paid if a company goes out of business.

Foreign Direct Investment and Foreign Portfolio Investment Statistics

Table 2: Key Macroeconomic Data, U.S. FDI in Host Country/Economy

	Host Country Statistical source*		USG or international statistical source		USG or International Source of Data: BEA; IMF; Eurostat; UNCTAD, Other
Economic Data	Year	Amount	Year	Amount	
Host Country Gross Domestic Product (GDP) ($M USD)	2015	$12,237	2014	$11.81bn	World Bank
Foreign Direct Investment	Host Country Statistical source*		USG or international statistical source		USG or international Source of data: BEA; IMF; Eurostat; UNCTAD, Other
U.S. FDI in partner country ($M USD, stock positions)	N/A	N/A	2014	$201.0m	BEA

Host country's FDI in the United States ($M USD, stock positions)	N/A	N/A	2014	$21	BEA
Total inbound stock of FDI as % host GDP	2015	10%			

*Source: Central Bank of Nicaragua, Annual Report. Published annually March 31.

Table 3: Sources and Destination of FDI
Note: The IMF's CDIS site does not have the data available for Nicaragua, nor is such data available from publically-available Nicaraguan government sources

Direct Investment from/in Counterpart Economy Data					
From Top Five Sources/To Top Five Destinations (US Dollars, Millions)					
Inward Direct Investment			Outward Direct Investment		
Total Inward	N/A	100%	Total Outward	N/A	100%
N/A	N/A	N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A	N/A	N/A
"0" reflects amounts rounded to +/- USD 500,000.					

Table 4: Sources of Portfolio Investment
Note: The IMF's CDIS site does not have the data available for Nicaragua, nor is such data available from publically-available Nicaraguan government sources

Portfolio Investment Assets								
Top Five Partners (Millions, US Dollars)								
Total			Equity Securities			Total Debt Securities		
All Countries	N/A	100%	All Countries	N/A	100%	All Countries	N/A	100%
N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

Contact for More Information on the Investment Climate Statement

Embassy Managua - Commercial Services
Km 5½ Carretera Sur, Managua, Nicaragua
(505) 2252-7100
ManaguaEcon@state.gov

Trade & Project Financing

Methods of Payment

For commercial transactions, requiring cash in advance or negotiating a letter of credit is advisable until a payment track record is well established.

Banking Systems

See Chapter 6: Investment Climate Statement for an overview of the financial sector.

Foreign Exchange Controls

There are no foreign exchange controls. See Chapter 6: Investment Climate Statement for an overview on foreign currency transactions.

U.S. Banks & Local Correspondent Banks

The following banks in Nicaragua have correspondent relationships with banks operating in the United States:

Banco de la Producción (BANPRO)
Centro Corporativo BANPRO, Rotonda El Güegüense 1c. al Este
Tel: 505-2255-9595
Email: soluciones@banpro.com.ni

Banco Lafise BANCENTRO
Centro Lafise, Km 5 ½ Carretera a Masaya
Tel: 505-2278-0803
Fax: 505-2278-6001
Email: info@bancentro.com.ni

Banco de América Central (BAC)
Edificio BAC, Km 4 ½ Carretera a Masaya
Tel: 505-2274-4505

Banco de Finanzas (BDF)
Suc. Bolivar, Esquina opuesta Hotel Crowne Plaza, Managua
Banco Ficohsa Nicaragua
Edificio Ficohsa Plaza España, Rotonda El Gueguense 20 varas al oeste
Tel: 2280-9340
Email: servicioalclientenic@citi.com

Banco ProCredit
Casa Matriz, Avenida Jean Paul Genie
Tel: 505-2223-7676

Project Financing

Long-term financing is generally available as international banks introduce new products to the local market. Average loan rates are generally much higher than those available to U.S. businesses from banks outside Nicaragua. Loans are available both in dollars and córdobas, the local currency. Significant collateral is required to borrow locally, which may pose a constraint for businesses that lack assets in Nicaragua. Real estate mortgages are issued for terms of up to 20 years. The equity market is extremely thin and not a reliable source of project financing.

The U.S. Overseas Private Investment Corporation, Export-Import Bank of the United States, and the U.S. Trade and Development Agency are potential sources of project financing. The World Bank International Finance Corporation, the Multilateral Investment Guarantee Agency, the Inter-American Development Bank, and the Central American Bank of Economic Integration are also potential sources of project finance in Nicaragua.

U.S. Commercial Service Liaison Offices at the Multilateral Development Banks (Inter-American Development Bank, World Bank)

The Commercial Service maintains Commercial Liaison Offices in each of the main Multilateral Development Banks, including the Inter-American Development Bank and the World Bank. These institutions lend billions of dollars in developing countries on projects aimed at accelerating economic growth and social development by reducing poverty and inequality, improving health and education, and advancing infrastructure development. The Commercial Liaison Offices help American businesses learn how to get involved in bank-funded projects, and advocate on behalf of American bidders. Learn more by contacting the Commercial Liaison Offices to the Inter-American Development Bank (*http://export.gov/idb*) and the World Bank (*http://export.gov/worldbank*).

Web Resources

Commercial Liaison Office to the Inter-American Development Bank: http://export.gov/idb

Commercial Liaison Office to the World Bank: http://export.gov/worldbank

Financing Web Resources

Trade Finance Guide: A Quick Reference for U.S. Exporters, published by the International Trade Administration's Industry & Analysis team

Export-Import Bank of the United States

OPIC

U.S. Trade and Development Agency

SBA's Office of International Trade

USDA Commodity Credit Corporation

U.S. Agency for International Development

Business Travel

Business Customs

Business customs in Nicaragua, while often based on personal relationships, are relatively straightforward. Many Nicaraguan executives have been educated in the United States and are familiar with U.S. business customs. Business lunches can last longer than an hour and are a good way to build a personal relationship. Open-collar attire is acceptable for most meetings, but Nicaraguans accustomed to dealing with foreigners may dress more formally. Nicaraguans may arrive late for scheduled appointments, but concern for punctuality is improving. Businesses remain open at midday, but executives are often unavailable between noon and 2:00 p.m. Most business people rely heavily on cellular phones and will continue to receive and place calls during meetings.

Travel Advisory

For up-to-date information on safety and security issues related to travel to Nicaragua, see U.S. Department of State, Bureau of Consular Affairs, Nicaragua: Country Specific Information.

Visa Requirements

The Immigration Office in the Ministry of Interior is the definitive source for visa requirements for Nicaragua.

U.S. companies that require travel of foreign businesspersons to the United States should be advised that security evaluations are handled via an interagency process. Visa applicants should go to the following links.

State Department Visa Website: http://travel.state.gov/visa/

The Consular Section of the U.S. Embassy in Managua: http://nicaragua.usembassy.gov/service.html

Telecommunications/Electric

Communication with the United States is readily available through major U.S. long-distance carriers; however call charges are subject to the rates imposed by the respective companies. Cellular phones are far more common than landlines. In cellular phone service, Claro competes with Spain's Telefónica Móvil (operating under the "Movistar" brand). Both companies also offer mobile internet access. In 2009, Yota, a Russian mobile broadband services provider, became the third mobile internet provider to enter the high-speed internet market. Wi-Fi access is common in major hotels. Nicaragua uses the same electrical outlets as the United States.

Transportation

U.S. airlines operate several daily roundtrip flights from the United States to Nicaragua, including American (Miami), United (Houston), Delta (Atlanta), and Spirit (Fort Lauderdale). Many of these airlines plan to expand services between Nicaragua and the United States in 2016. Central American airline AVIANCA operates flights to the United States through San Salvador, El Salvador. Most hotels offer airport shuttle services for their guests. Visitors commonly drive rental cars and a U.S. driver's license is valid for use in Nicaragua for 60 days. Taxicab services within the perimeter of business class hotels are reliable, though robberies involving non-hotel taxis are common. Public transit is not recommended.

Information on transportation safety is available from the U.S. Department of State, Bureau of Consular Affairs, Nicaragua: Country Specific Information.

Language

The official language of Nicaragua is Spanish, but many business contacts speak English as a second language. English is also spoken as a first language by many people on the Caribbean coast.

Health

For up-to-date information on health concerns related to travel in Nicaragua, see U.S. Department of State, Bureau of Consular Affairs, Nicaragua: Country Specific Information.

Local Time, Business Hours and Holidays

The following holidays are observed in Nicaragua:

New Year's Day: January 1
Holy Thursday: Variable (April 13, 2017)
Good Friday: Variable (April 14, 2017)
Labor Day: May 1
Sandinista Revolution Day: July 19
Festival of Santo Domingo (Managua only): August 1 and 10
Battle of San Jacinto: September 14
Independence Day: September 15
Immaculate Conception Day: December 8
Christmas Day: December 25

Temporary Entry of Materials or Personal Belongings

The Nicaraguan Customs Authority does not apply import charges or duties to goods such as laptop computers, professional equipment, or exhibit materials brought into Nicaragua for temporary personal or professional use. Business samples ordinarily may be brought in free of duty as well. See the Temporary Entry Section of Chapter 5 of the Country Commercial Guide: Trade Regulations, Customs, and Standards for more information. Some U.S. citizens, however, have reported that electronic equipment has been confiscated by the Nicaraguan Customs Authority.

Travel Related Web Resources

Nicaragua: Country Specific Information
The Immigration Office in the Ministry of Interior
State Department Visa Website
The Consular Section of the U.S. Embassy in Managua
The Nicaraguan Institute for Telecommunications and Postal Service (TELCOR)

Leading Sectors for U.S. Exports & Investments

Best Prospect Overview

Building Products/Construction Equipment

Overview

A significant expansion in residential and commercial building in Nicaragua has caused the construction sector to expand rapidly, with a growth rate of 25.4 percent in 2015, the highest in Central America. The construction sector—specifically infrastructure and housing—will continue to be a bright spot for the Nicaraguan economy in 2016. Homebuilding constitutes the largest component of the sector in terms of total area constructed and has benefited recently from government and private sector policies aimed at decreasing Nicaragua's housing shortage. The estimated housing deficit in the country is 957,000 units.

Sub-Sector Best Prospects

Green construction is a niche sector that is growing in Nicaragua, with increasing demand for products such as solar panels, dry toilets and highly reflective windows. The sector also needs new technology and modernization techniques to sustain its growth. U.S. construction products enjoy a strong reputation for quality and reliability. Nicaraguan companies have expressed interest in purchasing construction equipment such as heavy trucks, compactors, concrete additives, formwork, and aluminum coating.

Opportunities

The Ministry of Transportation has announced its intentions to improve, maintain and upgrade current infrastructure, creating opportunities in the construction industry.

The growth of the tourism industry will require new infrastructure, including hotels and roads. A housing shortage in all categories will continue to contribute to the demand for construction. The construction of retail space also drives demand for equipment and materials. The Nicaraguan Housing Chamber and Nicaraguan Chamber of Construction represent private sector participation in this industry.

The Nicaraguan Chamber of Construction indicates that there will be several opportunities in 2016 driven by major infrastructure projects such as hospitals in Leon, Chinandega, and Bilwi; roads connecting the remote and underdeveloped Atlantic Coast with the western part of the country; and water and wastewater projects in Masaya. Nicaragua also has projects to develop its electricity transmission network and energy network.

Web Resources

The Ministry of Transportation
Nicaraguan Housing Chamber
Nicaraguan Construction Chamber

Hotel and Restaurant Equipment

Overview

The tourism industry is considered one of the most vibrant sectors of the Nicaraguan economy, experiencing consistent and sustained growth for almost a decade. In 2015, according to the Nicaraguan Ministry of Tourism (INTUR), Nicaragua received 1.5 million tourists, generating $528.6 million in revenue. Consequently, there is also an increased demand for hotel and restaurant equipment.

Sub-Sector Best Prospects

There is a growing demand for electrical appliances, chinaware, ovens, and other non-industrial items used in small- and medium-sized tourism-related businesses.

Opportunities

The Nicaraguan government offers several incentives for the tourism industry, including the Tourism Incentive Law 1999/306, which provides incentives and benefits for investments in lodging, food and beverages, tour operators, surface transportation of tourists, and airlines, among others.

The Nicaraguan Ministry of Tourism actively promotes this sector, along with Nicaragua's Investment Promotion Agency, ProNicaragua. The Nicaraguan Tourism Chamber represents private sector participation in this industry.

Web Resources

Ministry of Tourism
ProNicaragua
The Nicaraguan Tourism Chamber

Food Processing and Packaging Equipment

Overview

Nicaraguan and international companies are investing in food processing and packaging equipment to improve sanitary and quality standards for foods sold locally and for export. Fresh and processed foods are among Nicaragua's fastest growing exports, as well as more traditional export goods such as coffee, which is benefitting from high international market prices.

Sub-Sector Best Prospects

Refrigeration equipment, such as refrigerated trucks, containers, cold storage rooms, and laboratory equipment for testing and product certification, is in high demand. Demand is highest for used equipment in good condition.

Web Resources

Foreign Agricultural Service
PackExpo International – November 6-9, 2016: