Doing Business in Nicaragua:

A Country Commercial Guide

for U.S. Companies

U.S. Embassy
Managua, Nicaragua

Doing Business in Nicaragua: A Country Commercial Guide for U.S. Companies

Chapter 1: Doing Business in Nicaragua

- Market Overview
- Market Opportunities
- Market Challenges
- Market Entry Strategy

Market Overview Return to top

- 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. 80% of U.S. exports of consumer and industrial goods now enter Nicaragua duty-free, with remaining tariffs to be phased out by 2016. Tariffs on most U.S. agricultural products will be phased out within 15 years, with all tariffs eliminated in 20 years.

- With CAFTA-DR, Nicaragua also offers substantial market access for U.S. firms across the entire services regime, including telecommunications, express delivery, computer and related services, tourism, energy, transport, construction and engineering, financial services, insurance, audio/visual and entertainment, and professional services. The agreement features key protections for U.S. investments and intellectual property (see Chapter 6: Investment Climate Statement). It also includes commitments on environmental standards, labor rights, government procurement, and corruption.

- The United States is Nicaragua’s largest trading partner, the source of roughly 22% of Nicaragua's imports in 2007 and the destination for approximately 55% of its exports (including free zone exports). U.S. exports to Nicaragua were $846.8 million in 2007, including donated goods, cereals, mechanical machinery, textiles and apparel, electrical machinery, and plastics. Nicaraguan exports to the United States were $1,608.4 million in 2007, including textiles and apparel, wiring harnesses, coffee, meat, tobacco, sugar, and fruits and vegetables. Other important trading partners for Nicaragua are its Central American neighbors (especially El Salvador and Costa Rica), Mexico, and the European Union.

- Foreign direct investment in Nicaragua totaled $335 million in 2007. There are more than a 100 wholly or partly-owned subsidiaries of U.S. companies currently operating in Nicaragua. The largest of these investments are in textiles, energy, financial services, light manufacturing, tourism, fisheries, and shrimp farming. Other major investors include Mexican, Canadian, and other Central American firms.

- Since taking office again in January 2007, President Ortega has maintained the legal and regulatory underpinnings of the market-based economic model of his predecessors. He has, however, repeatedly disparaged the "neo-liberal" model of economic growth. Nicaragua has stayed current with its CAFTA-DR obligations. Under an International Monetary Fund program signed in October 2007, the Government of Nicaragua agreed to implement free market policies linked to targets on fiscal discipline, spending on poverty, and energy regulation. Real GDP growth was 3% in 2007, the lowest in Central America. Inflation in 2007 reached 16.88%, driven by rising oil prices and crop damage caused by bad weather.

Market Opportunities Return to top

- The passage of CAFTA-DR has provided new market opportunities for U.S. exports to Nicaragua. The treaty has also provided new opportunities for Nicaraguan exports to the United States, especially for meat, dairy, seafood, agricultural produce and processed foods.

- Continued advances in transforming the Central American Common Market into a customs union make Nicaragua a viable option for a regional distribution center or a manufacturing stop along a regional supply chain.

- Nicaragua offers business opportunities in the tourism sector that are enhanced by attractive tax incentives. Nicaragua's emerging tourism industry allows for opportunities to those entrepreneurs who fully accept the risk of investing in Nicaragua, especially as regards disputes over land title.

- The Millennium Challenge Corporation Compact, with a total value of $175 million, was signed by the United States and Nicaraguan governments in July 2005. The compact promises to link producers to commercial markets by working with market intermediaries and improving transportation infrastructure in the departments of Leon and Chinandega.

- Market opportunities exist in the following sectors: textile and apparel, vehicles, auto parts and equipment, consumer goods, computer equipment and peripherals, telecommunication equipment and services, medical, optical and dental equipment, plastics, agricultural inputs, food processing and refrigeration equipment, wheat, yellow corn for animal feed, vegetable oil, and rice.

Market Challenges

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- Poor infrastructure increases costs for many businesses. Electricity supply is inconsistent, and for several months during 2007 rolling blackouts affected most of the country. Because oil is the fuel used by most power plants, electricity is the most expensive in Central America. With the exception of the Pan-American Highway, roads are poorly maintained and sometimes impassable. Seaport infrastructure is limited and costs are high.

- President Ortega's harsh rhetoric against the United States, capitalism, and free trade has had a negative effect on foreign investor attitudes and perceptions of country risk. Protracted political battles among branches of government and between parties in the National Assembly have limited Nicaragua's ability to develop laws and institutions and implement policies that would strengthen the private sector in the face of global competition.

- The Nicaraguan economy is small and purchasing power is limited for many consumers. Of the total population of 5.4 million, 75.8% live on $2 a day or less. Family remittances of $740 million per year significantly augment incomes for many Nicaraguans.

- The legal environment is among the weakest in Latin America. Property rights are especially difficult to defend. Nicaraguans commonly believe that the judicial system is controlled by political interests and is corrupt. Investors regularly complain that regulatory authorities are arbitrary, negligent, slow to apply existing laws, and often favor one competitor over another. Lack of a reliable means to quickly resolve disputes with administrative authorities or business associates has resulted in disputes becoming intractable.

Market Entry Strategy

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- The use of agents and distributors is the most common way to export U.S products and services.

- One agent for the country is sufficient as commercial activity is concentrated in the capital Managua and the size of the country does not justify regional agents.

- A local lawyer should be consulted to determine the pros and cons of various 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.

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Chapter 2: Economic and Political Environment

For background information on the political and economic environment of Nicaragua, please see State Department's Background Note: Nicaragua.

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Chapter 3: Selling U.S. Products and Services

Using an Agent or Distributor Return to top

The Nicaraguan retail market is small but expanding. Local distributors and agents handle distribution and sales of imported products, as well as Nicaraguan products. Distribution and agency contracts are governed by the Commercial Code. 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 Nicaraguan Export and Investment Center, the investment promotion agency ProNicaragua, the American Chamber of Commerce of Nicaragua, and the Chamber of Commerce of Nicaragua may provide additional information on potential business partners.

Establishing an Office

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Registering a business is a relatively straightforward process. The Nicaraguan Government operates a One-Stop Shop for Investment (VUI) within the Ministry of Trade, Industry, and Development to streamline investment and business licensing. The VUI claims that the average time for registering a business is fifteen days. However, a World Bank study, Governance Matters 2007, estimated that the process takes 39 days. The services of the VUI are equally available to domestic and foreign-owned businesses. The Embassy strongly recommends that an investor retain a local attorney to assist in establishing a presence in Nicaragua. See nicaragua.investway.info for detailed information on registering a business in Nicaragua.

Franchising

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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 Managua, among them McDonald's, TGI Friday's, Pizza Hut, Domino's Pizza, Papa John's, Subway, Napa Auto Parts, Hertz, Avis, Budget Rent a Car, DHL, Best Western, Holiday Inn, Burger King, and Payless ShoeSource. Many Nicaraguans are familiar with popular U.S. brands and have grown accustomed to U.S. fast food outlets and other services. Local companies such as Tip-Top (fried chicken) have developed strong local brands are expanding through franchising.

Direct Marketing

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No specific law or regulation governs direct marketing. Some consumer product companies report successful direct selling campaigns. Informal vendors also employ the practice. Restaurants often use courier services to distribute brochures offering coupons for modest discounts. Obstacles to profitable direct marketing include confusing postal addresses and low telephone density.

Joint Ventures/Licensing

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

Selling to the Government

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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, such as the National Electricity Company (ENEL), 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 2002/427) and the Municipal Procurement Law (2007/622) provide detailed procurement procedures, including 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.

Distribution and Sales Channels

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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. The Nicaraguan retail market is relatively small, but identifying one representative for the Pacific and central regions and another for the Atlantic coast is often required to ensure nationwide coverage.

More than 1,000 wholesalers operate in Nicaragua. U.S. company PriceSmart operates a retail warehouse store in Managua but also sells wholesale. There are three major supermarket chains in Nicaragua: Palí, La Unión, and La Colonia. Wal-Mart Central America and Costa Rican Corporación de Supermercados Unidos (CSU) operate a total of 38 supermarkets, including the mid-range Palí and upscale La Unión stores. La Colonia is a local chain of eight supermarkets, with seven located in Managua and one in Chinandega. There are also as many as 16,000 "mom and pop" stores and informal vendors that compete with larger retailers.

Nicaragua has a total of 2,299 kilometers of paved roads, primarily located along the Pacific region of the country. However, many of these are in poor condition. The well maintained, 370 kilometer Pan-American Highway runs north-south along the western coast from Honduras to Costa Rica, giving Nicaragua access to the Atlantic coast seaports of Puerto Cortés in Honduras and Puerto Limón in Costa Rica. There are no paved roads linking the Pacific and the Atlantic coasts, but a road extends from Managua to El Rama, a river port that offers waterway transportation (maximum draft of 16 feet) to Bluefields on the Atlantic coast. 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, a crane to handle containers, and power outlets for refrigerated containers.

Sandino International Airport, located 13 kilometers from the capital, was recently renovated. 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 Atlantic coast each have a small commercial airport.

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

Selling Factors and Techniques

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Sales and marketing techniques in Nicaragua are similar to those employed in the United States. Trade fairs and industry-specific 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 sales materials are a must.

Electronic Commerce

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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 or regulating the treatment of electronic transactions.

Trade Promotion and Advertising

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Much of the population is poor and 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 is very limited, although growing. According to the Nicaraguan Authority for Telecommunications, in 2006 there were 23,624 internet subscribers in Nicaragua.

Pricing

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A value added tax (IVA) of 15% applies to the sale of many goods and services.

A selective consumption tax (ISC) is levied on 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.

The Consumer Defense Law (1994/182) caps the retail markup for pharmaceutical products at 30% for generics and 35% for branded products and caps the wholesale markup at 35% for generics and 30% for branded 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: Investment Climate Statement, Transparency of the Regulatory System for more information.

Sales Service/Customer Support

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

Protecting Your Intellectual Property

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Protecting intellectual property rights is a major concern for businesses operating in Nicaragua. Various forms of intellectual property may be registered with the Ministry of Trade, Industry, and Commerce, Intellectual Property Registry. For information regarding the status of intellectual property protection in Nicaragua, see Chapter 6: Investment Climate Statement, Protection of Property Rights.

Due Diligence

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Thorough due diligence can reduce exposure to risk inherent to doing business in Nicaragua. Before finalizing any contract, 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: Investment Climate Statement, Dispute Settlement for more information.

For information on the serious risk involved in purchasing real estate in Nicaragua, see Chapter 6: Investment Climate Statement, Expropriation and Compensation as well as Protection of Property Rights.

Local Professional Services

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The Embassy recommends obtaining 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.

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Chapter 4: Leading Sectors for U.S. Export and Investment

Commercial Goods

Agricultural Goods

Tourism

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Overview

Statistical Summary (millions of U.S. dollars except where noted)

	2005	2006
Number of tourists	803,933	898,699
Revenues	183.0	230.0
Total imports	6.4	2.2
Imports from the United States	2.1	1.6

Notes: Imports are CIF value and include equipment and raw materials for tourism developments, mainly for hotels and restaurants.
Source: Nicaraguan Customs and Nicaraguan Tourism Institute.

Nicaragua's tourism industry is expanding. Tourist arrivals (including visiting family members) have steadily increased at a 10% annual rate since 2000. During the first trimester of 2008, the number of tourists who visited Nicaragua increased 8.4% compared to the same period in 2007. In the past few years, five different international hotel chains have established business operations in Nicaragua. The total number of hotel rooms in Nicaragua is still rather limited, although the number of first-class rooms has more than doubled during the past eight years. There are currently five airlines serving the U.S. market from Nicaragua, including American Airlines, Continental, Delta, Taca, and more recently, Spirit. Serious impediments to the expansion of this key sector include unreliable property rights, poor infrastructure, and judicial insecurity.

Best Products/Services

The best prospects for investment are in accommodations outside of Managua, especially along the Pacific Coast. In addition, there are opportunities for related businesses, such as tour operators, hotels, restaurant suppliers, and equipment and transportation.

Opportunities

Nicaragua offers tax incentives for investment in the tourism sector. The Nicaraguan Institute of Tourism (INTUR) and ProNicaragua (Investment Promotion Agency) are promoting investment in Pacific beachfront resorts and ecotourism projects. The Atlantic Coast also has tourist potential, but problems with undeveloped infrastructure, property rights, and personal security present formidable obstacles to potential investors. See Chapter 6: Investment Climate Statement for more information on investments in Nicaragua.

Vehicles, Auto Parts, and Equipment

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Overview

Statistical Summary (millions of U.S. dollars)

	2005	2006	2007
Total local production	0.0	0.0	0.0
Total exports	1.4	1.7	3.6
Exports to the United States	0.4	0.5	0.9
Total imports	202.7	224.8	266.8
Imports from the United States	25.9	28.0	32.2

Note: Exports are FOB values and imports CIF values.
Source: Nicaraguan Customs.

Despite high fuel prices, automobile sales in Nicaragua continue to grow, increasing from 9,635 units sold in 2006 to 10,517 in 2007. Greater availability of financing has helped boost the demand for vehicles. Almost 76% of all vehicles sold in 2007 were Japanese brands. According to the Nicaraguan National Police there were approximately 372,000 vehicles in circulation in 2007 (56% in Managua), up from 290,000 in 2004. Because of unsafe and unreliable public transportation, a car is essential in Nicaragua for those who can afford one.

There are approximately 15 well-known auto dealerships in Nicaragua, including dealerships for Honda, Hyundai, Peugeot, Mitsubishi, Kia, Nissan, Chevrolet, Taidok, Isuzu, Great Wall, and Land Rover. Several dealerships represent more than one brand, such as the local Mercedes-Benz dealership, which also represents and distributes Chrysler products. Two of the biggest dealerships in Nicaragua, which represent Toyota, also sell Lexus, Suzuki, and Daihatsu. There are approximately 163 used auto dealerships in Nicaraguan. Currently, there is one NAPA auto parts store in Managua, and there are many other auto shops that carry U.S. parts.

Best Prospects/Services

The most popular cars are small, four or six cylinder, U.S., Japanese, or Korean models. Many people find four-wheel-drive vehicles very useful on Nicaragua's road system. High-ground clearance for speed bumps and potholes is also an asset. Good gas mileage is a priority for many consumers. There is also considerable demand for the servicing of vehicles, and spare parts are increasingly available on the local market. There is a high demand for heavy and light U.S. trucks, buses and sport-utility vehicles, as well as for tires for all motor vehicles. Vehicles with standard transmission are preferred over automatic transmission because of difficulties in servicing the former.

Opportunities

Except for a free zone company that is producing automotive wiring harnesses exclusively for export, there is no local production of automotive parts and accessories in Nicaragua. Good sales opportunities exist for virtually all categories of products in this sector.

In 2007, there were 54 different automobile brands available in the Nicaraguan market, an increase of 35% compared to 2006.

Resources

- Nicaraguan Association of Vehicles and Automotive Distributors: Tel: (505) 268-3861, 268-3743. Fax: (505) 266-4831. Email: andiva@hotmail.com

Construction Equipment and Materials Return to top

Overview

Statistical Summary (millions of U.S. dollars)

	2005	2006	2007
Total local production	0.0	0.0	0.0
Total exports	12.7	18.7	21.9
Exports to the United States	0.5	0.6	1.9
Total Imports	147.2	151.2	179.4
Imports from the United States	26.4	29.6	22.6

Note: Exports are FOB values and imports CIF values.
Source: Nicaraguan Customs.

The construction sector has grown significantly in recent years. However, in 2006 it contracted, due to political uncertainty that stifled both private and public investment. In the later half of 2007, public investments began to pick up, led by the construction of new roads, but the sector has not regained previous levels because the government has been slow to execute its capital budget.

Nicaragua has a housing deficit of more than 500,000 homes, mostly for low and middle income families. Developers have acknowledged this demand and invested in low income housing during the past few years, particularly in Managua. In 2008, the Ministry of Environment and Natural Resources banned construction of new homes in a large area of southern Managua to protect depleting aquifers.

Best Prospects/Services

Construction equipment such as tractors, excavating machines, asphalt mixers, and dump trucks remain in high demand. There is also demand for construction materials.

Opportunities

The U.S. Millennium Challenge Corporation is upgrading transportation infrastructure in the departments of Leon and Chinandega to provide better links between producers and commercial markets. 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.

Resources

- Nicaraguan Chamber of Industries: http://www.cadin.org.ni
- Nicaraguan Chamber of Construction: http://www.construccion.org.ni
- Nicaraguan Housing Development Chamber: http://www.cadurnica.com/Inicio.htm

Telecommunication Equipment Return to top

Overview

Statistical Summary (millions of U.S. dollars)

	2005	2006
Total local production	0.0	0.0
Total exports	0.9	1.7
Exports to the United States	0.2	0.6
Total imports	116.9	128.0
Imports from the United States	12.4	7.1

Note: Exports are FOB values and imports CIF values.
Source: Nicaraguan Customs.

América Móvil of Mexico purchased the Nicaraguan Telecommunications Company (ENITEL) in 2004 and has since invested heavily in the development of land-based and cellular telephony. In 2008, ENITEL's cell phone division Claro introduced a third-generation (3G) all-digital network to support high-speed data transmission. Spanish company Telefónica operates the competing Movistar cell phone network. There are 247,862 conventional phone lines installed in Nicaragua as of December 2007. Cellular phones have by far surpassed land lines, up from 500,000 users in 2004 to 2.12 million as of December 2007.

Best Products/Services

The most promising sub-sectors in the telecommunications market are digital, cellular and wireless telephone systems, data transmission equipment, and fiber optic networks.

Opportunities

Sales opportunities exist for virtually all categories of products in this sector.

Resources

- TELCOR (the telecommunications regulator): www.telcor.gob.ni
- Nicaraguan Council of Science and Technology: www.conicyt.gob.ni
- Nicaraguan Internet Association: www.enicaragua.org.ni
- Student's Association of Telecommunication and Information Technology: www.anetic.org.ni
- Nicaraguan Association of Telecommunication and Information Technology's Specialists: www.aneti.org.ni

Computer Equipment and Peripherals

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Overview

Statistical Summary (millions of U.S. dollars)

	2005	2006	2007
Total local production	0.0	0.0	0.0
Total exports	0.1	0.2	0.3
Exports to the United States	0.1	0.1	0.2
Total imports	28.0	32.4	30.9
Imports from the United States	10.1	10.1	10.1

Note: Exports are FOB values and imports CIF values.
Source: Nicaraguan Customs.

Over the last five years, Nicaragua has experienced an increased demand for computers and peripherals. Continued investment in telecommunications infrastructure has contributed to the growth of the market, reflecting the need of many businesses to acquire up-to-date information technology. There is no significant local production of this type of equipment for direct local consumption.

Best Products/Services

Sales of finished computers are growing, but sales of parts and accessories are growing at an even faster pace. Sales over the Internet of competitively priced information technology are likely to expand in the near future, particularly for the personal user segment, provided that reliable local after-sales dealer support is available for consumers. Demand for specialized hardware and accessories are gradually increasing in the professional services sector. The use of wireless computer networks is also increasing.

Opportunities

The computer and peripheral equipment industry is expected to continue growing. Nicaragua's import tariff policy favors growth of this "strategic" industry sector. Computers and peripheral equipment are not subject to import taxes. Internal taxes such as sales taxes do apply. CAFTA-DR will bring more competition to the information technology market. Good sales opportunities continue to be projected for virtually all categories of products in this sector.

Resources

- Nicaraguan Council of Science and Technology: www.conicyt.gob.ni
- Nicaraguan Internet Association: www.enicaragua.org.ni
- Nicaraguan Association of Telecommunication and Information Technology's Specialists: www.aneti.org.ni

Food Processing and Refrigeration Equipment Return to top

Overview

Statistical Summary (millions of U.S. dollars)

	2004	2005	2006
Total local production	0.0	0.0	0.0
Total exports	279.1	333.0	438.3
Exports to the United States	88.1	69.2	135.1
Total imports	221.6	244.5	298.8
Imports from the United States	91.4	92.4	111.1

Note: Exports are FOB values and imports CIF values.
Source: Nicaraguan Customs.

Nicaraguan and international companies are investing in food processing 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.

Best Products/Services

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

Opportunities

The Central America-Dominican Republic-United States Free Trade Agreement (CAFTA-DR) offers improved access to U.S. markets for Nicaragua's agricultural goods. Nicaragua is poised to take advantage of these opportunities, especially in the areas of meat, dairy, seafood, produce, and processed foods.

Currently there is only one public cold storage facility in the country, run by the Association of Producers and Exporters of Nicaragua (APEN). The facility has limited capacity and is too small to meet demand both for export and import shipments of perishable goods.

Resources

- Association of Producers and Exporters of Nicaragua: www.apen.org.ni
- National Commission for Export Promotion: http://www.mific.gob.ni/dirFomento/cnpees.htm
- Inter American Institute for Cooperation in Agriculture: www.iica.int.ni.

Agricultural Goods

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The agricultural sector, including livestock, forestry, and fisheries, suffers from drought and poor irrigation systems, limited infrastructure, and thin credit markets. In spite of the challenges, primary agriculture is an important sector in the Nicaraguan economy, accounting for 19.6% of the GDP in 2007. The agricultural sector employs over 29% of the labor force. Raw coffee, beef, sugar, peanuts, hardwood, shrimp, and lobster are among the leading agricultural products. U.S. imports from Nicaragua in 2007 totaled $350 million. U.S. exports to Nicaragua reached $184 million in 2007, up 34% from 2006.

Wheat

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Overview

Statistical Summary (millions of U.S. dollars)

	2005	2006	2007
Total market size	25.7	31.3	36.4
Total local production	0.0	0.0	0.0
Total exports	0.0	0.0	0.0
Total imports	25.7	31.3	34.6
Imports from the United States	24.1	31.3	34.6

Note: Exports are FOB values and imports CIF values.
Source: Nicaraguan Customs.

Best Prospects/Services

Nicaragua imports primarily spring wheat and small quantities of soft and hard red wheat.

Opportunities

Imported wheat is processed into flour to be used in local bakeries. Bread is a main substitute for corn products in the Nicaraguan diet. Nicaraguan consumers perceive U.S. wheat as wholesome and of higher quality than alternatives.

Resources

- U.S. Foreign Agricultural Service: U.S. Foreign Agricultural Service: www.fas.usda.gov and agmanagua@usda.gov

Yellow Corn

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Overview

Statistical Summary (millions of U.S. dollars)

	2005	2006	2007
Total Market Size	13.7	15.9	28.1
Total Local Production	0.0	0.0	0.0
Total Exports	0.0	0.0	0.0
Total Imports	13.7	15.9	28.1
Imports from the United States	13.7	15.9	28.1

Note: Exports are FOB values and imports CIF values.
Source: Nicaraguan Customs.

Best Prospects/Services

Yellow corn for animal feed is the main prospect. Yellow corn is used as a main ingredient in livestock feedstuffs, particularly in poultry feeds. The Nicaragua poultry industry is has grown rapidly and produces high quality products.

Opportunities

Nicaragua does not produce significant amounts of yellow corn. The Commission for Risk Analysis of Genetically Modified Organism has conducted and approved genetic material approved in the United States for yellow corn. U.S. yellow corn imports into Nicaragua for the purposes of processing and for animal feed have been approved. Under CAFTA-DR, Nicaragua imposes a tariff-rate quota (TRQ) for yellow corn that expands gradually and will eliminate tariffs on yellow corn in 2021. See Chapter 5: Trade Regulations and Standards, Import Tariffs and Import Requirements and Documentation for more information.

Resources

- U.S. Foreign Agricultural Service: www.fas.usda.gov and agmanagua@usda.gov
- National Association of Poultry and Animal Feed Producers: Email: anapa@anapa.org.ni

Rice [Return to top]

Overview

Statistical Summary (millions of U.S. dollars unless noted)

	2005	2006	2007
Total market size	36.4	45.8	57.6
Total local production (thousands of metric tons)	412.0	411.0	350.0
Total exports	0.2	0.1	$1.0
Total imports	36.4	45.8	57.6
Imports from the United States	34.8	45.0	56.2

Note: Exports are FOB values and imports CIF values.
Source: Nicaraguan Customs and the Nicaraguan Association of Rice Producers

Best Prospects/Services

There are approximately 15 private rice importers in Nicaragua, but one of these companies imports most of this commodity.

Opportunities

Nicaragua complements its local rice production with imports. Over 95% of Nicaraguan rice imports originate in the US. Golden U.S. rice is repackaged in 5 or 10 kg bags.

Under CAFTA-DR, Nicaragua imposes a TRQ for rice that expands gradually and will eliminate tariffs on yellow corn in 2024.

Resources

- U.S. Foreign Agricultural Service: www.fas.usda.gov and agmanagua@usda.gov
- Association of Nicaraguan Rice Producers: Tel: (505) 222-4570, 222-5513. Email:anar@cablenet.com.ni
- Association of Nicaraguan Rice Processors: Fax: (505) 222-4371. Email:proarroz@cablenet.com.ni

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Chapter 5: Trade Regulations and Standards

Import Tariffs

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Under the National Treatment and Market Access for Goods chapter of the United States – Central America – Dominican Republic Free Trade Agreement (CAFTA-DR), approximately 80% of U.S. industrial and consumer goods now enter Nicaragua duty free, with remaining tariffs phased out by 2016. Nearly all textile and apparel goods that meet the agreement's rules of origin now enter duty free and quota free, promoting new opportunities for U.S. and regional fiber, yarn, fabric, and apparel manufacturing companies.

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 2026, including those on pork, rice, and yellow corn. Nicaragua will eliminate its tariffs on chicken leg quarters and rice by 2024 and on dairy products by 2026. For certain products, 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.

As a member of the Central American Common Market (CACM), Nicaragua agreed in 1995 to reduce its common external tariff to a maximum of 15%. Approximately 95% of tariff lines are harmonized at this rate or lower. In response to rising food prices, the Ministry of Trade, Industry, and Development issued Decree 058-2007 and Decree 048-2007 to temporarily eliminate tariffs on basic commodities such as flour and beans until December 31, 2008. The

Nicaraguan Customs Authority maintains an online database of import tariffs, including tariffs applicable under CAFTA-DR.

Trade Barriers

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The government levies a selective consumption tax (ICS) on many items, as described in Country Commercial Guide, Chapter 3: 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.

For motor vehicles, the Nicaraguan Customs Authority levies the ICS according to engine size. New and used automobiles with engines greater than 4000 cc face a tax of 30%, while those with engine less than 4000 cc pay 25%, 3000 cc pay 20%, 2,600 cc pay 15% and less than 1,600 pay 10%. U.S. cars with larger engines may face stiff price competition from manufacturers of small cars. The ISC is applied to other motor vehicles based on engine size as well.

The Ministry of Agriculture and Forestry, Agricultural Health and Sanitation Office bans the import of U.S. boneless beef from animals over 30 months of age, bone-in-beef, and live cattle; these are inconsistent with the World Organization for Animal Health (OIE) guidelines.

Import Requirements and Documentation

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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.

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, 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 Trade, Industry, and Development, International Trade Office issues import licenses.

Medicines and Cosmetics

- The Ministry of Health, Pharmaceutical Office, issues import permits for medicines and cosmetics. Importers must present documentation demonstrating safety and effectiveness and pay $485.10 in fees (including laboratory analysis) to obtain a sanitary registration.

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

  Ministerio de Salud
  Dirección de Farmacias
  Complejo Nacional de Salud "Dra. Concepción Palacios" costado oeste, Colonia Primero de Mayo, Módulo 4, Managua
  Tel: (505) 289-4700, ext. 222
  Fax: (505) 289-4401
  div-far@minsa.gob.ni

Agriculture and Livestock

- The Ministry of Agriculture and Forestry, Agricultural Health and Sanitation Office is responsible for plant and animal health inspections.

- The Ministry of Agriculture and Forestry, Agrochemicals Office, issues import permits for agrochemical products.

- The Minister of Agriculture and Forestry, after consideration of risk analysis conducted by CONAGREN, makes a final decision on biotechnology imports.

- The Ministry of Agriculture, Animal Health Office, issues import permits for medicine for veterinary purposes.

Telecommunications

- The Telecommunications Regulator issues imports 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).

U.S. Export Controls

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U.S. firms must secure a permit from the U.S. Department of State, Directorate of Defense Trade Controls to export arms and ammunition to Nicaragua. For exports of other sensitive goods that may have both commercial and military uses, U.S. firms must seek authorization from the U.S. Department of Commerce, Bureau of Industry and Security.

Temporary Entry

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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 that allows the entry of merchandise into the country and the local purchase of raw materials without having to pay taxes or duties, applicable only to merchandise that will be re-exported after being subject to a transformation process, repair or alteration. This law only applies to companies that directly or indirectly export at least 25% of total production (no lower than US $ 50,000 per year). Nicaraguan Customs Authority is responsible for applying this law and you may also request additional information by writing to cnpe@mific.gob.ni.

Labeling and Marking Requirements

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The Nicaraguan Technical Standard on Prepackaged Foods for Human Consumption (1999/03-021) require that prepackaged foods be labeled in Spanish and indicate product origin, contents, price, weight, production date, and expiration date. The Ministry of Industry, Development 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 living modified organisms (LMOs)—unless 95% or greater non-LMO content—be labeled to indicate that they “may contain” LMOs.

Prohibited and Restricted Imports

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The Ground Transportation Law (2005/524) prohibits the import of motor vehicles that are more than 10 years old, with the exception of antique cars and donations to the fire department, Red Cross, and religious organizations.

Customs Regulations and Contact Information

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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.

Importers must use the services of a licensed customs broker. Nicaragua applies the World Trade Organization Agreement on Customs Valuation to determine customs duties. Information on current customs regulations can be obtained from the Nicaraguan Customs Authority at Tel: (505) 249-5719 or (Fax) 505-249-5720 (fax).

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- Accreditation
- Publication of Technical Regulations

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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.

Standards Organizations Return to top

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 Trade, Industry, and Development, Technology, Standards, and Measurement Office serves as secretariat for the commission.

The U.S. National Institute of Standards and Technology operates Notify U.S. a free, web-based e-mail subscription service that offers U.S. entities, citizens, industries, and organizations an opportunity to review and comment on proposed foreign technical regulations that can affect their businesses and their access to international markets.

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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.

Accreditation Return to top

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

Publication of Technical Regulations Return to top

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

Trade Agreements Return to top

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 Dominican Republic, El Salvador, Honduras, Guatemala, Nicaragua, and the United States have already ratified the agreement. The agreement entered into force for Nicaragua and the United States on April 1, 2006.

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 and other Central American countries have negotiated separate bilateral trade agreements with the Dominican Republic and Mexico. Nicaragua's negotiations with Chile have stalled over trade in sugar. Nicaraguan and other Central American countries are negotiating trade agreements with Canada, the European Union, Panama, and Taiwan.

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

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Chapter 6: Investment Climate

Openness to Foreign Investment

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Legal Framework

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. USAID provides support for the implementation of CAFTA-DR, through PROCAFTA.

In addition to CAFTA-DR, Nicaragua's Foreign Investment Law defines the legal framework for foreign investment. The law allows for 100%

foreign ownership in most sectors (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.

Other major laws governing foreign investment include the Temporary Entry Law, which allows for the duty free import of machinery, equipment, raw materials, and supplies for companies exporting the majority of their production (see *Performance Requirements and Incentives*); the Export Processing Zone Law (see *Foreign-Trade Zones/Free Ports*); the Tax Equity Law (see *Performance Requirements and Incentives*); the Banking Law (see *Conversion and Transfer Policies* and *Performance Requirements and Incentives*); and a series of intellectual property laws (see *Protection of Property Rights*). In 2006, the Nicaraguan National Assembly approved a Competition Law, but the law has not yet been implemented (see *Transparency of the Regulatory System*). In 2005, the government amended the Tourism Incentive Law to strengthen incentives for investment in that sector (see *Performance Requirements and Incentives*). See www.asamblea.gob.ni/ for the Spanish-language text of Nicaraguan law.

Policy Environment

Since taking office again in January 2007, President Ortega has maintained the legal and regulatory underpinnings of the market-based economic model of his predecessors. Nicaragua has stayed current with its CAFTA-DR obligations. Under an IMF program signed in October 2007, the Government of Nicaragua agreed to implement free market policies linked to targets on fiscal discipline, spending on poverty, and energy regulation.

In practice, however, a number of factors contribute to an increasingly uncertain policy environment for foreign investors. Government often announces economic policies, programs, or decrees without formal consultation with the private sector. On more than a dozen occasions, the government has used its tax, customs, and property administrations to pressure individuals and companies into accepting noncommercial terms in concessions or contracts (see *Dispute Settlement, Transparency of the Regulatory System,* and *Expropriation and Compensation* for examples). High profile rulings by the courts and oversight agencies are unpredictable and widely believed to be politicized. President Ortega has repeatedly suggested that it was a mistake to privatize the telecommunications and energy industries, where a number of foreign firms have invested; he has not ruled out re-nationalization, although no formal plans exist. Local business associations have complained that President Ortega's harsh rhetoric against the United States, capitalism, and free trade has had a negative effect on foreign investor attitudes and perceptions of risk when they think of Nicaragua (for official copies of speeches in Spanish see www.presidencia.gob.ni).

After successive years of improvement, Nicaragua fell in the World Economic Forum's Competitive Index Rankings from 95th place in 2006 to 111th in 2007. Significant slippage occurred in the quality of Nicaraguan institutions and market efficiency components of the index. In 2008, the Heritage Foundation Index of Economic Freedom ranks Nicaragua 81st (at the 60.1 percentile) worldwide for economic freedom, down from 65th (at the 61.9 percentile) in 2007. However, the Heritage Foundation has maintained Nicaragua's placement at the 70th percentile on investment freedom, one of ten components comprising its Index of Economic Freedom (see www.heritage.org/research/features/index/).

Conversion and Transfer Policies

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The Foreign Investment Law (2000/344) and the Banking, Nonbank Intermediary, and Financial Conglomerate Law (2005/561) allow investors to freely convert and transfer funds associated with an investment. Article 10.8 of 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. Foreigners may open bank accounts, but the process is cumbersome and time consuming. The Superintendent of Banks and other Financial Institutions monitors financial transactions for illicit activity.

On several occasions, most recently in October 2007, President Ortega has suggested that foreign investors should reinvest their profits locally rather than repatriate them. To date, the government has prepared no formal policy proposals on this topic.

The official exchange rate is adjusted daily according to a crawling peg that devaluates the córdoba against the U.S. dollar at an annual rate of 5%. The official exchange rate as of February 15, 2007, was 19.02 córdobas to one U.S. dollar. As a result of local food and international energy prices, inflation rose to 16.2% in 2007 (from 10.2% in 2006), placing stress on Nicaragua's crawling peg regime.

Expropriation and Compensation

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During the 1980s, the Sandinista government confiscated 28,000 real properties. Since 1990, thousands of individuals have filed claims against the government to have their property returned or receive compensation.

Compensation is most often in the form of low-interest bonds issued by the government. As of December 2007, the Nicaraguan Government had settled more than 4,500 U.S. citizen claims. A total of 677 Embassy-registered U.S. claims remain. In December 2007, the Ortega administration established unrealistic standards of proof to demonstrate ownership and expropriation, and announced plans to dismiss claims accepted by previous administrations. The Ortega administration also sought to retroactively review already settled claims. The U.S. Embassy in Nicaragua is contacting claimants and working to ensure that the property rights of U.S. citizens are respected. A U.S. citizen with such a claim may contact managuapropoffice@state.gov.

The CAFTA-DR Investment Chapter prohibits expropriation unless for a public purpose. The government must pay prompt, adequate, and effective compensation.

In August 2007, the Nicaraguan Government seized, via judicial order, several petroleum storage tanks owned by a U.S. company on the pretext that the company had not paid value-added taxes associated with the import of crude oil, despite the fact that petroleum and petroleum products are not subject to this tax and no mechanism exists to collect it. The government then used the tanks to store petroleum products imported from Venezuela under the terms of a government-to-government financing agreement. In January 2008, the U.S. company sold the tanks in question to state-owned company Petronic and negotiated a purchase agreement with Petronic for crude oil imported from Venezuela.

See *Protection of Property Rights* for a description of other forms of land security problems affecting investors.

Dispute Settlement Return to top

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, cumbersome, and members of the judiciary, including those at senior levels, are widely believed to be corrupt or subject to political pressure. A commercial code and bankruptcy law exist, but both are outdated.

Enforcement of court orders is frequently subject to nonjudicial considerations. Courts routinely grant injunctions ("amparos") to protect citizen rights by enjoining official investigatory and enforcement actions indefinitely. Foreign investors are not specifically targeted but are often at a disadvantage in disputes against nationals with political or personal connections. 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. The World Bank estimates that on average local courts issue a preliminary ruling on contract disputes in 540 days. Monetary judgments normally are rendered in Nicaraguan currency, but may be denominated in U.S. dollars.

Dispute resolution is even more difficult in the Northern and Southern Atlantic Autonomous Regions (RAAN and RAAS, respectively), 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 flexible. Local officials may act without effective central government oversight.

The Mediation and Arbitration Law (2005/540) establishes the legal framework for alternative dispute resolution. Nicaragua is a signatory of the New York Convention and the Inter-American Convention on International Commercial Arbitration. Arbitration clauses should be included in business contracts if one has doubts about the Nicaraguan judicial system. In January 2008, the Nicaraguan Chamber of Commerce and the American Chamber of Commerce of Nicaragua announced plans to merge their mediation and arbitration centers.

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. Proceedings under this mechanism are generally open to the public and documents are made publicly available.

Several U.S. companies and the U.S. Chamber of Commerce in Washington have voiced their concern that Nicaraguan Law 364, enacted in 2000 and implemented in 2001, presumes guilt without due process and retroactively imposes arbitrary liabilities on foreign companies that manufactured or allegedly used or distributed the chemical pesticide DBCP in Nicaragua. DBCP was banned in the United States after the Environmental Protection Agency cancelled its certificate for use (with exceptions) in 1979.

In January 2007, employees who own 40% of a local pharmaceutical company forcefully took possession of the company's manufacturing facilities as the result of a dispute with management. Several U.S. citizens own shares in the company. The majority owners of the company have been unsuccessful in their attempts to regain control of the facilities through action in the courts and are participating in negotiations with employees brokered by the Nicaraguan Government.

Performance Requirements and Incentives

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Performance Requirements

Nicaragua's labor code states that 75% of employees, not including management posts, must be Nicaraguan. The Law on Promotion of National Artistic Expression and Protection of Nicaraguan Artists (1996/215) requires that foreign production companies contribute 5% of total production costs to a national cultural fund. In addition, the law requires that 10% of the technical, creative, and/or artistic staff be locally hired. Under CAFTA-DR, Nicaragua does not require U.S. film productions to contribute to the cultural fund or hire locally.

Investment Incentives

The Tax Equity Law (amended 2005/528) allows firms to claim an income tax credit of 1.5% of the FOB value of the exports. The Law of Temporary Admission for Export Promotion (2001/382) allows for businesses to purchase machinery, equipment, raw materials, and supplies duty and VAT free if used in export processing. Businesses must export 25% of their production to take advantage of these tax benefits. See *Foreign Trade Zones/Free Ports* 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. Investors in the sector must register with the Directorate General for Natural Resources in the Ministry of Trade, Industry, and Development and with the Nicaraguan Fishing and Aquaculture Institute (INPESCA). Environmental regulations also apply (see *Transparency of the Regulatory System*).

The Forestry Conservation and Sustainable Development Law (2003/462) establishes preferential property tax rates and income tax exemptions in addition to duty and tax exemptions for inputs and capital goods used in forestry projects. In September 2007, the Nicaraguan Government implemented a temporary ban on commercial logging and compelled operators to supply all timber felled by Hurricane Felix to the government for reconstruction of the RAAN after the hurricane. Enforcement of this law appears spotty.

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).* Private investment in hydroelectric dams is banned from the Asturias, Apanás, and Río Viejo Rivers and is limited to 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 100%; property tax exemption; exoneration from import duties on vehicles; and value added tax exemption on the purchase of equipment and construction materials.

Immigration Issues

Those wishing to permanently reside in Nicaragua must request a resident visa from the Office of Immigration in Managua. Investors who live in Nicaragua but fail to obtain a residency permit have encountered immigration problems, including deportation. The Nicaraguan private sector has encouraged the government to establish a short-term business visa category to mitigate the problem. Investors should consult with Nicaraguan immigration authorities to ensure that they have an appropriate visa or resident status while engaging in business.

Right to Private Ownership and Establishment

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In 1992, the Nicaraguan Government began to privatize small state-owned companies that the first Ortega government had nationalized or established in the 1980s. Subsequent privatization programs managed by the World Bank and Inter-American Development Bank sold state-owned telecommunications and electricity generation and distribution companies. Over the past 15 years, Nicaragua has privatized more than 350 state enterprises.

The government owns and operates the water and sewage company (ENACAL), the port authority (EPN), and the power transmission company (ENTRESA). Private sector investment is not permitted in these sectors. In addition, the government owns operates the country's largest insurance company (INISER), the largest electricity generating company (ENEL), one free trade zone (Parque Industrial Las Mercedes) and a basic food commodity storage and distribution company (ENABAS). The government enjoys exclusive rights to manage public social security pension funds (see *Efficient Capital Markets and Portfolio Investment*). In 2000, Spanish company Union Fenosa bought both the north and the south electricity distribution companies from ENEL (see *Transparency of the Regulatory System*). However, operation of the concession has suffered greatly from weak regulatory oversight and the lack of a supportive legal regime.

The military and its officers' pension fund have investments in many sectors, especially retail. These companies compete on equal terms with privately owned businesses and do not constitute an impediment to foreign investment.

Protection of Property Rights Return to top

Real Property

Many foreign investors experience difficulties defending their property rights in Nicaragua. Property registries suffer from years of poor recordkeeping. Establishing a title history is often difficult. The wrongful expropriation of 28,000 properties in the 1980s has greatly complicated the process. Attracted by escalating property values, unscrupulous individuals have engaged in protracted confrontations with U.S. investors to wrest control of tourist properties along the Pacific coast in the Departments of Rivas and Chinandega. 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. Property invasions usually go unchallenged by local law enforcement officials and in some cases turn violent. Although the Ortega administration claims to be committed to protecting individual property rights, the situation substantially worsened during 2007. As of March 1, 2008, the Embassy is working with 294 U.S. citizens to recover 667 properties confiscated by the Ortega administration in the 1980s.

The Capital Markets Law (2006/587) provides a legal framework for securitization of movable and real property. The banking system is widening its loan programs for property purchases, but there is no secondary market for mortgages. See *Efficient Capital Markets and Portfolio Investment* for more information on the financial sector.

Intellectual Property

CAFTA-DR made Nicaraguan standards for the protection and enforcement of IPR consistent with U.S. and emerging international intellectual property standards. To implement the agreement, Nicaragua has strengthened its legal framework to 1) provide state-of-the-art 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 Nicaraguan Government has not yet implemented an effective system for test data protection and patent linkage for pharmaceutical products, as required by CAFTA-DR.

The legal regime for protection of intellectual property rights (IPR) in Nicaragua is adequate but to date enforcement of intellectual property law has been limited. Pirated optical media, including music, videos, and software are sold openly, although in relatively small numbers compared to other countries. In 2006, the government successfully prosecuted a case against a vendor selling pirated DVDs, only to have the conviction overturned months later. In July 2007, the Nicaraguan Government again successfully prosecuted a case in a local court against a Nicaraguan citizen selling pirated music CDs. The offender was sentenced to two years in prison—later reduced to parole—and fined 5,000 córdobas ($267). The Prosecutor General and National Police are currently investigating 28 intellectual property cases. With Department of Justice assistance in November 2007, Nicaraguan law enforcement and judicial officials collaborated to create a Nicaraguan manual for best practices in investigating and prosecuting intellectual property crimes.

Major IPR laws include:

- Patent, Utility Model, and Industrial Design Law (amended 2007/634)
- Copyright and Related Rights Law (amended 2006/577)
- Satellite Signal Programming Protection Law (amended 2006/578)
- Trademark and Other Distinctive Signs Law (amended 2006/580)
- Plant Variety Protection Law (1999/318)

Nicaragua is a signatory to the following international conventions and agreements on intellectual property:

- Mexico Convention on Literary and Artistic Copyrights (1902)
- Buenos Aires Convention on Literary and Artistic Copyrights (1910)
- Inter-American Copyright Convention (1946)
- Universal Copyright Convention (Geneva 1952 and Paris 1971)
- Bern Convention for the Protection of Literary and Artistic Works (1971)
- Geneva Convention for the Protection of Producers of Phonograms (1971)
- Brussels Satellite Convention (1974)
- International Convention for the Protection of New Plant Varieties (1978)
- Agreement on Trade-Related Aspects of Intellectual Property Rights (1994)

- Paris Convention for the Protection of Industrial Property (1996)
- The World Intellectual Property Organization (WIPO) Copyright Treaty and Performances and Phonograms Treaty (2002)

Transparency of the Regulatory System Return to top

A 2006 World Bank Survey placed Nicaragua in the 32nd percentile (100, best) worldwide for Regulatory Effectiveness (see http://info.worldbank.org/governance/). 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 quickly resolve disputes with government administrative authorities or business associates has resulted in some disputes becoming intractable (see *Dispute Resolution*).

See Chapter 3: Selling U.S. Products and Services, for information on regulatory issues related to establishing an office

The Competition Promotion Law (2006/601) creates a Superintendency for Competition to investigate and discipline businesses engaged in anticompetitive business practices, including price fixing, dividing territories, exclusive dealing, and product tying. To date, the National Assembly has not funded the superintendency and the competition law remains unenforced.

The Consumer Defense Law (1994/182) includes a consumer bill of rights that establishes minimum standards for product safety and quality as well as for truth in marketing. Under this law, MIFIC's Consumer Defense Directorate may investigate business and levy fines. The Ministry of Public Health, Directorate General of Sanitary Regulation, regulates the sale of food and drugs (including cosmetics), while the Ministry of Agriculture and Forestry is responsible for plant and animal health issues (see Chapter 5: Trade Regulations, Customs, and Standards, for further information on food, drug, and consumer product regulation). Government resources to enforce these public health and safety regulations are limited, especially in informal markets.

The Directorate General of Taxation in the Ministry of Finance and Public Credit collects income and value-added taxes, as set forth in the most recent version of the Tax Code (2006/598). The Directorate General of Customs in the Ministry of Finance and Public Credit collects customs duties (see Chapter 5: Trade Regulations, Customs, and Standards for further information on customs procedures). Investors cite 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 wrongly classify goods to boost tariff revenue.

The Environment and Natural Resources Law (1996/217) authorizes the Directorate General for Environmental Compliance, Ministry of Natural Resources and the Environment (MARENA), to evaluate investment plans and monitor ongoing operations to verify compliance with environmental standards. The Law on Crimes against the Environment and Natural Resources (2005/559) includes additional 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.

In addition to environmental regulation, mining investments are regulated under the Special Law on Mining Prospecting and Exploitation (2001/387), which is now administered by the newly created Ministry of Energy and Mining. The Ministry of Energy and Mining also retains the authority to grant oil and gas exploration concessions. In 2007, the Supreme Court ruled that several oil exploration concessions had been granted without proper consultation with the governments of the autonomous regions on the Atlantic coast, though the concessions were situated outside recognized regional waters. The central government used the ruling as leverage to re-negotiate more favorable terms.

The telecommunications sector is fully privatized and open to competition. Under CAFTA-DR, Nicaragua opened its telecommunications sector to U.S. investors, service providers, and suppliers. U.S. exports of telecommunications equipment receive duty-free treatment. CAFTA-DR establishes rules promoting competition in telecommunications services and addresses key regulatory concerns that may create barriers to trade and investment in telecommunications services. Enitel, the former state telephone company, is now 99% owned by a Mexican company. The mobile telephone industry in Nicaragua is served by two nationwide operators. Enitel controls switching for all cellular service. The Nicaraguan Institute for Telecommunications and Postal Service (TELCOR) regulates the sector and has generally encouraged competition (see www.telcor.gob.ni). CAFTA-DR requires the establishment of a fair and transparent pricing regime.

The Electricity Sector Law (amended 2004/465) and the Energy Stability Law (amended 2007/627) establish the legal framework for the electric power sector. The Ministry of Energy and Mines Law sets policy for the sector and grants licenses and concessions to investors, while the Nicaraguan Energy Institute sets prices and regulates the industry (see www.ine.gob.ne). Investment in transmission and distribution is limited by law (see *Right to Private Ownership and Establishment*). Investment in this sector has been constrained by regulatory and political uncertainty and by a complex tariff system that does not provide clear incentives to generators. Growing demand and the lack of maintenance has resulted in extensive, rolling blackouts throughout the country during much of 2007.

Efficient Capital Markets and Portfolio Investment Return to top

In the 1990s, the Nicaraguan Government privatized the banks that had been nationalized during the Ortega Administration in the 1980s. In 1999-2001, four banks collapsed as the result of fraud and mismanagement. Stability returned to the banking system after the government engineered the sale of assets from the failed banks and consolidated the sector. However, the debt incurred by the government was politicized when a former finance minister became a candidate for president and the leader of the largest opposition party. President Ortega suggested that the government impose a moratorium on the service of this debt and hinted that the same should apply to indemnification bonds issued to compensate those whose property had been confiscated in 1980s. In February, a circuit court judge ruled that the issue of the debt was defective and should not be repaid. As of April 2008, a court order had prevented the Central Bank from servicing some of this debt, leading to increased scrutiny of Nicaragua by international credit rating firms. It is widely expected that, at a minimum, the government will force a renegotiation of the debt, reflecting allegations that assets were improperly valued in the bank restructuring process.

Through the Heavily Indebted Poor Country Initiative, the Multilateral Debt Reduction Initiative, and the World Bank's Commercial Debt Buyback Program, the Nicaraguan Government has been able to significantly reduce external debt from more than $12 billion in 1990 to less than $3.5 billion (55% of GDP) in 2007.

Among other financial services, local financial institutions offer commercial and industrial loans, credit lines, factoring, leasing, and bonded warehousing. The Foreign Investment Law allows foreign investors to access local credit. However, many investors find lower cost financing and more product variety from offshore banks. Short-term government bonds dominate Nicaraguan capital markets, but the markets are still in their infancy. Several firms have issued corporate debt; only one has issued public stock.

U.S. and other foreign banks have acquired a presence in Nicaragua through the purchase of local banks. In 2006, Citigroup acquired Grupo

Financiero Uno, a Nicaraguan bank with a large consumer credit portfolio throughout Central America. Also in 2006, HSBC bought Banistmo, a Panamanian bank with operations in Nicaragua. In 2007, GE Money announced plans to increase its ownership of Nicaraguan-owned Bank of Central America from 49.99% to 100%. The presence of these large, international banks should result in the introduction of more sophisticated products and services.

As of December 2007, total deposits in the banking system had reached $2.4 billion, of which $1.6 billion was held in foreign currency (mostly U.S. dollars). Interest rates on savings accounts averaged 3% in December 2007 for accounts denominated in córdobas and 2.1% for accounts denominated in U.S. dollars. The banking system's loan portfolio totaled $2.2 billion as of December 2007. Interest rates on loans denominated in córdobas averaged 13%; loans denominated in U.S. dollars averaged 11%.

The Superintendency of Banks and other Financial Institutions Law (amended 2006/576) and the General Law on Banks, Financial Institutions, Nonbank Financial Intermediaries, and Financial Conglomerates (2005/561) establish the legal framework for financial sector regulation. The Superintendency of Banks and other Financial Institutions (SIBOIF) regulates banks, insurance companies, stock markets, and other financial intermediaries (see www.siboif.gob.ni). SIBOIF requires that supervised entities provide audited financial statements, prepared according to international accounting standards, on a regular schedule. These data are published at www.siboif.gob.ni. The Deposit Guarantee System Law (2005/551) established the Financial Institution Deposit Guarantee Fund (FOGADE) to guarantee bank deposits up to $20,000 per depositor, per institution (see www.fogade.gob.ni).

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 WTO 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.

The Nicaraguan Social Security Institute (INSS) manages a pension fund for private and public sector employees. The Law to Repeal "the Pension System Law" and the "Superintendency of Pensions Law" (2005/568) reversed pension reform begun in 2000 that would have privatized the management of this fund. The October 2007 Poverty Reduction Growth Facility with the IMF requires the Nicaraguan Government to evaluate shortcomings in the current system and prepare recommendations for reform as needed. Private pension funds invest almost exclusively in offshore instruments.

Political Violence

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Political violence has not been prevalent in Nicaragua in recent years. However, from time to time violent disputes over land rights and labor issues have erupted. Political demonstrations occasionally turn violent and can interrupt business operations

The Ortega administration is installing Citizen Power Councils (CPC) at neighborhood levels throughout Nicaragua. President Ortega has promised that CPC's will play an important role in government economic and social programs, help implement rural development projects, and exercise local regulatory authority, even though they are not formally part of government. Constitutional experts, human rights activists, and nongovernment organizations have criticized the imposition of CPCs for their unelected role in government and for displacing existing nongovernment organizations.

Corruption

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Nicaragua is a signatory to the Organization for Economic Cooperation and Development (OECD) Convention on Combating Bribery, as well as the Inter-American Convention against Corruption (IACC). The Penal Code (amended 2007/641) and the Special Law on Bribery and Crimes Against International Trade and Foreign Investment (2006/581). Offering or accepting a bribe is a criminal act punishable by a fine and a minimum three years in prison. Bribery by a local company of a foreign official is a criminal act punishable by a minimum five years in prison. The Attorney General and the Controller General share responsibilities for investigating and prosecuting corruption cases. The anti-corruption 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.

Public opinion surveys indicate that many Nicaraguans believe corruption is endemic to government. In 2006, a World Bank study placed Nicaragua in the 23rd percentile (i.e., the bottom quartile) of all countries for control of corruption (see http://info.worldbank.org/governance/). Transparency International—which has links with local organization "Etica y

Transparencia"—ranked Nicaragua 123rd of 179 countries in its 2007 Corruption Perceptions Index (see www.transparency.org/policy_research/surveys_indices/cpi).

The legal environment is among the weakest in Latin America. Nicaraguans commonly believe that the judicial system is controlled by political interests and is corrupt. Influence peddling in the judicial branch puts foreign investors at a sharp disadvantage in any litigation or dispute. Therefore, seeking administrative decisions or legal recourse in the courts is not the preferred method to clarify rights and responsibilities or resolve a dispute. Political connections and nepotism also affect regulatory and procurement decisions. Regulators often maintain business interests within the very sectors they regulate. On occasion, government officials ask investors to cover costs associated with the supervision of a concession or business operation (for example, in the review of an engineering design or a legal contract).

During the Bolaños administration, the government successfully prosecuted former President Arnoldo Alemán for embezzlement, fraud, and money laundering. In December 2003, a Nicaraguan court sentenced Alemán to a 20-year jail term, which he has never served. The Ortega Administration has allowed Alemán to live under expanded house arrest and, since March 2007, travel freely throughout the country. This exceptional treatment is widely believed to be in exchange for Alemán's political support in the National Assembly, judiciary, and other government institutions.

Bilateral Investment Agreements Return to top

Nicaragua has signed and ratified bilateral investment agreements with Argentina, Chile, Czech Republic, Denmark, Ecuador, El Salvador, Finland, France, Germany, Italy, the Netherlands, South Korea, Spain, Switzerland, Sweden, Taiwan, and the United Kingdom. CAFTA-DR includes an Investment Chapter.

OPIC and Other Investment Insurance Programs Return to top

The U.S. Overseas Private Investment Corporation offers financing and insurance against political risk, expropriation, and inconvertibility to U.S. investments in Nicaragua. A 2004 Investment Incentive Agreement between Nicaragua and the United States expanded the range of OPIC programs available to U.S. investors in Nicaragua and streamlined investment application procedures (see www.opic.gov). Nicaragua is a member of the World Bank's Multilateral Investment Guarantee Agency.

Labor [Return to top]

In 2006, the Nicaraguan Government estimated Nicaragua's labor force at 2.2 million, of which 2.09 million are reportedly employed. Of those employed, 29% work in agriculture, 19% in industry, and 52% in services. However, many of these jobs are informal, and underemployment is common. Unskilled labor is widely available and relatively inexpensive, but in rural areas outward migration has resulted in labor shortages during harvest season. The World Bank reports that 46% of Nicaraguans live below the poverty line and 15% in extreme poverty.

Nicaragua has ratified all eight of the International Labor Organization's core labor conventions. The Nicaraguan Constitution, Labor Code (1996/185 and amendments), General Law on Labor Health and Safety (2007/618), and several other laws establish minimum standards for labor conditions and provide the legal framework for relations between employers and their employees. The Nicaraguan Constitution bans forced labor, slavery, and indentured servitude. The constitution also specifies no more than an eight-hour workday in a forty-eight-hour (six-day) work week, with an hour of rest each day. The minimum age for employment is fourteen. Labor unions complain that the Ministry of Labor lacks adequate staff and resources to fully enforce these provisions.

Business, government, and labor negotiate a statutory minimum wage that the National Assembly must subsequently confirm. Each sector of the economy (including Free Trade Zones) has a different minimum wage, which must be reviewed every six months. In general, enforcement of the minimum wage only takes place within the formal sector. While the law mandates premium pay for overtime and prohibits excessive compulsory overtime, the government does not always effectively enforce these requirements.

The labor code sets forth significant benefits that increase business costs. For example, at year-end, employers must pay the equivalent of an extra month's salary. Other benefits include maternity leave, medical care, death and survivor's benefits, pensions, and workers compensation for disability. 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 that the five-month limit provides workers with an incentive to seek dismissal once they have completed five years with a firm.

Nicaraguan law grants public and private sector workers, except those in the military and police, the right to organize. Workers need not advise the employer or the Ministry of Labor of their intention to do so. In general, workers exercise the right to organize unhindered. Some labor activists allege that some businesses operating in free trade zones violate this right. Although employers are legally required to reinstate workers fired for union activity, formal reinstatement requires a judicial order which can be difficult to obtain because of a lengthy appeals process. In practice, employers often do not reinstate workers because the law is poorly enforced. Employers may dismiss any employee, including union organizers, by agreeing to pay double the legally mandated severance pay.

The law provides for the right to bargain collectively and for several unions, each with different membership, to coexist at any one enterprise. Employers may sign separate collective bargaining agreements with each union. Independent labor leaders complain that employers routinely violate collective bargaining agreements and Nicaraguan labor laws. They also complain that employers use company unions to disrupt the organization of independent unions. Although the law recognizes the right to strike, according to Ministry of Labor information, there were no legal strikes in 2006. Wildcat strikes are common, however. Division among labor unions along political lines complicates the resolution of these strikes and other labor issues.

Foreign Trade Zones/Free Trade Zones Return to top

The Nicaraguan Government reports that 127 companies operate in free trade zones (FTZs) throughout Nicaragua, directly employing 89,000 workers. In 2007, however, several firms operating in free trade zones closed, citing rising costs of doing business associated with high energy costs, poor roads and port facilities, growing problems with the tax and customs administrations, rising labor costs, and increasing rigidities in labor law related to work schedules and compensation. In addition to export incentives and duty free capital imports granted by the Tax Equity Law and the Law of Temporary Admission for Export Promotion (see *Performance Requirements and Incentives*), the Free Trade Zones for Industrial Exports Decree (1991/46 and amendments) provides a 10-year income tax exemption for Nicaraguan and foreign investments in FTZs. The National Free Trade Zone Commission of Nicaragua (CNZF) administers the FTZ regime (see www.cnzf.gob.ni).

Foreign Direct Investment Statistics Return to top

Foreign investment inflows totaled $335 million in 2007, according to the Ministry of Trade, Industry, and Development. Investment inflows included $145 million in telecommunications and $120 million in assembly operations located in free trade zones, and U.S. investment totaled $83.6 million. For 2008, ProNicaragua, the government investment promotion agency, is targeting tourism, textiles and apparel, light manufacturing and assembly, agribusiness and forestry, and business process outsourcing. ProNicaragua is also working with the Millennium Challenge Account in Nicaragua to stimulate investment in and economic development in the departments of Leon and Chinandega. See www.pronicaragua.com for more information.

Major U.S. Investors in Nicaragua include:

- Cargill (poultry and animal feed)
- ChevronTexaco (fuel distribution)
- Citigroup (banking)
- ExxonMobil (petroleum refining and fuel distribution)
- GE Money (banking)
- International Textile Group (textiles)
- PriceSmart (retail)
- Wal-Mart (grocery)

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Chapter 7: Trade and Project Financing

How Do I Get Paid (Methods of Payment) Return to top

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

How Does the Banking System Operate Return to top

See Chapter 6: Investment Climate Statement, Efficient Capital Markets and Portfolio Investment for an overview of the financial sector.

Foreign Exchange Controls Return to top

There are no foreign exchange controls. See Chapter 6: Investment Climate Statement, Conversion and Transfer Policies for more information on foreign currency transactions.

U.S. Banks and Local Correspondent Banks Return to top

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

Banco de América Central (BAC)
Edificio BAC, Km 4 ½ Carretera a Masaya
Tel: 505-274-4444
Fax: 505-274-4620

Banco de Crédito Centroamericano (BANCENTRO)
Centro Lafise, Km 4 ½ Carretera a Masaya
Tel: 505-255-27777
Fax: 278-6001
Email: info@bancentro.com.ni

BANCO UNO
Rotonda El Güegüense 25 vrs. Abajo, Managua
Tel: 505-255-8000
Fax: 505-266-8796
Email: uno-info@grupo-uno.com

Banco de la Producción (BANPRO)
Km. 4 Carretera a Masaya, Contiguo a Hotel Princess
Tel: 505-277-2627
Fax: 505-267-0612
Email: servicio@banpro.com.ni

Banco de Finanzas (BDF)
Esquina opuesta Hotel Crowne Plaza, Managua
Tel: 505-222-2444
Fax: 505-228-3056
Email: bdf@bdfnet.com

HSBC
Km. 4 ½ Carretera a Masaya
Tel: 505-270-1200
Fax: 505-270-1127
Email: subanco@hsbc.com.ni

Banco ProCredit
Rotonda Güegüense 75 vrs. al Sur
Tel: 505-255-7676
Fax: 505-268-1630

Project Financing

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Long-term financing is readily available as international banks introduce new products for 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. Contracts to implement Nicaragua's compact with the Millennium Challenge Corporation are open to bidding from U.S. businesses. 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.

The U.S. Embassy, Managua, Economic/Commercial Section takes no responsibility for actions readers may take based on the information in this guide. Readers should always conduct their own market research and due diligence before entering into any commercial arrangement.

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Chapter 8: Business Travel

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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 many 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 Return to top

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 Return to top

The Ministry of Governance, Immigration Office is the definitive source for visa requirements for Nicaragua. U.S. Department of State, Bureau of Consular

Affairs, Nicaragua: Country Specific Information also provides relevant information.

U.S. companies that require travel of foreign businesspersons to the United States should allow sufficient time for visa issuance if required. Visa applicants should consult U.S. Department of State, Bureau of Consular Affairs, Visas; Destination USA; or the Consular Section of the U.S. Embassy in Managua

Telecommunications Return to top

The Nicaraguan Institute for Telecommunications and Postal Service (TELCOR) reports that there are 247,862 conventional phone lines installed in Nicaragua as of December 2007. Cellular phones have far surpassed land lines, with 2.12 million lines installed as of December 2007. The former state-owned telephone company ENITEL, now owned by América Móvil of Mexico, provides all land-based phone services and competes with only one other private company, Telefónica Movil of Spain, in cellular service. Nicaragua's telecommunication system is being upgraded through the installation of fiber optic technology and costs are expected to decline. Communication with the United States is readily available through major U.S. long-distance carriers.

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U.S. airlines operate several daily roundtrip flights from the United States to Nicaragua, including American (Miami), Continental (Houston), Delta (Atlanta), and Spirit (Fort Lauderdale). Central American airline TACA 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 60 days. Taxicab services within the perimeter of business class hotels are reliable. 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 Return to top

The official language of Nicaragua is Spanish, but some business persons and government officials speak English as a second language. English is also widely spoken as a first language on the Atlantic coast and on Corn Island.

Health [Return to top]

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 [Return to top]

The following holidays are observed in Nicaragua:

- New Year's Day: January 1
- Holy Thursday: Variable (April 9, 2009)
- Good Friday: Variable (April 10, 2009)
- 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

It is customary for the government and most private businesses to close for the entire week before Easter Sunday, known as "Semana Santa." Similarly, most government offices and private businesses close between Christmas and New Year's Day. When a holiday falls on a weekend, the government may declare a day off for government workers the preceding Friday or following Monday to create a three-day weekend, but the decision is often announced on short notice.

Temporary Entry of Materials and Personal Belongings [Return to top]

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 Chapter 5: Trade Regulations, Customs, and Standards, Temporary Entry for more information.

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Chapter 9: Contacts and Trade Events

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U.S. Embassy

Economic/Commercial Section
Km. 5½ Carretera Sur
P.O. Box #: 327
Phone: 011 (505) 252-7100
Fax: 011 (505) 252-7239
Email: managuaecon@state.gov

Consular Section
Km. 5 ½ Carretera Sur
P.O. Box #: 327
Phone: 011 (505) 252-7888
Fax: 011 (505) 252-7304
Email: consularmanagua@state.gov

Nicaraguan Government

Branches of Government
- Office of the President
- National Assembly
- Supreme Court
- Supreme Electoral Council

Trade and Investment
- Ministry of Development, Industry, and Trade
- Export Transaction Center
- National Free Trade Zone Commission
- ProNicaragua – Investment Promotion Agency
- Nicaraguan Tourism Institute

Agriculture and Rural Development

- Ministry of Agriculture and Forestry
- National Forestry Institute

Finance and Banking

- Central Bank
- Superintendent of Banks and Other Financial Institutions
- Ministry of Finance

Transportation and Infrastructure

- Ministry of Transportation and Infrastructure
- International Airport Administration
- National Ports Authority
- Nicaraguan Energy Institute
- TELCOR – Telecommunications Regulator

Labor Issues

- Ministry of Labor

Health and Environment

- Ministry of Health
- Ministry of Environment and Natural Resources

Other

- Citizens Power Councils (unofficial local government advisory councils)

Business Associations

The U.S. Embassy actively engages with the local business community in support of U.S. commercial interests, particularly through the American Chamber of Commerce of Nicaragua.

Other local chambers of commerce and business associations include:

- Chamber of Industries of Nicaragua
- Chamber of Commerce of Nicaragua
- Association of Producers and Exporters of Nicaragua
- Superior Council of Private Enterprise
- Association of Consumer Goods Distributors

Trade Events

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U.S. Department of Commerce, Trade Events provides venues for U.S. exporters to meet international buyers, distributors, or representatives.

Doing Business in Nicaragua: A Country Commercial Guide for U.S. Companies

Chapter 10: Guide to Our Services

The Economic/Commercial Section of the U.S. Embassy in Managua offers customized solutions to help you:

- Target the Nicaraguan market with our local knowledge
- Promote your products and services to qualified buyers
- Meet the best distributors and agents for your products and services
- Overcome potential challenges or trade barriers

We look forward to your inquiry and to working with you to accomplish your business objectives.