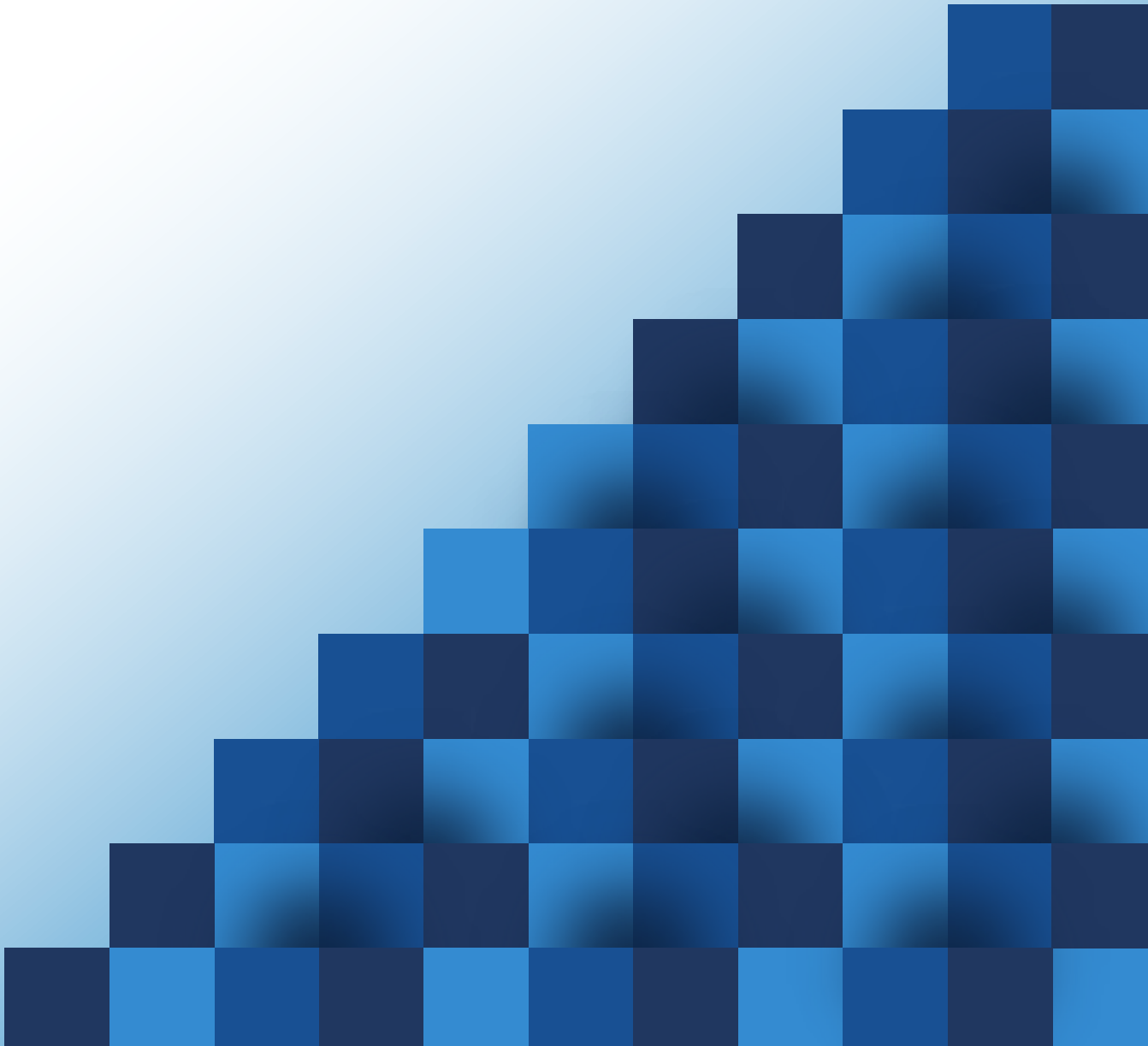


# INVESTOR'S GUIDELINE 2022



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# Cover Letter

Dear Investors:


The Ministry of Development, Industry and Trade and the Official Agency for the Promotion of Investments of the Government of Nicaragua (PRONicaragua), invite you to get to know Nicaragua through the Investor's Guideline 2022.


The objective of this Guideline is to promote investments in our country, providing investors with updated and relevant information on the advantages that Nicaragua offers, exposing all the favorable conditions for the opening and development of business.

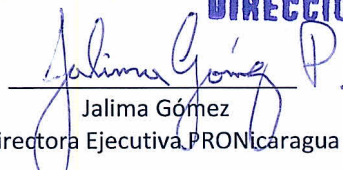
Nicaragua has comparative and competitive advantages of great importance, strategic geographical position, natural wealth, pleasant climate, great tourist attraction, warmth and dedication of its people, best roads in Central America, favorable business climate and one of the safest countries in Latin America, which makes Nicaragua an "obligatory stop" to know and explore for investors from all over the world.


In 2021, GDP grew 10.3%, reaching US\$14.3 billion; total exports amounted to US\$6.8 billion; and gross Foreign Direct Investment income was US\$1.4 billion.

Sincerely,

  
Jesus Bermúdez Carvallo  
Ministro MIFIC



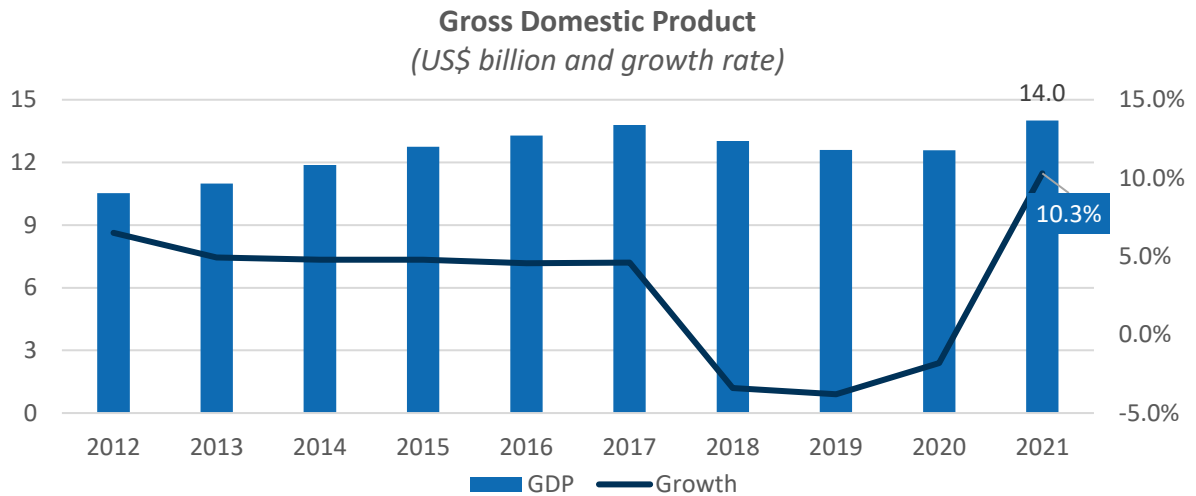
  
Jalima Gómez  
Directora Ejecutiva PRONicaragua

  
**DIRECCIÓN EJECUTIVA**

## ¿Why Nicaragua?

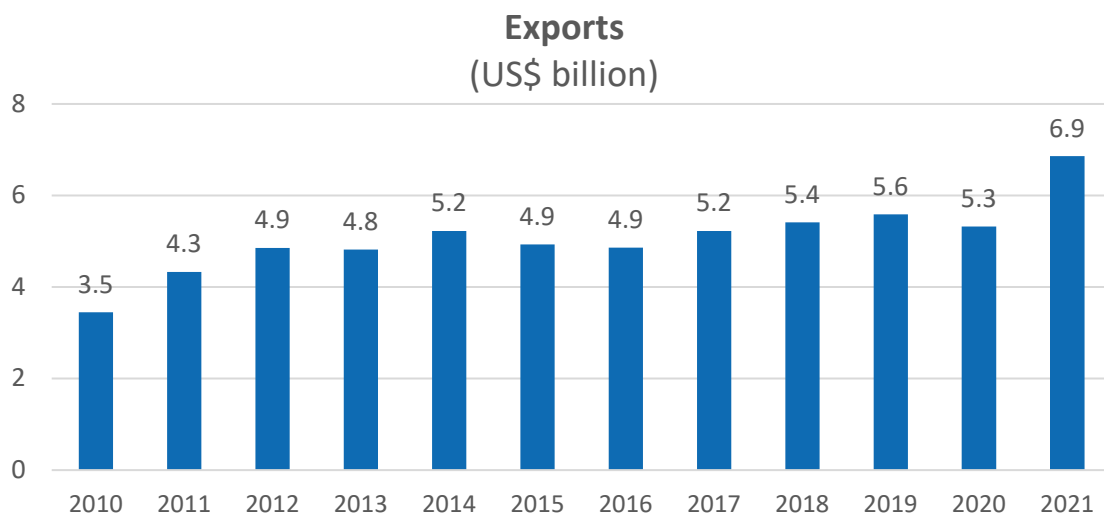
### A stable economy

During the last decade, Nicaragua has become one of the most dynamic economies in Latin America. Its Gross Domestic Product (GDP) has experienced a stable growth, with an average ratio of 3.1% in the last 10 years. In 2021, the growth rate was 10.3%, to record \$14.0 billion in GDP.



Source: BCN.

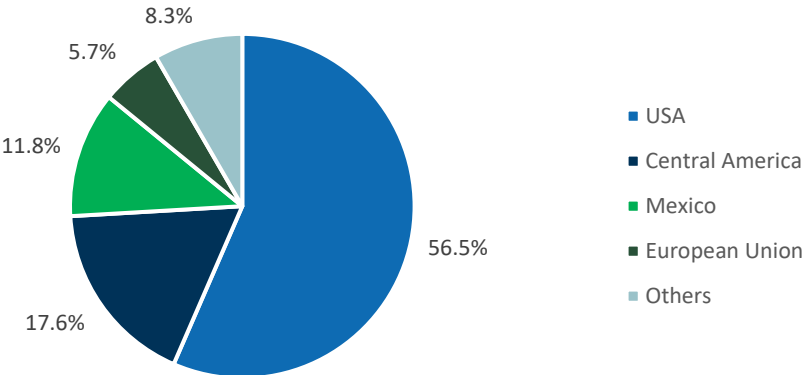
On the other hand, exports experienced an annual growth rate of 28.9% in 2021 (US\$6.9 billion). Thus, in the last 10 years exports had an average growth rate of 5.1%. One of the reasons for this positive performance is that, according to the World Bank, Nicaragua has the lowest export costs in Central America, which makes it a very attractive country for export-oriented companies.



Source: BCN.

In 2021, according to MIFIC data, the top 3 export products were garments and clothing accessories, raw gold, beef with values of US\$1.5 billion, US\$867.7 million, and US\$726.3 million, respectively. In the 4<sup>th</sup> and 5<sup>th</sup> places are automotive harnesses and coffee gold with US\$589.8 and US\$507 million, respectively.

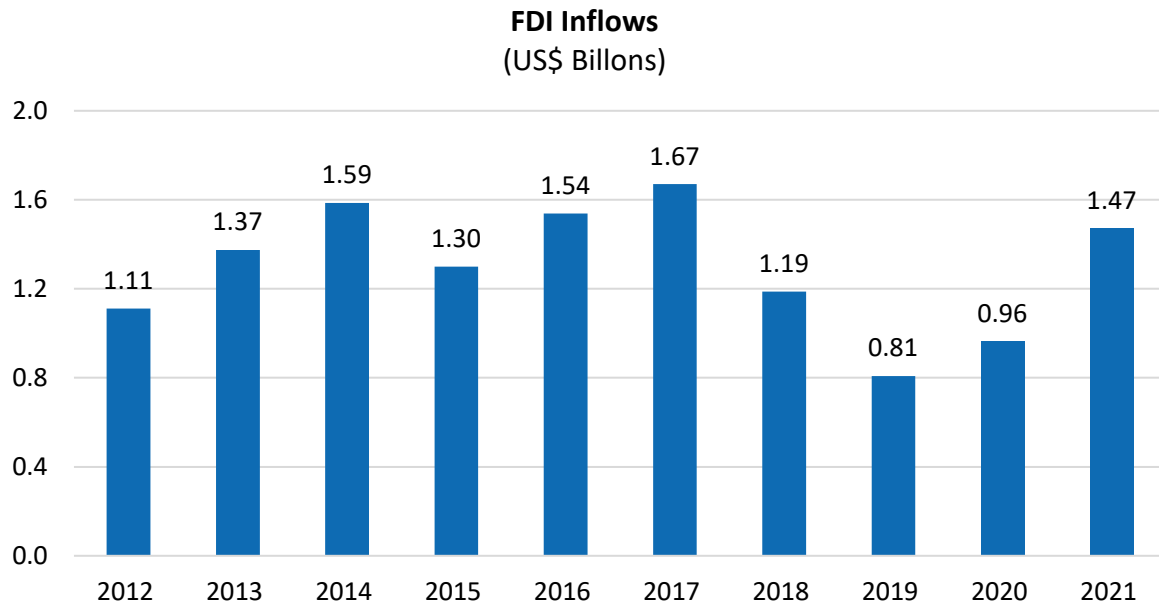
**2021 Share on total exports of Nicaragua**  
*(percentage)*



Source: MIFIC.

As for export destinations, the main ones are: United States, Central America, Mexico, the European Union, which together account for 91.7% share in 2021. However, in the rest of the countries we can register exports to China, Ecuador, Canada, Switzerland, South Korea, Dominican Republic, among many others.

Foreign Direct Investment (FDI) in Nicaragua has increased significantly in 2021, registering FDI inflows of US\$1.47 billion, an increase of 53% compared to 2020. On average in the last 10 years, FDI inflows have reached US\$1.30 billion.



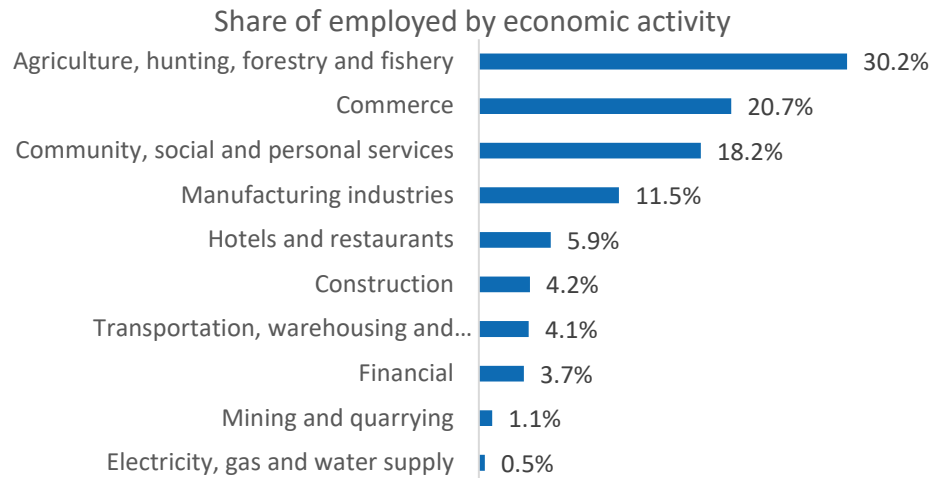
The country has also managed to diversify the origin of FDI income, with a total of 58 different countries having invested in the country, the main ones being the United States with US\$454 million (30.9% of the total), Canada with US\$201 million (13.7% of the total) and Mexico with US\$176 million (12.0% of the total).

The sectors that attracted the largest FDI inflows were: energy with US\$357 million (24.3% share), manufacturing with US\$293 million (20.0% share) and mining with US\$201 million (13.7% share).

## Young and Dynamic Talent

Nicaragua's workforce is young and dynamic, known for its flexibility and high productivity, with good work habits. In addition, Nicaraguan workers are characterized by a high capacity to learn quickly and low rates of absenteeism and turnover. All these qualities have positioned Nicaragua as one of the most competitive and productive countries in the region, especially in terms of human capital.

Thus, the population is characterized by its youth, where 74% is under 40 years of age, which constitutes a competitive advantage for the country. In addition, the estimated national population for 2021 is 6.7 million people, 51% female and 49% male.



Source: INIDE.

Likewise, according to the National Institute of Development Information (INIDE), the labor force in the country was 3.2 million people in 2020. In the same year, Nicaragua had at least 21,589 new professionals, according to PRONicaragua's University Population Study. The most representative economic activity in Nicaragua is agriculture, hunting, forestry, and fishing. However, commerce, social and community services, and manufacturing are gaining importance every day.

## A Great place to live

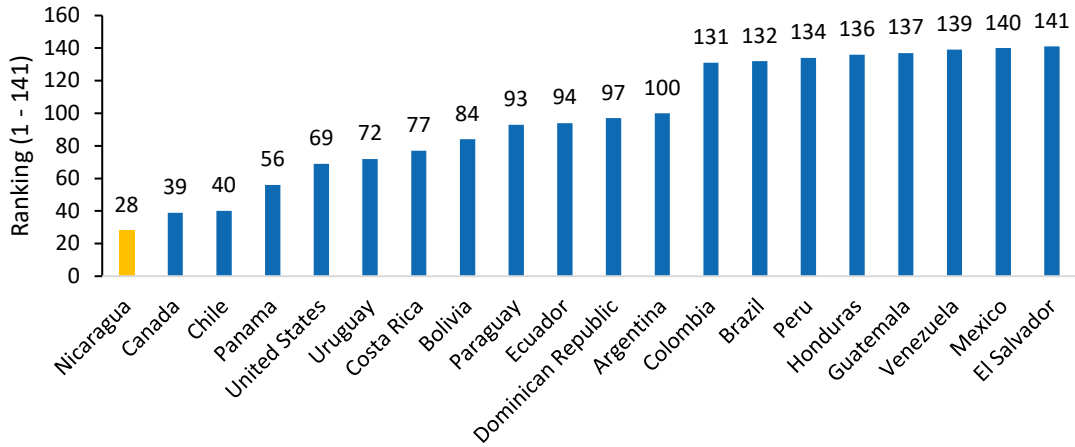
Besides being a country with great business opportunities, Nicaragua is also a pleasant place to live, an amazing country that offers a high quality of life with very affordable costs. A multicultural and multilingual country, with a vibrant culture, friendly people, tourist sites, spectacular beaches, and an incredible market for real estate investments.

Nicaragua offers a wide variety of residential houses, apartments, and condominiums, which include communication and comfort services with a variety of price ranges. In addition, there are no restrictions regarding the purchase of real estate, as the law ensures the same rights for national and foreign citizens.

According to the study conducted by the World Economic Forum on the Global Competitiveness Index 2019, Nicaragua is the safest country in the Americas in terms of business perception of organized crime.



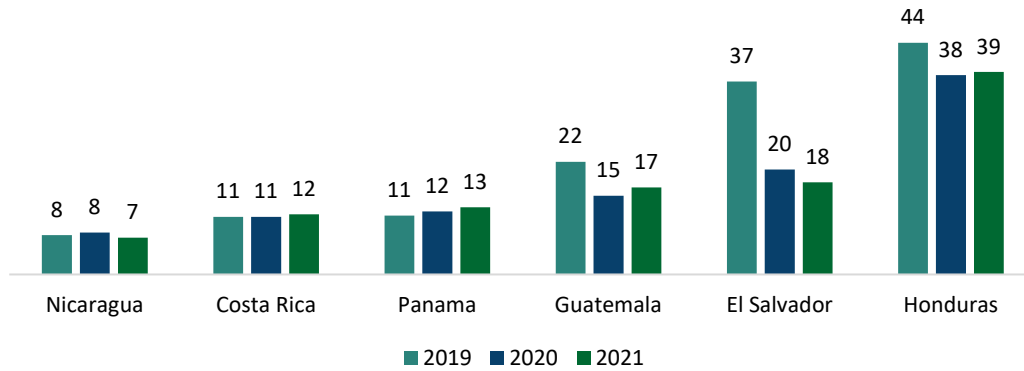
### Organized Crime as the Major Problem for Doing Business in America in 2019



Source: WEF.

Another standard international variable to measure the security of countries is the homicide rate per 100,000 inhabitants. In the case of Nicaragua, it has the lowest rate in Central America, which makes it an attractive country to live and invest in, providing high levels of security and tranquility that are internationally recognized.

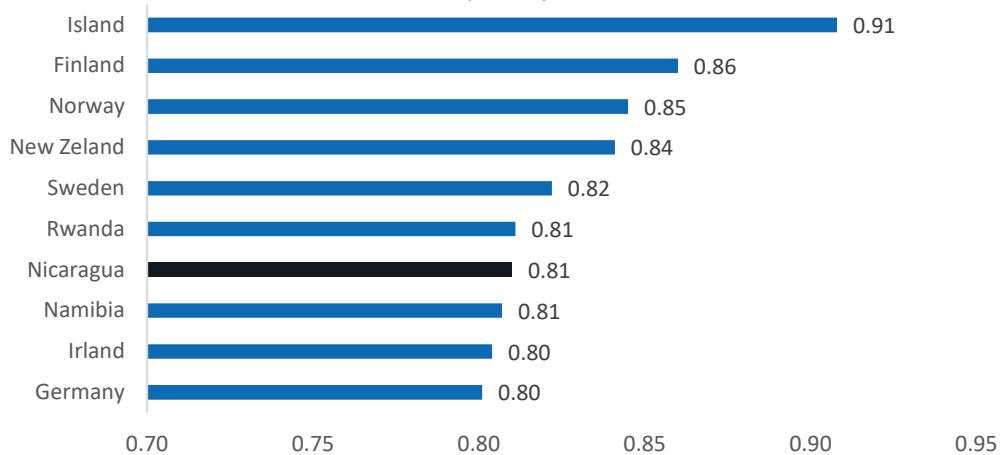
### Homicide Rate in Central America (per every 100,000 inhabitants)



Source: Police departments of each country.

Nicaragua is globally recognized as the seventh best country in the world in terms of gender equality, and the only country in the Latin American region to be included in the top 10. This represents a great achievement for our country and demonstrates our commitment to achieving a peaceful society with full human potential and sustainable development.

## Gender Gap Index 2022 (score)



Source: WEF.

### Friendly business climate

The Government of Nicaragua seeks to provide a friendly climate for the establishment of new businesses in the country, providing a series of fundamental guarantees through the Foreign Investment Promotion Law (344), bilateral agreements for the protection of investments, and the Mediation and Arbitration Law (540).

The Foreign Investment Promotion Law (344) establishes benefits such as free convertibility of the currency, freedom to repatriate capital and profits, that investment may be 100% foreign, equal treatment of foreign and domestic investors and full protection of property rights. In addition, Nicaragua's exchange rate policy establishes a fixed devaluation of the currency against the dollar.

In addition to the Foreign Investment Promotion Law (344), Nicaragua has signed up to 20 bilateral agreements for the protection of investments with several countries in North, Central and South America, as well as Europe and Asia; of the total number of bilateral agreements signed, 14 agreements are in force to date.

The country has signed several treaties for alternative dispute resolution, among them: International Centre for Settlement of Investment Disputes (ICSID), Multilateral Investment Guarantee Agency (MIGA), Overseas Private Investment Corporation (OPIC), United Nations Commission on International Trade Law (UNCITRAL) / New York Convention 1958, Inter-American Convention on Commercial Arbitration Panama.

In addition, the Mediation and Arbitration Law (540) regulates two alternative methods to the judicial process for the rapid resolution of any type of dispute arising from contractual relations.

## *PUBLIC-PRIVATE DIALOGUE*

The establishment of a public-private dialogue system in Nicaragua has been essential in developing effective measures to promote economic growth, create new jobs and reduce poverty. Officials of the government, private sector members, and union leaders meet periodically to discuss key issues affecting the business climate, such as minimum wage negotiations, which achieve tripartite agreement between the government, the private sector, and unions, as well as initiatives to improve labor conditions.

The dialogue mechanism has been recognized internationally as an example for other countries to follow and provides confidence to investors, who see a country where all parties are working together towards the same goal.

## *A PRO-INVESTMENT GOVERNMENT*

The Government of Nicaragua recognizes the positive impact of foreign direct investment. Thus, it actively and openly promotes the inflow of investment flows to develop the country. Proof of this, is the existence of PRONicaragua, the country's official investment promotion agency, which has the full support of and works hand in hand with the government. Likewise, the appointment of a Presidential Delegate for Investment to coordinate investment promotion efforts and ensure the successful development of these projects affirms the government's positive stance towards foreign direct investment.

## *INCENTIVE PROGRAM*

Nicaragua has the most aggressive tax incentives in the region, where the Government of the Republic recognizes the importance of foreign direct investment as a key element of the country's growing economy, therefore, it strives to continue making Nicaragua an important destination for investors by providing the following benefits.

### **Law for the Promotion of Foreign Investments (Law 344)**

The main legislation that considers foreign investments is the Foreign Investment Promotion Law and its bylaws, the main benefits granted by this Law are:

- Free convertibility of currency.
- Freedom to repatriate all capital and profits, dividends or earnings generated in the national territory, after payment of the corresponding taxes.
- Recognition of Copyrights, Trademarks and Patents.
- Alternative resolution of conflicts between Investor-Government.
- No minimum or maximum investment amount.
- No discrimination between foreign and national investors; furthermore, no mandatory shareholding of a national is required.
- Accelerated depreciation of capital assets.
- Access to domestic loans through local banks, according to their terms and conditions of approval.

## **Law of Incentives for the Tourism Industry of the Republic of Nicaragua (Law 306)**

Nicaragua's Tourism Incentives Law offers several fiscal incentives for investments in this sector and is considered the most generous and competitive in the region. This provides incentives and benefits for investment in lodging, food and beverages, travel agencies, tourist transportation, airlines, among others. Some of the incentives are: exemption from Income Tax (IR), Value Added Tax (VAT), tax on goods, and other important taxes and tariffs.

## **Law on Temporary Admission for Inward Processing for Export Facilitation (Law 382)**

The Temporary Admission Law is the tax system that allows both the entry of goods into the national customs territory and the local purchase of the same without the payment of all tax duties. Companies that export directly or indirectly at least 25% of their total sales and annual export value not less than US\$50,000).

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

Given the importance of the mining sector for economic development, the State guarantees fiscal stability for local and foreign investments related to mining activities and includes exemption from payment of Import Duties (DAI), Selective Consumption Tax (ISC) and Value Added Tax (VAT).

## **Fisheries and Aquaculture Law (Law 489)**

Nicaragua has a modern legal regime that provides transparency and legal certainty for investors involved in this economic activity. The Law establishes the prior suspension of the payment of taxes levied on diesel for fishing and industrial aquaculture activities, when such input is used in the capture of products destined for the domestic and export markets.

## **Pensioned and Retiree Residents Entry Promotion Law (Law 694)**

Nicaragua passed legislation to encourage retirees and pensioners to retire in the country. The Pensioned and Retired Residents Law grants benefits mostly in the form of tax incentives that allow retirees to save money by allowing the following: importing household goods, construction materials, and new vehicles with tax exemptions.

## **Tax Concertation Law (Law 822)**

The Tax Concertation Law (Ley de Concertación Tributaria, LCT) establishes several tax benefits for certain productive sectors of the economy to promote their growth and/or development. Thus, the law provides a 0% Value Added Tax (VAT) rate for exports of locally produced goods or services, and for some agricultural products. In addition, it extends until 2023, the benefits granted to the forestry sector in the Law of Conservation, Promotion and Sustainable Development of the Forestry Sector (Law 462). This includes the exemption of Municipal Taxes, Real Estate Taxes, and other tariff and tax payments.

## **Law for the Promotion of Electricity Generation with Renewable Sources (Law 532)**

This law seeks to promote the generation of electricity through renewable sources, providing these types of projects with benefits such as exemption from import duties and payment of value added tax, municipal taxes, tax stamps and any other tax that may exist for the exploitation of natural resources.

## **Export Industrial Free Trade Zone Law (Law 917)**

Nicaragua offers important tax incentives through the free trade zone regime for companies interested in establishing export-oriented operations, whether of goods or services. The incentives granted by the Law are:

- Exemption of 100% of the payment of income tax generated by its activities in the Zone during the first 10 years of operation. Exemption that may be extended for an additional period of 10 years, with prior authorization.
- Exemption from the payment of taxes on the alienation of real estate under any title, including the Capital Gains Tax.
- Exemption from payment of taxes on incorporation, transformation, merger, and reform of the company, as well as Stamp Tax.
- Exemption from all taxes and customs and excise duties related to imports, applicable to the introduction into the country of raw materials, materials, equipment, machinery, dies, parts or spare parts, samples, molds, and accessories intended to enable the company for its operations in the zone.
- Exemption of customs taxes on transportation equipment, whether cargo, passenger, or service vehicles, destined for the normal use of the company in the Zone.
- Total exemption of indirect, sales and selective consumption taxes.
- Total exemption of municipal taxes.
- Total exemption of export taxes on products manufactured in the Zone.
- Exemption from fiscal and municipal taxes on local purchases.

## **Highly Developed Infrastructure**

Nicaragua's energy sector has been developing with great dynamism in recent years with significant public and private investments at the national level. As a result, there has been an 89% increase in installed capacity from 2007 to 2021, with 1,800 megawatts (MW) of installed capacity nowadays. In this same period, renewable energy sources have doubled, which currently constitute 75% of the energy matrix.

According to the World Economic Forum, according to indicators of the Global Competitiveness Index 2021, Nicaragua is the country with the best roads in Central America and ranks sixth in all Latin America. The national road network is composed of approximately 24,781 km.

Nicaragua has 12 water ports, 6 of which are used for commercial cargo transportation. Puerto Corinto is the main port of the country and mobilizes most of the commercial cargo, both export and import.

The country also has 2 international, 3 national and 6 rural airports. The main one, Augusto C. Sandino International Airport, was classified as one of the safest in Latin America and serves as a connection to 4 direct international destinations daily.

Nicaragua's telecommunications sector is fully privatized and is considered one of the most modern in Central America. Nicaragua is connected through fiber optic networks via the Arcos, Maya and Emergia rings, which are continually upgraded and expanded to offer increasingly sophisticated broadband services. The telecommunications regulator is the Nicaraguan Institute of Telecommunications and Postal Services (TELCOR).

## **Global Connectivity**

Nicaragua is strategically located in the heart of the Americas, right in the center of Central America and just a few hours away from the main cities of the United States and South America. The country has an area of 130,373 km<sup>2</sup> divided into 3 regions, each with different climates and soil types, ideal for various crops.

Nicaragua enjoys a privileged connectivity with the main commercial destinations in the region and the rest of the world by air, land, and sea. By air, Nicaragua is only a 2-hour flight from major U.S. cities. Currently, the Augusto C. Sandino International Airport in Managua.

By land, Nicaragua has access to neighboring countries in a transit time of less than 24 hours and to Mexico in an average of 2 days. The Pan-American Highway is the most important route for land cargo transportation and is part of a complex network of highways that connects Nicaragua's main cities.

By sea, Nicaragua's main port is Corinto, located in the northwest of the country, just 155 km from Managua. Additionally, it is connected by land to the main ports of Honduras and Costa Rica, making Nicaragua an ideal distribution center for Central America. The average shipping time from Nicaragua is four days to the main ports in the southern United States and South America.

### *CURRENT TRADE AGREEMENTS*

The Ministry of Development, Industry and Trade (MIFIC) is the institution in charge of the negotiation and administration of free trade agreements signed by Nicaragua, the promotion of exports and the definition of the country's internal and external trade policy, aiming at the insertion of Nicaragua in international trade under fairer and more equitable conditions, allowing the expansion of foreign trade with new and better business opportunities.

### **Central America-United States of America - Dominican Republic Free Trade Agreement (CAFTA-DR)**

CAFTA DR has been in effect since 2006, and Nicaragua can currently import 99.3% of the tariff universe duty free. Only 0.7% of goods are in the process of tariff elimination, such as: chicken, dairy products, rice, non-alcoholic beer, beverages, and natural juices. White corn was excluded.

The United States grants Nicaragua 98.2% in free trade for agricultural and non-agricultural products. Only 1.34% of the products remain in a tax relief process, such as: cheese; powdered milk; butter;

other dairy products; ice cream; milk and fresh cream and custard. Only 0.44% are excluded from free trade, such as sugar and food products with high sugar content.

- *DOMINICAN REPUBLIC WITHIN THE FRAMEWORK OF CAFTA - DR.*

Under CAFTA-DR, 98.14% of products originating in the Dominican Republic enter Nicaragua duty-free; only 1.18% of goods are in the process of tariff reduction, such as: chicken, milk, and cream of concentrated cream or with added sugar, onions, shallots and garlic, beans, rice, wheat flour and petroleum derivatives. In exclusion are 0.68% of goods, such as: coffee; sugar; beers; ethyl alcohol; rum, alcoholic beverages; tobacco and its derivatives; among others.

The Dominican Republic grants Nicaragua 97.78% in free trade for agricultural and non-agricultural products. 1.80% of the products are still in the process of tariff reduction such as: meat and edible offal of fresh, refrigerated, and frozen poultry, powdered milk, onions, garlic, red, black, and white beans, rice, wheat flour, petroleum derivatives, among others. In exclusion is 0.42% such as: malt beer; ethyl alcohol; spirits, liquors and other spirituous beverages, tobacco, and cigarettes.

### **Central America - Mexico Free Trade Agreement**

This agreement is in force since 2012, currently Nicaragua can import duty free 99.5% of the originating products. The Agreement does not apply between Central American countries. Products excluded from tariff relief: bananas, coffee, and sugar.

Nicaragua can export under free trade 99.8% of the tariff universe of agricultural and non-agricultural products. Bananas, coffee, sugar and cocoa powder with added sugar or other sweeteners are excluded.

### **Agreement establishing an Association between Central America, of the one part, and the European Union and its Member States, of the other part (AACUE)**

Entered into force between Nicaragua and the European Union in 2013. Applies from region to region and does not apply between Central American countries. In the tenth year of the Agreement Nicaragua grants 90% of tariff lines in free trade, 5% in the process of dismantling and 5% in exclusion for sensitive products such as: rice, chicken, sugar, beef, dairy, pork, some vegetables, among others.

The European Union excluded from preferential treatment meats, dairy products, cereals, flours, sugar, rum, fruit juice and concentrates, cassava starch, which represents 0.5% of the tariff universe.

### **Agreement establishing an Association between the United Kingdom of Great Britain and Northern Ireland and Central America**

It is in force since 2021, it applies between the United Kingdom and the Republics of the Central American Party, it does not apply between Central American countries, there are regional commitments established in the Agreement between Central America and the United Kingdom. The purpose of this Agreement is to continue applying the tariff preferences established in the AACUE once the United Kingdom ceased to be a member state of the European Union.

Nicaragua grants 90% of tariff lines in free trade, 5% in the process of tariff reduction and 5% in exclusion for sensitive products such as: rice, chicken, sugar, beef, dairy products, pork, some vegetables, among others.

The United Kingdom excluded from preferential treatment meats, dairy products, cereals, flours, sugar, rum, fruit juice and concentrates, cassava starch, which represents 0.5% of the tariff universe.

### **Central America-Panama Free Trade Agreement and Bilateral Protocol between Nicaragua and Panama**

On March 6<sup>th</sup>, 2002, the Central America-Panama Free Trade Agreement was signed, and on January 15, 2009, the Bilateral Protocol between Nicaragua and Panama to the Central America-Panama Free Trade Agreement was signed and entered into force on November 21, 2009.

On June 29<sup>th</sup>, 2012, the Protocol of Incorporation of the Republic of Panama to the Economic Integration Subsystem of the Central American Integration System was subscribed. The article 11 of the Protocol establishes its relation with the Free Trade Agreement between Central America and Panama and its Bilateral Protocols, indicating that, as of the entry into force thereof, the economic and trade relations between Panama and the countries of Central America shall be governed by the rules and legal instruments of the Central American Economic Integration Subsystem. However, all those issues that are not regulated in the Central American Economic Integration Subsystem and that are included in the scope of application of the FTA, the provisions of said Treaty and its Bilateral Protocols will be applied. The products that had already reached free trade in the Treaty, became part of the products under free trade in the region; and the products in relief and excluded became part of Annex A of the General Treaty of Central American Economic Integration in bilateral relations between the two countries.

### **Free Trade Agreement between Central America and the Republic of Korea**

Entered into force in 2019 between Nicaragua and Korea. Nicaragua grants Korea in the third year of effect, 51% of tariff lines are in free trade, 44% in the process of tariff reduction and 5% in exclusion such as beef, pork, chicken, dairy products, vegetables, coffee, flour, rice, oils, sausages, sugar, cocoa, bakery products, beer, cigarettes, among others.

Korea grants Nicaragua free trade for 81.4% of the tariff universe. This percentage includes products such as: avocados, coffee, palm oil, cane sugar, cocoa, rum, sugar industry waste, textiles, clothing, rattan, and bamboo furniture.

### **Central America - Chile Free Trade Agreement and the Nicaragua - Chile Bilateral Protocol.**

The FTA has been in force since 2012, between Nicaragua and Chile, it is of bilateral application, currently 96% of products originating in Chile can be imported duty free; 2.38% of goods are in the process of tariff reduction over 15 years, reaching free trade in 2026. 1.4% of the tariff universe is excluded, such as beef loins and fillets, chicken (wings and breasts), hams, among others.



99.6% of Nicaraguan products destined for Chile can be exported under free trade, except for hides and skins, glucose and glucose syrup, wheat flour, tires, garments, which represent 0.4% of the tariff universe.

### **Central America - Dominican Republic Free Trade Agreement**

This treaty has been in force since 2002. Currently, 93.06% of originating merchandise can be imported duty free. Only 6.94% of goods are excluded from tariff relief, such as: chicken, powdered milk, onions, shallots and garlic, coffee, rice, wheat flour, edible oils, fats and margarines, sugar, malt beer, ethyl alcohol, alcoholic beverages, tobacco and its derivatives, petroleum oils, textile clothing, sanitary tampons, and diapers, among others. Some products excluded from the relief lists in the bilateral FTA, are now being removed under CAFTA-DR.

92% of the products can be exported to the Dominican Republic under free trade. Only 8% of products are excluded from tariff relief, such as: chicken, powdered milk, onions, shallots and garlic, coffee, rice, wheat flour, edible oils, fats and margarines, sugar, malt beer, ethyl alcohol, wine spirits, whiskey, rum, vodka, tequila, liquor, tobacco, cigarettes and tobacco stings, petroleum oils, cotton fabrics, clothing and clothing accessories, other textile articles and compresses and hygienic tampons and diapers, among others.

### **Nicaragua - Ecuador Partial Scope Agreement**

The PTA entered into force in 2017. The Agreement establishes tariff preferences through positive lists for trade exchange, Annexes 1 and 2 of said Agreement, contemplate the lists of products that will enjoy immediate free trade. Products not included must pay the Most Favored Nation (MFN) tariff in each country at the time of importation.

### **Nicaragua - Cuba Partial Scope Agreement**

The PTA entered into force in 2014. Unlike other treaties, this Agreement establishes negative lists for trade, the tariff universe enjoys free trade, except for the contents of Annex 1, which contains the exceptions to free trade, and Annex 2, which contains reciprocal partial preferences. Nicaragua excluded sensitive products such as: pork, chicken, dairy products, fish and fillets, vegetables, honey, peanuts, oils, sugar, sausages, among others.

Nicaragua can export to Cuba with 100% preferences products such as beef, pork, poultry, fish, shrimp, dairy products, honey, bananas and plantains, coffee, beans, cassava starch, peanuts, oils, cane sugar, cocoa, beer, rum, leather, saddlery, wood and wood products, textiles, and footwear. Cuba excluded 1.6% of the tariff universe, including eggs, spices, glucose, cane molasses and bread.

### **Nicaragua - Colombia Partial Scope Agreement**

The Partial Scope Agreement (PSA) entered into force in 1984. This Agreement establishes unilateral tariff preferences granted by Colombia for the benefit of Nicaragua, for a reduced list of products to which partial and total preferences are applied, such as: garlic, ginger, sorghum, peanuts, tomato concentrate, raw tobacco, chlorine, chemical products, insecticides, wood, copper nails, electric accumulators, among others.

## Nicaragua - Venezuela Partial Scope Agreement

The PTA entered into force in 1986, and subsequently the first amending Protocol was signed and entered into force in 1992. The Agreement establishes tariff preferences granted only by the Republic of Venezuela to the Republic of Nicaragua. Annex I contains the list of products that enter free of duty to be imported into Venezuela, such as live bovine animals, bovine meat, honey, crustaceans, cuttings, flowers and buds, chayote, pumpkin, potatoes, yucca, spices, okra, ginger, turmeric, oats, jicaro seed, soybean oil, animal fats, annatto, sausages, canned sardines, sugar, canned sardines, sugar canned sardines, sugar, soybean oil, soybean oil, animal fats, annatto, sausages, canned sardines, raw sugar, molasses, powdered milk preparations, canned vegetables, peanut butter, cashew nuts, fruit juices and mixtures, soluble coffee, beer, rum, medicines, insecticides, costume jewelry, household articles, aluminum bars and profiles, aluminum wire, aluminum agricultural tools, among others. It also granted partial preferences to products of our exportable supply such as: black beans, soybeans, tobacco, wood, clothing, among others.

Trade Agreements under Negotiation by Nicaragua	
• Free Trade Agreement	NICARAGUA – PERU
• Market Opening Negotiation	NICARAGUA – PARAGUAY
• Early Harvest Agreement	NICARAGUA – CHINA

SOURCE: MIFIC.

**Generalized System of Preferences (GSP)** through which countries grant preferential treatment for certain products and significant tariff reductions to beneficiary countries.

Generalized System of Preferences (GSP) in Nicaragua's benefit	
Preference-granting country	Entry into force
• Australia	january 1st 1974
• Belarus	january 1st 2010
• Canada	july 1st 1974
• Russia Federation	october 10th 2016
• Japan	august 1st 1971
• Norway	october 1st 1971
• New Zealand	january 1st 1972
• Switzerland	march 1st 1972

Source: MIFIC.

<b>Trade Agreement</b>	<b>2021 most exported goods</b>	<b>Goods with export potential <sup>1</sup></b>
<b>Central America</b>	<b>USD 1.1 billion in total</b> Beef, garments and clothing accessories, cheeses, red beans, cotton yarn, fuel oils, water, including mineral and aerated water, uncooked peanuts, cattle, and milk powder.	Garments, beef, shrimp, rum, palm oil, cheese, bananas, footwear, whole fish, cocoa beans, sesame seeds, gold, vegetables, jams, dyes, fish fillet, natural honey, peanuts, and starch.
<b>Dominican Republic</b>	<b>USD 20.9 million in total</b> Raw tobacco, beef, coffee, medicines for human use, alcohol, peanuts, tobacco cigars, masks, hats, etc.	Cheese, beef, jewelry, beans, footwear, footwear, raw tobacco, pants, washers, cotton shirts, soft drinks, fish fillet, milk, sawn lumber, peanuts, frozen fish, and shrimp.
<b>United States</b>	<b>USD 3.6 billion in total</b> Garments and clothing accessories, gold, beef, tobacco cigars, gold coffee, automotive harnesses, cane sugar, lobsters, jewelry and cheeses.	Beef, cheese, tobacco cigars, coffee extracts and essences, rum, lobster, oranges, bananas, sesame seeds, peanuts, alcohol, and molasses.
<b>Chile</b>	<b>USD 3.8 million in total</b> Cane sugar, paper waste, footwear, rum, coffee, garments, dyes, live plants.	Coffee, rum, cane sugar, women's cotton shirts and blouses, men's shirts, peanuts, shrimp, cheese, beef, bananas, and tobacco.
<b>Mexico</b>	<b>USD 768.6 million in total</b> Electric cables and conductors, beef, palm oil, shrimp, edible offal of bovine animals, peanuts, coffee, garments, cotton fabrics, starch and starch.	Electric cables and conductors, palm oil, beef, shrimp, men's shirts, women's shirts, pants, bovine hides and skins, and coffee.
<b>Europe Union</b>	<b>USD 373.0 million in total</b> Gold coffee, shrimp, peanuts, bananas, raw vegetable oil, tobacco cigars, lobsters, cane sugar, garments, and cocoa beans.	Shrimp, bananas, plantains, peanuts, aquatic invertebrates, vegetable oil, cocoa beans, fish fillet, natural honey, soft drinks, cashew nuts, melons and pineapples.
<b>Cuba</b>	<b>USD 7.6 millones en total;</b> Red beans, vaccines for human medicine, gold coffee, oils, rice and beers	Beans, coffee, PVC products, beers, rice, chicken, and dairy products.
<b>Ecuador</b>	<b>USD 33.9 millones en total;</b> Whole fish, metal waste, sugar, starch, rum, coffee, medicines for human use, coloring agents, etc.	Tuna and other frozen fish, colorants, starch, rum, palm oil, footwear, and tobacco cigars.
<b>Republic of Korea</b>	<b>USD 25.4 million in total;</b> Sugar cane, coffee gold, copper scrap, garments and clothing accessories, copper bars and profiles, aluminum	Cane sugar, gold coffee, copper scrap, aluminum scrap, iron scrap, pants, cotton T-shirts, men's and boys' shirts.

<sup>1</sup> Are goods with revealed comparative advantages in those markets (measured by the Revealed Comparative Advantage Index (RCAI), see ECLAC methodology) and; comply with the International Trade Center (ITC-Trademap) methodology of potential trade.

Trade Agreement	2021 most exported goods	Goods with export potential <sup>1</sup>
	scrap, waste and scrap batteries, cigars and cigarillos, tobacco cigars and cigarillos.	
<b>United Kingdom</b>	<b>USD 56.8 million in total;</b> Peanuts, shrimp, coffee, cane sugar, cane molasses, bananas, tobacco cigars, sesame seeds, garments, lobsters, rum, etc.	Cables and other electric conductors, cotton T-shirts, T-shirts of synthetic materials, men's shirts, pants, sweaters, beans, rum, beef and veal, honey, and palm oil.

Source: MIFIC

## CENTRAL AMERICAN ECONOMIC INTEGRATION

In addition to the Trade Agreements signed, Nicaragua is part of the Central American Economic Integration Subsystem, with the objective of promoting the elimination of technical obstacles to free trade, the free circulation of originating products, the strengthening and promotion of national and foreign investment, to take advantage of the benefits and opportunities offered by the homologation of regional instruments, thus achieving greater fluidity in trade exchange.

In the commercial exchange in Central America, the Free Trade regime has been established for all products originating in their respective territories, applying a zero tariff in the exchange of originating goods, except for the goods that appear in Annex "A" of the General Treaty of Central American Integration.

In addition, the Border Integration Program (PIF), financed with funds from the Inter-American Development Bank (IDB) and executed by the Nicaraguan Ministry of Finance and Public Credit, has been implemented. The objective of the program is to strengthen the competitiveness of foreign trade by modernizing infrastructure, equipment, and computer systems at the Peña Blanca, Guasaule, and San Pancho Border Control Posts to ensure efficient and effective coordination of controls by the competent institutions in an environment of Coordinated Border Management.

Likewise, important efforts have been made to facilitate export procedures through the Single Export Form (FUE), DUCA-F, and the Single Export Form (FUSE), from the Export Procedures System (SITRADE), in addition to the online or on-site management of services for the certification of origin of goods for companies in free trade zones. In addition, the electronic payment modality has been implemented for exporting companies that carry out procedures before the Export Processing Center (CETREX), which has contributed to reducing time and streamlining procedures.

Among other aspects, the process of import and export procedures for international cargo and ship service has been strengthened through the strengthening of the Single Trade Window for procedures in Port Corinto and Port Arlen Siú. In addition, the procedures for the import and export of goods have been developed and published. As part of the technological renovation, a mobile application is being implemented for container management at Port Corinto, in order to order according to the stowage and dispatch operations for import and export. The FAL65 system is being implemented for shipping companies to send cargo manifests, which has reduced times by 25%.

Central America has harmonized technical criteria for products traded in the region, as well as sanitary registration requirements for food, medicines, cosmetics, veterinary medicines, domestic pesticides, fertilizers, and amendments for agricultural use, among others, in order to minimize the cost and time required by companies to complete these procedures. Likewise, procedures have been harmonized to simplify the application of sanitary and phytosanitary measures in order to facilitate trade in shipments and merchandise<sup>2</sup>, information can be found at <http://www.sistemas.sieca.int/PortalDocumentacion/>

Currently, Central America has technological platforms aimed at facilitating procedures, such as online services, consultation links, Central American single declaration procedures, among others, which can be found at the following link: <https://www.sieca.int/index.php/plataformas-electronicas/>

Central America has oriented its trade policy towards the search for new international markets, the consolidation of traditional markets and diversification of the exportable supply to improve the business climate for the business sector to promote greater predictability, security and competitiveness, fostering economic growth and seeking to minimize time and costs for local and international investors.

## Key Industries

### *AGRIBUSINESS*

Nicaragua is recognized for its tropical climate and fertile land ideal for agricultural and forestry use. The combination of fertile land available at competitive prices, coupled with a favorable climate and abundant water resources, provide the optimal setting for the establishment of agricultural production operations.

Being the sector with the longest trajectory, the agribusiness has achieved: the commercialization of coffee in more than 50 markets worldwide, being the main exporter of cigars in Central America, the largest producer of cattle and beef in Central America, recognition as a producer of fine and aromatic cocoa by the International Cocoa Organization (ICCO) and being the fourth largest exporter of crustaceans in Latin America (#1 in Central America).

As of 2021, the sector represented 15.6% of GDP, 52% of total exports, 30% of national employment, and more than US\$128 million invested. It also has 30 companies operating under the Free Trade Zone Regime. Among the main exports are coffee, beef, dairy products, peanuts, shrimp, cattle, lobster, beans, sugar, cigarettes, and tobacco.

### Agroexportable production

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<sup>2</sup> According to IFRS 12, shipments refer to the quantity of plants, plant products and quantity of plants, plant products and/or other items that are moved from one country to another, and that are covered, if necessary, by a single phytosanitary certificate (the shipment may consist of one or more commodities or lots). Commodities, on the other hand, refers to live animals, animal products and by-products, animal genetic material, biological products, animal feedstuffs and pathological material.

With an agro-export model, Nicaragua offers a wide variety of products in international markets such as the United States, Central America, Mexico and others. In addition, Nicaraguan products such as cocoa, coffee, rum, bananas and sugar have been internationally recognized for their high quality.

### Livestock and dairy and meat production

Nicaragua has the largest cattle herd in Central America, with a compound annual growth of 2.5% in meat exports and 3.9% annual growth in milk collection in the last 4 years. Nicaragua continues to be the leading producer of cattle and by-products in the Central American region. In addition, it has a grass-fed livestock industry, which makes its production costs highly competitive in Central America. As a result, important Mexican companies such as Grupo LALA and SuKarne have successfully established themselves with high growth expectations.

### Food processing

Nicaragua produces a wide variety of raw materials that could be processed locally. Among the products with the greatest potential are beef, fruits, vegetables, cocoa, coffee, sugar, corn, seafood, beans, bananas, among others. Currently, cookies, snacks, instant coffee, carbonated beverages, beer, and rum are being processed.

Other opportunities with great development potential in Nicaragua are corn-based products, cereals, baked goods, fried foods, candies, jellies, and jams, preserves, dehydrated fruits, sauces, pickles, and condiments.

### Forestry plantations

Nicaragua currently has more than 3.9 million hectares of land suitable for commercial forestry plantations, such as teak and mahogany, and non-timber forest species, such as rubber, cacao, among others. To date, more than 70,000 hectares of timber plantations have been established. Investments in this sector have totaled more than US\$150 million in the last seven years, and established companies have demonstrated their interest in continuing to invest, considering the reforms made to the incentives of Law 462.

The private sector plans to reach a critical mass of 120,000 hectares, so there are ample investment opportunities in the sector and the government's support for this type of initiative is evident.



### LIGHT MANUFACTURING

Light manufacturing is a stable industry, which is based on talent and trust among investors, workers, and government. Thus, it is an important economic engine and one of the most dynamic sectors of

Nicaragua's economy. Manufacturing goods have been diversifying their processes, increasing their sophistication to offer investment options with higher added value.

With this positive performance we have achieved to be the largest exporter of automotive harnesses in Central America, to be supplier of brands such as FORD, GMC, BMW, VOLKSWAGEN, CHRYSLER, to be the largest exporter of knitted fabrics in Central America (cotton), to have more than 1,000,000 m<sup>2</sup> of industrial space used by companies under the Free Trade Zone Regime and to have 45% of Nicaragua's exports by 2021.

Thus, in 2021 the sector contributed 16.1% to the GDP, and exported 35% of the country's total, with more than US\$293 million invested, with 79 companies operating under the Free Trade Zone Regime and 87 thousand jobs in the regime. Its main export products are shirts, pants, medical equipment, fabrics, harnesses, and plastic bags.

## Textile

The textile industry in Nicaragua has grown to include different types of operations. Thus, the country offers a wide variety of investment opportunities related to the manufacture of garments and, whether knitted or not, the manufacture of yarns and fabrics. This sector has developed greatly in the country to the point of becoming one of the main suppliers of garments in the U.S. market. Among the companies that have investments in the country are Gildan and Bellas Canvas.

## Automotive parts

Nicaragua's light manufacturing industry has grown to include higher value-added operations, such as the manufacture of automotive parts. The country offers a wide variety of investment opportunities related to the manufacture of automotive parts in Nicaragua, such as carpets, seat covers, interiors, among others. Two of the world's largest automotive harness manufacturers, Yazaki of Japan and Dräxlmaier of Germany, have successful operations in Nicaragua.

## Medical Devices

The light manufacturing industry has evolved to include medical device manufacturing operations. The production of medical devices shows a continuous growth in our country, evidenced by the expansion of manufacturing companies such as Command Medical and Medisut, which specialize in the production of needles, catheters, cannulas and general surgical devices.

The magnitude of the market for disposable surgical products and articles, such as those explained under tariff code 90.18, shows that Nicaragua has a consistent production capacity due to its competitive labor force and its ability to access the most important markets in the world.

## Other light manufacturing processes

Nicaragua has become an attractive destination for a host of other manufacturing operations ranging from furniture manufacturing to home appliance assembly.





## OUTSOURCING OF SERVICES

Nicaragua is home to more than 45 companies in the Services Outsourcing sector, which export increasingly specialized services to destinations such as the United States, Canada, and Europe. Among the main reasons why the country has gained so much momentum in this sector is its proximity to North and South American markets, its competitive cost structure and the quality of its human talent.

In this way the industry has been able to provide real-time services to the United States, provide more than 80% of the services in English, increase the number of destinations (among the main ones are the United States, Costa Rica, Germany, Mexico, Holland, Canada, Argentina, Australia and the United Kingdom), have competitive and stable salaries, the basic salary in the outsourcing industry has remained at US\$550 for the last three years, and increase in the complexity process (finance, accounting, digital marketing and Shared Services Centers).

As of 2021, the sector's exports represented 2.0% of GDP, with more than US\$278 million exported, US\$98 million invested, and 33 companies operating under the free trade zone regime, which generate more than 13,870 jobs. The main services provided are customer service, chat service, back office service, web page design, web application development, mobile application development, recruitment, accounting, medical billing, digital marketing, IT consulting, collections, software development, and technical support.

### Knowledge Process Outsourcing (KPO)

Nicaragua's KPO industry has grown and diversified rapidly in recent years, offering high value-added services such as patent research and development, digital marketing, recruitment processes, payroll administration, financial services, among others.

### Shared Service Centers (SSC)

Companies must continually face the challenge of reducing costs, improving efficiency and service levels. This is why a large number of them resort to setting up a Shared Service Center (SSC), which is an operating model where one entity of the company consolidates and standardizes a diverse set of systems, processes and functions to serve different business units within the same company.

Nicaragua presents a great opportunity as a destination for Shared Service Center operations for groups that have increased their presence in the region. From this operation, various services such as human resources, finance, purchasing and procurement, among others, can be consolidated.

### Business Process Outsourcing (BPO)

The BPO industry has put Nicaragua on the map as one of the most attractive platforms for nearshoring. It represents an important source of formal employment for Nicaraguan talent. Currently, there are more than 22 BPO companies exporting services in both English and Spanish. The services



most exported by companies with a presence in Nicaragua are customer service, chat service, back-office service, technical support and collections.



## Investment Guide

As one of the countries with the fewest steps to start a business in Central America, setting up in Nicaragua is fast and efficient. Whether you are part of a corporation or an individual investor, here are some key processes you should be aware of when starting your investment process in the country.

### *COMPANY REGISTRATION*

Nicaragua has one of the fastest processes, with fewer steps, to open a new business in the Central American region. Since 2014, key reforms have been implemented to streamline processes and reduce the number of days needed to create a company.

The steps to open a new business in Nicaragua are as follows:

1. To prepare the incorporation of the company or corporation (before a Notary Public).
2. Purchase accounting and corporate books
3. Perform the Mercantile Registry at the One-Stop Investment Window (Ventanilla Única de Inversiones, VUI) if the company is established in Managua.
4. Obtain the Single Registration Document (DUR)
5. It is recommended to contact a legal advisor before starting the process. Accounting books are available in all bookstores in the country.

### *PROPERTY PURCHASE*

Foreigners in Nicaragua are guaranteed 100% ownership with equal rights under the law. The Political Constitution of the Republic of Nicaragua and the Foreign Investment Law (344) recognize the rights of foreign investors to own property and establish businesses as they wish in the country. Before purchasing a property, a registry history must be requested to verify who has owned the property in the last 30 years.

To legalize and register a property, it is necessary to follow these four steps:

1. Notary Public: The parties involved must voluntarily appear before the Notary Public in order to conclude any type of contract in which property rights over real estate are transferred.

2. Municipal authorities: Once the buyer has the corresponding public deed, he/she must appear before the Physical Cadastre Office.
3. General Direction of Revenues and Ministry of Finance: This can be done simultaneously with the procedures required by the municipal authorities, since it implies the payment of the IBI, which represents 1% of the value of the property, taking as reference the value determined by the appraisal made to the property by the Cadastre Office.
4. Property registration: Depending on the history of ownership of the property and, if necessary, the owner must also present the "Certification of No Objection" granted by the Attorney General's Office of the Republic, which certifies that the State does not object to the transfer of the property. This document is a requirement to register the property in the name of the buyer, for those properties that were affected by agrarian reform.

## Employment and social security

Nicaragua is the most competitive platform for labor-intensive operations, but all employees must also be duly registered with the National Social Security Institute (INSS) within three days of commencing employment.

### *WORKING HOURS*

There are different types of working hours in the country. The main one is the regular effective daytime workday, which is between six in the morning and eight at night. A regular day shift comprises 8 working hours per day, for a 48-hour work week. Additional work must be compensated as overtime.

The second is the night shift, which is performed between 8:00 p.m. and 6:00 a.m. the following day and is considered a night shift. A regular night shift consists of 7 working hours per day for a 42-hour workweek. Additional work must be compensated as overtime.

And finally the day-night shift: A combined shift is 7.5 hours per day, for a 45-hour week. Additional work must be compensated as overtime.

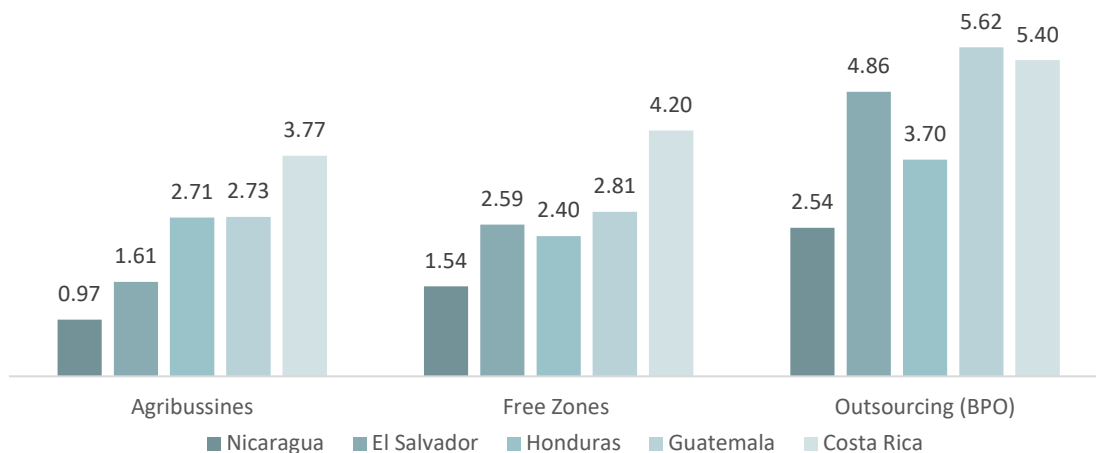
In addition, there is a formal concept of overtime, which establishes that work outside regular working hours must always be considered overtime. According to the National Labor Code, overtime must be paid at double the amount stipulated for regular working hours. A maximum of 3 hours of overtime may be worked, not to exceed a total of 9 hours per week.

### *WAGES AND SOCIAL SECURITY*

Nicaragua has the most competitive minimum wage in the region. Wages in the different economic sectors range from US\$0.91 to US\$2.06 per hour. Fringe benefits represent an additional 52% of the minimum wage; this includes social security, employer-paid contributions to the National Technological Institute (INATEC), vacation pay, and Christmas bonuses, among others.

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

**Comparison of minimum wages including benefits to 2022 by selected sectors  
by selected sectors**  
(US\$ by hour)



Source: Ministries of Labor.  
Note: BPO is average wage.

## How can we help you?

### PRONICARAGUA

PRONicaragua is the Official Investment Promotion Agency of the Government of Nicaragua, in operation as an economic development program since 2002. As of October 2015, this was created by law by the National Assembly as a decentralized entity of the State, under the sectoral stewardship of the Presidency of the Republic and with a public-private board of directors.

The agency's mission is to position Nicaragua as an attractive destination for private investment and to facilitate the establishment and growth of companies in the country. In addition, its vision is to be the benchmark for investment in Nicaragua through the implementation of best practices, innovation, and coordination with key actors.

Over the years, PRONicaragua has become a key player in the implementation of a national strategy aimed at reducing poverty and contributing to Nicaragua's sustainable development. The agency, therefore, represents an agent of social change by promoting Nicaragua as a safe and strategic investment destination. In addition, thanks to its high-quality standards and implementation of international best practices, PRONicaragua has been recognized by several prestigious expert institutions in the field of investment promotion.

The agency provides free and confidential support to qualified investors and companies wishing to explore business opportunities or expand their operations in Nicaragua. Thus, it provides support in the evaluation and decision-making process through the preparation of customized packages with updated and reliable information about the country, analysis of comparative models of operating costs and specialized accompaniment in visits to the country to hold meetings with key players.

In the process of establishing a company, the agency provides guidance and assistance in the permitting process and governmental administrative procedures, as well as support in the recruitment of human talent and the search for real estate solutions, in addition to facilitating contacts with suppliers of related goods and services.

On the other hand, in the retention and expansion of companies, the agency assists with service requests due to obstacles experienced during their operation, provides advice on investment opportunities to expand, diversify and add value to the local operations of the companies, and helps them to approach established companies, trade associations and academia for the development of initiatives that strengthen the value chains of the business ecosystem.

## *MINISTRY OF DEVELOPMENT, INDUSTRY AND TRADE (MIFIC)- GOVERNMENT OF NICARAGUA*

### **Mission**

To formulate and execute strategies, policies, programs, projects, and regulations that promote and stimulate national and international production and trade; stimulate the articulation and transformation of production and trade chains; the development of the industrialization process and the promotion of exports, contributing to the economic and social development of the country.

### **Vision**

Institution that promotes the transformation of the productive and commercial system, accelerating the industrialization process, establishing standards to improve the quality of products, stimulating efficiency, competitiveness, and greater participation in the national and international market.

MIFIC is composed of the following Directorates that interact with foreign investment:

**General Direction of Foreign Trade:** Negotiate and manage treaties, agreements, accords, regulations and commercial resolutions in order to promote and facilitate access to markets at the international and multilateral level, as well as in the framework of economic integration, prepare reports and studies related to its work, participate in intra and inter-institutional committees and ensure the development of all activities in the area, in accordance with the current legal framework and the procedures established in international instruments or international conventions. Likewise, it is also responsible for the procedures of Dispute Settlement that arise in the commercial exchange, as well as providing information and preparing reports in accordance with the commitments acquired by Nicaragua before the International Organizations.

**General Direction for the Promotion of Exports:** Proposes and executes Strategies for the Development, Promotion and Facilitation of Nicaraguan Exports, in coordination with the productive sectors and public entities related to Foreign Trade operations. This Direction acts as Technical

Secretary of the National Commission for Export Promotion (CNPE), which is the highest policy and administration body of the Temporary Admission for Inward Processing regime, established in Law No. 382; administers the prior suspension of payment of taxes levied on diesel for the Fishing and Aquaculture Sector Law No. 489; and is responsible for the formulation of proposals for the promotion and facilitation of exports.

**General Direction of Industry and Business Development:** Strengthen the Model of Alliance, Dialogue and Consensus with the business sector to increase its productivity and competitiveness to contribute to economic development and a better quality of life for the country.

Develops policies, programs, and projects to promote associativity, productive chaining, value addition, creation of competitive advantages that allow sustainable and inclusive industrialization in different sectors of the national economy; promotes the use of information technology to increase productivity, quality, and diversification of products. Develops a strategy to simplify procedures for national and foreign entrepreneurs in the formalization of companies for investment. Promote sectoral articulation and joint actions with the National Sectoral Commissions of the branches, Statistical information on MSMEs in the Single MSME Registry (RUM). Fiscal incentives granted to industry and manufacturing MSMEs to promote their development.

**General Direction of Domestic Trade:** To achieve a strengthened Domestic Trade structure that brings producers and consumers closer together, establishing strategic alliances with the members of the production and trade chains, to contribute to the organization of the domestic market and its efficiency, as well as a supply of quality products in compliance with standards and regulations, ensuring the supply to the population for the benefit of all Nicaraguans.

**Investment Direction:** Formulates and elaborates policies and strategies for the promotion of national and foreign investments, develops studies and researches to identify sectorial and territorial development axes, manages the application of the current legislation on foreign investments, generates divulgation instruments for national and foreign investors, participates in international negotiations with States, related to investments, promotes investment development in coordination with government agencies that serve the foreign service based in the country and our diplomatic staff based abroad, provide technical assistance to the Directorates, Ministries and Counterpart Institutions and private sector, on the subject of investment, among others.

**General Direction of the Intellectual Property Registry:** To manage the use, protection, exploitation, and respect of the intellectual property system in our country.

**General Direction for the Protection of the Rights of Consumers and Users (DIPRODEC):** Promote the legal framework and implement Policies for the Protection of the rights of consumers and users; promote a culture of responsible and sustainable consumption in the country; foster greater equity, certainty and legal security, serve as conciliator in conflicts that may arise between consumers and suppliers to attempt an amicable solution; apply best practices in law in consumer relations with suppliers of goods and services, achieve supply and price stability of products in trade; implementation of training and education plans and programs on an ongoing basis in the field of Consumer Rights.