

Country Profile

Nicaragua



PRONicaragua
AGENCIA DE PROMOCION DE INVERSIONES

www.pronicaragua.org

Nicaragua: A Golden Opportunity

Dear Investors:

On January 10th, 2002, I accepted the Presidency of the Republic during a time of peace, progress, and development for our nation. Today's Nicaragua is working to meet the challenges of global competition, and I offer my government's support for your future business activities in our country.

Nicaragua provides clear and predictable rules of the game, and equal treatment for foreign and domestic investment. Given our country's privileged geographic location, only two hours from the United States, and with ample coastline on the Pacific and the Atlantic Oceans, we are a strategic destination for your business. Our costs are competitive, and our workforce is highly productive. We have a large number of bilingual managers and technical professionals as well as an abundant pool of qualified labor ready to work with you. Nicaragua is also a safe country; in fact, it is the safest in all of Central America and among the safest in the Americas.

In recent years, we have made substantial progress towards the accomplishment of a Free Trade Area of the Americas (FTAA). We have integrated our economy into regional and global markets by signing free trade agreements with Mexico, Chile, the Dominican Republic and Panama, and, as a region, we are in the process of finalizing similar agreements with Canada and the United States (CAFTA).

We are concentrating our efforts on business clusters where we believe we have strong competitive advantages: textiles and apparel, light manufacturing, tourism, forestry and agribusiness, meat and dairy products, energy, and fishing and aquaculture, and export services/ call centers. We are working hard to attract foreign investment into Nicaragua. For that reason, we have recently created ProNicaragua, a public-private institution to assist you as you consider Nicaragua for your next investment decision. ProNicaragua is designed to offer you world-class facilitation services and information during the start-up stage of your business.

I encourage you to visit Nicaragua. I am confident your visit will inspire you to consider Nicaragua for your next offshore expansion. Join us in building a prosperous Nicaragua that will be a partner in your company's future.

I invite you to invest with confidence in our country.

A handwritten signature in black ink, appearing to read 'E. Bolaños G.', with a long horizontal line extending from the end of the signature.

Enrique Bolaños Geyer
President of Nicaragua

Discovering Nicaragua

Nicaragua is strategically located in the center of the Americas. This privileged location, only two hours and twenty minutes by air and three days by sea from Miami and Houston, facilitates access to the world's largest market: the United States. Its location also positions Nicaragua as an export platform for the important markets of Central and South America.



Nicaragua has significant natural resources and attractions to be exploited, a competitive and productive labor force, and generous laws promoting investment. Nicaragua is also a very safe country boasting the lowest crime rate in Central America and among the lowest in the entire American continent.

Major Cities

Managua, with a total population of 1.2 million, is the Capital of Nicaragua. Managua has over 325,000 inhabitants between the ages of 20-34 years old, and a literacy rate of 85%.

Other Major Cities, their Populations and Distance from Managua:

Major Cities	Population	Distance from Managua
Leon	185,000	93 kilometers
Masaya	145,000	29 kilometers
Chinandega	140,000	132 kilometers
Granada	120,000	45 kilometers
Matagalpa	110,000	130 kilometers
Esteli	100,000	148 kilometers

A Stable Country with the Highest Personal Safety Index in Central America

Democracy and Economic Freedom

Nicaragua's current President, Enrique Bolaños, and his government is recognized around the world for its fight against corruption and its efforts to achieve transparency and effective governance. Nicaragua has also achieved a large degree of economic openness as a result of a decade-long process of liberalization and privatizations.

Recent privatizations have included the Electric Utilities, Telecommunications, Insurance and other key sectors. As a result, competition has triggered a general fall in prices in parts of the service sector and the modernization of production. A good example of such openness is the mobile telecommunications sector. Currently, three providers (including US based Bellsouth, ENITEL Movil, and PCS Digital, a subsidiary of Mexican-owned Telmex) are competing to capture Nicaragua's mobile telecom market.

Transparency and openness in laws and regulations concerning the business sector has also contributed to the continuing inflow of foreign investment. Nicaragua places no restrictions on repatriation of capital for foreign investors and requires no local

ownership for investments in the country. On-going reforms of the judicial system and administrative procedures are expected to continue to improve the business climate and help attract increasing amounts of foreign investment into Nicaragua.

Key Macroeconomic Facts 2003

• GDP	: US\$ 4.1 billion
• GDP/Capita	: US\$ 779
• Exports (Does not Include EPZ's)	: US\$ 600 million
• Foreign Direct Investment (Annual Average)	: US\$ 218 million
• Free Zone Exports (EPZ's)	; US\$ 460 million

**3.1% Estimated GDP growth for 2004 (The Economist Intelligence Unit)*

Safest Country in Central America

According to a study by the Inter-American Institute on Human Rights, and a survey of police forces in the Americas, Managua is the safest capital in the region, and Nicaragua is the safest country in Central America, and among the safest countries in the world.

The Magazine International Living, in the September 2003 edition, rated Nicaragua as one of the top ten most attractive countries for retirement. This is based on the high personal safety index, low costs of living and real estate in the country.

"...Nicaragua has the lowest crime rate in Central America"
-The Miami Herald, February 2003

A Young, Skilled and Hard Working Population

Our People

Nicaragua is home to 5.3 million people, 65% of whom are under the age of 25. Nicaragua's workforce, 1.5 million strong, is known for its flexibility, high productivity, good work habits as well as a capacity to learn quickly when properly trained.

With underemployment at over 40%, availability of workers is abundant. There is also a large pool of US or foreign trained, bi-lingual managers available, in addition to the large pool of lower-skilled labor. Employee turnover is estimated at 3.2% in Free Zones, while absenteeism is extremely low, at an average of less than 3%. (Source: *Corporación de Zonas Francas*, Absenteeism and Turnover Study, based on actual company data)

Population by Age Group

Age Groups	% of Total
0 – 14	45.1%
15 – 29	27.5%
30-44	15%
45- over	12.3%

Education

Education has become a priority for the government and the people of Nicaragua. Nicaragua's educational system offers high quality education and training resources to satisfy the immediate and long-term training needs of its labor force. The country currently has:

- 27 universities- enrollment of more than 90,000 students annually (3 universities with bilingual programs)
- 3 technological institutes
- 7 bilingual schools

INATEC (National Institute of Technology and Training) offers comprehensive technical training programs which can be tailored to meet company needs.

Abundant Natural Resources And Cultural Richness

Nicaragua has the largest part of arable land in Central America-12.1 acres. There is a long agriculture tradition, which composes 25% of the GDP. The main crops include: sugar, bananas, meat, tobacco, sesame, coffee, rice, corn, cotton, beans, and sorghum.



Lakes, lagoons, rivers and volcanoes are abundant sources of water and minerals across the country.

The warmth of our people, our culture and beautiful landscapes make living and doing business in Nicaragua an unforgettable experience.

Helping you Maintain your Competitiveness

Competitive Cost Structure

Nicaragua offers a cost structure that will help you maintain your competitiveness in the global market.

Legal Minimum Wage/hr (Includes Social Fringes)	
• Agriculture	\$ 0.30
• Fisheries	\$ 0.40
• Light Manufacturing/Free Zones	\$ 0.44
• Tourism	\$ 0.48

*Exchange rate as of January 1st, 2004: C\$15.55/ \$1.00. The Nicaraguan workweek is 48 hours.

Social Charges:	
INSS	15%
Legal Holidays	3.65%
Inatec (Training Institute)	2%
Vacation	8.33%
13th Month	8.33%
Severance Pay	8.33%
TOTAL	45.64%

Source: Nicaraguan Labor Code

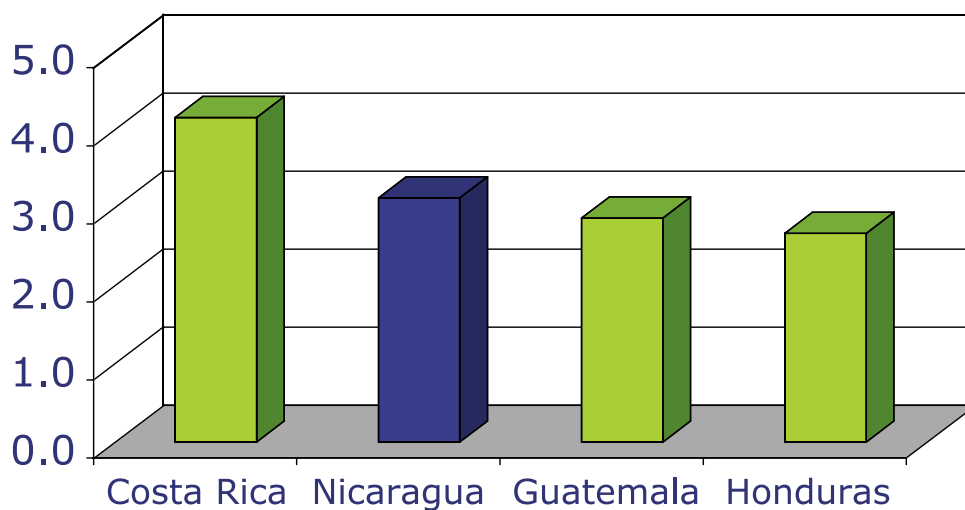
Note:

- INSS- National Institute for Social Security
- Legal Holidays- 11 days in Managua, 10 days in the rest of the country
- Severance Pay- One month per year until the third year; Twenty (20) days per year until the sixth year. Never will be over the equivalent to 5 months of salary.

Nicaragua's Labor Force: one of the most competitive in Latin America

The Nicaraguan labor force, apart from having the lowest cost, is one of the most productive in the region. With low attrition rates (less than 3%), a fast learning curve and low absenteeism, the Nicaraguan labor force is quickly becoming recognized as the most competitive in Latin America.

Labor Productivity in Central America



Source: INCAE / CLADCS Productivity Study

Other Operating Costs

Type of Service	Quantity	Cost
Electricity		
Light Industry	Up to 25 KW	US\$ 0.1035 per KW
Medium Industry	Up to 200 KW	US\$ 0.0796
Large Industry	Over 200 KW	US\$ 0.0813
Over 2MW		US\$ 0.065 (negotiable)
Water		
		No charge for private well water.
Telecommunications		
Fixed-line Telephone Sample Rates (ENITEL)		
Local Calls		US\$ 0.022 per min
Central America		US\$ 0.35
USA & Canada		US\$ 0.6-0.8
		*Free Zones can also use IP telephony services
Mobile Rates (Bellsouth and ENITEL movil)		
Local Calls		US\$ 0.12-0.40 per min (varies by time of day and other criteria)
Office and Warehouse Space		
Monthly Rent		
Industrial Facilities	1 sq. meter	US\$ 2.75-\$3.75
Premium Office Space	1 sq. meter	US\$ 10-15
Estimated Construction Cost		
Industrial Facilities	1 sq. meter	US\$ 140
Offices	1 sq. meter	US\$ 220

*Costs are approximations as of December 2003 and are subject to change.

Investment Climate

Legal Framework for Foreign Investment

Since the beginning of the nineties, a democratic system and macroeconomic stability have been achieved in Nicaragua. More than a decade of strong liberalization policies have been marked by the elimination of price controls and governmental subsidies, large-scale privatizations, ratification of several free trade agreements, protection of personal and intellectual property, and the free repatriation of profits and capital by foreign investors.

These measures have stimulated private sector investment and have improved Nicaragua's competitiveness.

Foreign Investment Law

The purpose of Nicaragua's Foreign Investment Law is to promote investment, and in doing so, contribute to job creation, and to the economic and social development of the country. Foreign investment in particular is of great importance as it will bring jobs, know-how and technology, increase exports, and allow Nicaragua to become more competitive in the global market.

This Law seeks the creation of the appropriate legal framework, with clear and precise rules, to attract new investment.

Some of the highlights of the Law of Foreign Investment are:

- Equal treatment to local and foreign investors.
- Freedom to make investments: Any individual or entity, national or foreign, may carry out investments of any kind, except for those few activities limited by the Law.
- Transfer of Funds Abroad: Foreign investors are guaranteed to enjoy an expedited transfer of funds abroad, and conversion to foreign currency through the local banking system.
- Access to Local Financing: The foreign investor may have access to financing available in the local banks, according to the terms established by them.
- Protection of Property and Safety: Nicaraguan law recognizes and guarantees the rights of the national and foreign investor, the protection of their property and the right to the free disposition of assets, capital and profits.

Intellectual Property Protection

Nicaragua is a member of the Central American Agreement for the Protection of Industrial Property, and there is full protection under the law for intellectual property, including patents, trademarks and brand names.

Nicaragua is also a member of the World Trade Organization and therefore adheres to the Agreements on the Trade Related Aspects of the Rights of Intellectual Property.

Investment Opportunities

Light Manufacturing and Textiles & Apparel

Free Zones / Export Processing Zones

An abundant labor pool with competitive labor cost and high labor productivity makes this sector very competitive for investment. With low attrition rates, a fast learning curve, and low absenteeism, the Nicaraguan labor force is becoming recognized as the best value in Latin America.

Nicaragua has the highest growth rate in this sector in Central America.



The Export Processing Zone Law (Ley de Zonas Francas) grants qualified investors the following benefits:

- 100% exemption of all local and national taxes, including income tax.
- Exemption of all import duties, levies and sales taxes on the import of raw materials, supplies, machinery, equipment, and parts.
- Allows for stand-alone free zones to operate anywhere in the national territory.

Export Services/ Call Centers

Given its strategic location, Nicaragua has a privileged position in order for companies with headquarters in the United States and Canada to maintain a close relationship with their clients in all America.

Nicaragua offers a skilled and customer-oriented labor force, competitive labor cost, wide availability of bilingual professionals (English and Spanish), a neutral Spanish accent and a modern and effective telecommunications infrastructure.

Export Service Companies/ Call Centers may apply for incentives under the Free Zone Law, previously listed above.

Tourism

Unique natural and human resources make Nicaragua an attractive investment opportunity for enterprises that seek growth in the tourism sector.

Our rich cultural heritage, beautiful colonial cities, abundant and undiscovered natural resources, along with the warmth of our people, make Nicaragua a remarkable destination for tourists.



The government's support of the industry, through one of the most generous incentive laws in the region (Law 306), adds value to the opportunity to invest in Nicaragua.

Tourism Incentives Law (Law 306) allows for:

- 100 % exemption of import and sales tax for construction materials and fixed accessories for the building
- 100% exemption of import duties and/or sales taxes for the local purchasing of furniture, equipment and transportation vehicles
- Full Exemption of Property Tax
- Exemption of sales taxes applicable to design, engineering and construction services.
- Up to 100% Exemption of Income tax depending on the service category.

Agribusiness and Forestry

The Nicaraguan government is committed to the diversification of its agricultural sector, promoting programs and reforms which foster development and technology transfer, mainly in the areas of vegetable and fruit production and processing, ornamental plant and flower production, and marine industries.



Nicaragua has the most arable land in Central America – 12.1 million acres, of which less than 20% is being cultivated. Its dry tropical climate makes it an excellent environment for a wide variety of agricultural products. The annual average temperature (25°C/77°F), the average mean of monthly rainfall (300 mm during the six month rainy season) and the constant length of growing period allows for year round production.

This combined with a long tradition of agriculture and abundant availability of workers, offers an excellent opportunity for investment in this sector.

Fishing and Aquaculture

With extensive coastlines on both the Pacific and Atlantic Ocean and substantial fish resources Nicaragua provides opportunities for sustainable growth in fishing. In addition, estuaries on the Pacific coast create ideal conditions for commercial shrimp farming.

This sector has an estimated potential of export earnings of approximately US\$ 500 million.

Energy

Domestic energy consumption is growing at 7% annually, which creates a need to increase generation capacity by 1,176 MW in the next 20 years.

There is strong government interest in attracting additional private investment in energy generation to meet the growing demand for power in Nicaragua and the rest of the Central American region.

The volcanic chain on the Pacific coast and the various sources of water throughout the country offer an excellent opportunity for geothermic (potential of 1,767 MW) and hydro energy generation (potential 900-1000 MW).

The Law for the Electrical Industry (Law 272) establishes the regulatory framework for this sector.

Commercial Agreements with the most important markets in the World

To maintain global competitiveness, Nicaragua has established commercial relationships with the most important markets in the world.

Free Trade Agreement with the United States (CAFTA)

Nicaragua along with the four other Central American nations recently signed a Free Trade Agreement with the U.S. (CAFTA), which is expected to enter into effect during 2004 once approved by Congress. This agreement eliminates duties for Central American exports to the U.S. and helps integrate the Central American economies into a single trading block.

Caribbean Basin Initiative and CBTPA

The agreement commonly known as the Caribbean Basin Initiative (CBI) is a Program of Unilateral Tariff Benefits granted by the United States to the Central American and Caribbean Region.

The latest CBI legislation (officially known as the Caribbean Basin Trade partnership Act or CBTPA) allows Central American and Caribbean manufacturers of ready-made apparel to import crude fabric from the United States, to process it in a country of the region and to fabricate apparel with them, which will later be exported free of tariffs to the American market. CBTPA also allows for the tariff free entry of many other goods assembled or manufactured in the region, as long as basic country of origin requirements are met.

For more information, please log on to: [Export Advantage](#) (US Department of Commerce).

Generalized System of Preferences

It is a unilateral benefit tariff that grants other industrialized countries the imports from developing countries.

Nicaragua benefits from the GSP with Japan, European Union, Canada and the United States.

Central American Common Market

The Central American nations have entered an Agreement to integrate their economies to have a stronger global presence.

This Union consists of creating a common territory for customs between the countries, which as a result will allow the free mobility of all goods, independent of their origin, and the complete elimination of the customs between these countries. This contributes to a qualitative jump in the process of the Central American economic integration.

Free Trade Agreements with Mexico and the Dominican Republic

Nicaragua has signed Free Trade Agreements with Mexico and the Dominican Republic which allow commerce free of duties for certain products.

WTO Privileges

Special WTO Designation allows Nicaragua to maintain export processing zones tax holidays after 2008, when most of Latin America will have to eliminate these benefits.

Strong Public Investment in Infrastructure

Infrastructure

The Nicaraguan highway network is 10,735 miles long. The most modern roads are in the more densely populated region of the Pacific coast. The Pan-American Highway that runs from North to South has 230 miles and it connects Nicaragua with Honduras and Costa Rica.

Nicaragua has a total of six seaports, one of which—Puerto Corinto-- is capable of handling international container traffic. Three ports are located on the Pacific Coast (Corinto, San Juan del Sur and Puerto Sandino), and three in the Caribbean Sea (Puerto Cabezas, El Bluff and El Rama). Nicaragua also has one-day access to world-class ports of Puerto Cortez (Honduras) and Puerto Limón (Costa Rica).



The main international airport (Augusto Cesar Sandino) is located eleven kilometers from the center of Managua and manages all international traffic of passengers and cargo to and from Nicaragua. It is considered one of the safest in Central America and it is currently undergoing a \$ 20 million expansion and renovation, which will make it the most modern airport in the region.

Telecommunications and Technology Infrastructure

The Microwave network is being replaced with a digital system. ENITEL, the national telephone operator has been privatized, and connects with major international operators. AT&T, Sprint and MCI/WorldCom offer direct connections with operators in the USA.

Cellular phone services are available from three providers: BellSouth, Enitel Movil and PCS Digital (Telmex subsidiary). There are also other services available such as transfer of high-speed data, broadband Internet (including cable internet), wireless Internet, and 800-numbers.

Operators Include: Spring, Bellsouth, Telmex, Amnet, and Swedtel.

Some of the services that are currently available include:

- Fiber optic cabling
- Broadband data transmission and point-to-point, high-capacity lines
- Videoconferencing and voice gateway services
- Alternate routing, disaster recovery
- Redundant international fiber optic cable access available in early 2004

Investment Promotion Agency

PRONICARAGUA is Nicaragua's Investment Promotion Agency officially established by President Enrique Bolaños in August 2002. It is a public-private institution operating under the Presidential Commission on Investment Promotion dedicated to support foreign investors seeking offshore opportunities in Nicaragua.

ProNicaragua can provide investors with the following complimentary services:

Customized Site Visits: ProNicaragua can organize customized site visits so you can see for yourself why Nicaragua could be your next offshore platform for growth.

Investor Information: ProNicaragua can provide you with all of the information you need to make your investment decision.

Facilitation Services: ProNicaragua will help you along the entire investment process by providing referrals, government contacts, and general start-up facilitation services.

ProNicaragua is an advocate for the foreign investor; we will assist you as you navigate through your next investment decision. Contact us, and come see for yourself why Nicaragua should be your next move. Call +505-270-6400 to obtain a customized itinerary or e-mail us at info@pronicaragua.org.

EXECUTIVE DIRECTOR

Juan Carlos Pereira

jpereira@pronicaragua.org.ni

ASSOCIATE DIRECTOR

Maria Rivas

mariarivas@pronicaragua.org.ni

INVESTMENT ADVISORS

Bernardo Callejas

bcallejas@pronicaragua.org.ni

Javier Hugentobler

javier@pronicaragua.org.ni

INVESTMENT ASISTANT ADVISORS

Margarita Talavera Rodríguez

mtrodriguez@pronicaragua.org.ni

Luz Danelia García

ldgarcia@pronicaragua.org.ni



Managua, Nicaragua. Central America
Tel.: + (505) 270-6400 o (505) 228-9250 Fax: + (505) 278-7332
Email: info@pronicaragua.org
Web Site: www.pronicaragua.org

Other Investment Related Organizations

One-Stop-Shop (Ventanilla Unica)– Nicaragua’s Ministry of Economy has recently created the One Stop Shop (Ventanilla Unica) office to assist investors with permits, company registration and other requirements.

http://www.mific.gob.ni/Ventanilla/index_inicio.htm

Ministry of Foreign Relations – Nicaragua’s embassies and consulates abroad, in over 20 locations, have been trained to provide investors with the information and guidance they need in order to explore business opportunities in Nicaragua.

www.cancilleria.gob.ni

CETREX – An electronic clearinghouse for export permits provides “one stop shop” export services.

www.cetrex.com.ni

PROCOMPE – *Nicaragua’s National Competitiveness Program provides support to key industries or “clusters” in order to improve their competitiveness.*

www.competitividad.org.ni

National Tourism Institute (INTUR)- *It is the entity responsible for regulating the tourism industry. It is also in charge of promoting domestic and international tourism.*

www.intur.gob.ni

Comisión Nacional de Zonas Francas– Regulatory entity for Free Zone Regime.

www.cnzf.gob.ni

Ministerio Agropecuario y Forestal- Ministry in charge of regulating agriculture and forestry activities.

www.magfor.gob.ni

Ministerio Ambiental y de Recursos Naturales- Ministry in charge of enforcing environmental laws and regulations.

www.marena.gob.ni

Instituto Nicaragüense de Energía (Nicaraguan Energy Institute) - Responsible for regulating energy Generation, Transmission and Distribution.

www.ine.gob.ni

Comisión Nacional de Energía (National Energy Commission)- An Inter-institutional organization that handles strategy, planning and promotion for the energy sector.

www.cne.gob.ni

Nicaragua

unexplored opportunities



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w w w . p r o n i c a r a g u a . o r g
Tel.: + (505) 270-6400 or (505) 228-9250 Fax: + (505) 278-7331