

Discovering Nicaragua : Heading towards Occidente !

1) Nicaragua General Information

Nicaragua is the largest country in Central America covering an area of approximately 130,000 square kilometers. Strategically located in the heart of Central America, Nicaragua borders Honduras to the North , Costa Rica to the South, and has coasts in both the Atlantic and the Pacific Oceans.

Its privileged position, only 2 hours by flight and three days by ship to the United States, gives Nicaragua quick and easy access to the world's largest market. Furthermore, it makes Nicaragua an excellent export platform to important markets in both Central and South America.

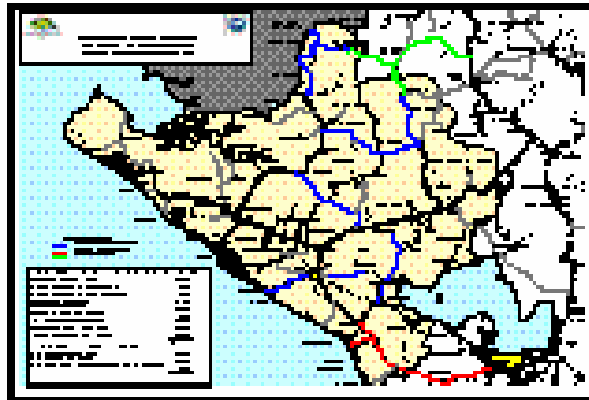
Nicaragua's unique attributes adds to the richness the country offers. Its tropical climate, vivid culture, biodiversity, indescribable natural beauty, and gorgeous beaches in both the Pacific and the Atlantic make of Nicaragua a true paradise.

Macro Economic Information (2005) :

- GDP US\$4.91 billion
- GDP per Capita US\$850
- Exports US\$870 Million
- Exports Free Zone \$682 million
- Average Yearly Foreign Direct Investment \$238 million

2) Nicaragua's Occidente : General Information

West Nicaragua is commonly known as "Occidente" and refers to the country's northwest Pacific zone. The area, rich in natural resources, colonial architecture, and agricultural tradition, is one of the most dynamic areas in the country, contributing to more than 35% of the country's exports. West Nicaragua comprises two departments : Leon and Chinandega. Their similarities in culture, traditions, economy, climate, and location merge the two into a vibrant zone whose products and services reach markets all over the world.



2.1) Tecnical Description of Occidente

Departamentos	Leon and Chinandega
Total Area	9,960.40 kilómetros cuadrados
Arable Land	7,000 km ²
Population	734,749 (14.3% of the country's total)
Population Growth	1.30% anual
Important Cities	Chinandega -140,000 El Viejo – 85,000 Chichigalpa – 50,000 Leon -185,000 Nagarote – 35,000 La Paz Centro – 32,000
Agricultural Production	Sugar, molasses, peanut, bananas, shrimp, sorghum, sesame seed, soy bean
Climate	Tropical
Average Temperatura	28 grados C / 82.4 grados F.
Average Annual Rain Fall	1370 Mm
Rainy Season	May to November

2.2) Why Occidente ?

2.2.1) NATURAL RESOURCES

West Nicaragua is an area rich in natural resources which serves as the base for its economy. The area has been blessed with highly fertile soils which allow for the production of a wide variety of products ranging from coffee in its highlands to shrimp cultivation in its lowlands. Occidente's soils have been classified as among the best in the world due to their chemical composition and organic matter content. Its warm climate, abundance of rainfall and the quality of its subterranean aquifers complement the

richness of its soils presenting the ideal conditions for high agricultural yields. “Anything grows in Occidente” is a common saying in Nicaragua depicting the area’s fertility.

In addition the area boasts 400 kilometers of coastline with a multitude of undiscovered beaches. The area is ideal for ecotourism because of the immense variety of activities in both its coastal and mountain regions. The Maribios volcanic range cuts through the heart of West Nicaragua and is the perfect location for adventure. In addition it is an area with a huge potential in geothermal energy generation.

2.2.2) LABOR FORCE

West Nicaragua has the highest concentration of population than any other area of the country. Traditionally, agriculture has dominated its economy but in recent time other industries such as manufacturing, tourism, and aquaculture have been gaining importance, and employing more and more people from the region. Seventy percent of West Nicaragua’s population is under the age of 30 and the labor force for the region is estimated at 350,000.

Age Composition:

- 40.5 percent is less than 14 years old.
- 45.5 percent is between the ages of 15 and 44.
- 13 percent is between the ages of 45 and 80.

EDUCATION

West Nicaragua’s literacy rate is at 83%, amongst the highest in the country. This fact coupled with the region’s boasting economically active population make it an ideal location for operations requiring skilled labor in its production activities. Furthermore, West Nicaragua hosts 8 universities out of the 48 institutions of higher learning in the country. There are over 20,000 students enrolled in universities in West Nicaragua, which make the area rich in human capital:

UNIVAL – 1,200	Universidad Autonoma de Chinandega - 900
UNAN – 10,700	Universidad Popular de Nicaragua – 520
UNICIT-Leon – 2,000	UNICIT-Chinandega - 1,000
Universidad Occidente – 700	UCC – 2,800

The areas of study offered by these institutions include: Industrial and Civil Engineering, Business Administration, International Business, Tourism, Medicine, and Law.

In addition, West Nicaragua counts with 6 technical training centers that focus in the areas of commerce, computer information systems, health, agriculture and industry.

2.2.3) STRATEGIC LOCATION

West Nicaragua is situated in the northwestern Pacific coast of the country. The region is approximately 130 km from the International Airport in Managua. In addition, the area boasts the two main maritime ports in the country :

* The Port of Corinto, located in Chinandega, is the country's most active port with a boasting shipping volume of 1.2 million tons per year.

* Puerto Sandino, located in Leon, is the second largest port in the country. Puerto Sandino's facilities include installations to unload petroleum, which is then transported to oil refineries in Managua through underground pipelines.

Logistic Corridor

The Port of Corinto offers enormous benefits to those companies established in West Nicaragua. Raw materials coming from multiple destinations in the Pacific utilize the port as their entry-way into Nicaragua to be further processed in the area. The proximity of the region to the Honduras border allows for quick and easy access to Puerto Cortes in the Honduran Atlantic coast, from which final products can be shipped to the United States' East Coast.

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2.2.4) PROGRAMED INVESTMENTS

THE MILLENIUM CHALLENGE ACCOUNT - NICARAGUA

In July 2005 the government of Nicaragua and the United States government – through the Millennium Challenge Corporation – signed a non-reimbursable cooperation covenant totaling US\$175 million dollars, oriented specifically to poverty reduction through economic growth. The Millennium Challenge Account – Nicaragua's investment program will be executed during a period of 5 years and will be geographically focused on one of the regions in the country with the most productive and commercial potential : West Nicaragua. Its activities will be focused on three distinct areas : Rural Business development, Property title, and Road Infrastructure Improvements.

Other Investment Projects:

BID / IDB	XXX	Descripcion
World Bank/ Banco Mundial	XXX	Descripcion
Other Institutions / Otras Instituciones	XXX	Descripcion

Tres Proyectos Principales:

- 1) Fomento de negocios rurales
- 2) Ordenamiento de la propiedad
- 3) Mejoramiento de la infraestructura vial

3.0 OCCIDENTE'S BOOMING SECTORS

3.1 MANUFACTURING

Nicaragua's manufacturing sector is known as one of the most dynamic in Central America as a result of its accelerated growth, the availability of fiscal incentives, and the special treatment this sector obtained through the DR-CAFTA negotiations. Today over 80 companies in manufacturing including textiles, apparel, automobile harnesses, electronic components and medical products are enjoying the multiple advantages the country offers.

In addition Nicaragua's labor force is recognized as the most competitive in the Central American region:



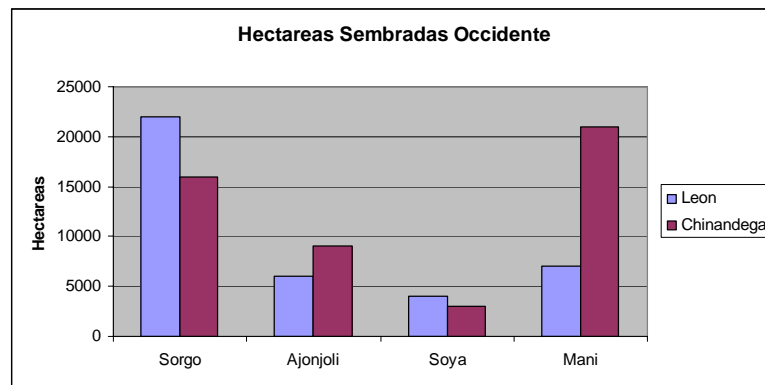
West Nicaragua is fast becoming the country's main region for the manufacturing of auto parts. Competitive salaries, high levels of education, and high productivity levels make the area stand out as one of the country's most important manufacturing destination for this sector.

2) AGRIBUSINESS

Nicaragua is committed to the agro-industrial sector through the promotion of agricultural and pecuarian production and at the same time, by supporting improvements

in industrial technologies to reach new markets, obtain higher yields, and generate greater value added to its products.

West Nicaragua has played a primary role in the development of the country’s agri-business sector. Its fertile soils, warm climate, and abundance of water resource have made it Nicaragua’s agricultural mecca, with an abundance in the production of sorghum, cotton, sesame seed, soy bean, and sugar cane amongst others. West Nicaragua is commonly known as “Nicaragua’s Grainer” for its historic grain production for both the national and the export markets.



The region’s human capital is widely recognized for its abilities, its discipline, and excellent workmanship. The crops and the land are an intricate part of the lives of the people in the region which gives way to the fact that West Nicaragua is recognized as the best agricultural area in the country.

3.3 FISHING AND AQUACULTURE

The sea, the rivers and the lakes, and the lagoons are vital natural resource Nicaragua has to develop its fishing and aquaculture industries. Shrimp farming in Nicaragua is the most profitable economic activity in the fishing industry of the country. Shrimp farming represents 41 percent of the fishing exports and 4.5 percent of Nicaragua’s total exports. Around 80 percent of the cultivated shrimp is exported to the United States, with the remaining 20 percent being exported to the European market.

Other seafood out of Nicaragua include :

Processed Fish Products In Thousand of Pounds

Product	2001	2002	2003	2004
Coastal Shrimp (tails)	4,716	4,935	4,164	3,772
Coastal Shrimp (whole)			752	536
Deep Water Shrimp			15	176
Cultivated Shrimp	7,779	8,528	10,693	12,333
Tails	6838	6971	6542	6,245

	Wholes	941	1557	4151	6,088
Lobsters (tails)		2757	3015	2634	2,816
Lobsters (meat)		122	109	76	42
Fish		6,551	7,128	7,742	7,257
Octopus			5		
Snail		101	42	89	66
Fresh Water Crab		15	0	0	0
Crab		6	2	5	4
	Meat	2	1	4	3
	Pincers	4	1	1	1
Total		22,047	23,764	26,170	27,002

Source : MIFIC ,2005

West Nicaragua is the center for the cultivation of shrimp. The area's topography, ideal climate, vast experience and know-how have contributed to the success of this sector. Chinandega's Real Estuary holds the precise characteristics for cultivation of shrimp, and as result has the highest concentration of shrimp farms, counting for 80 percent of Nicaragua's total hectares of shrimp cultivation. Although production is concentrated in Chinandega, the entire coastal area of West Nicaragua has the potential for the further development of aquaculture. A total of 22,106 hectares have been granted for cultivation to 153 different projects-68 cooperative farms and 85 private enterprises, however less than 30 per cent of this area is currently under production.

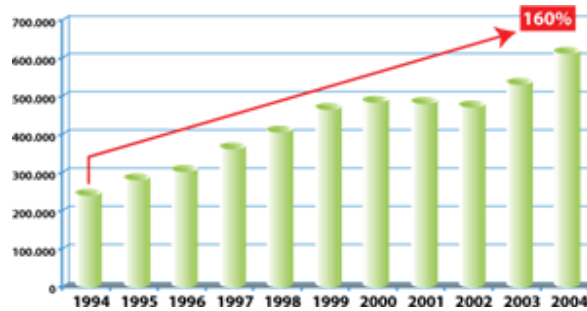
Nicaragua's commercial fishing industry focuses on the capture of crustaceans of high demand by the global market. Shrimp capture is mainly done in the Pacific coast of Nicaragua and has contributed significantly in the economy of the country because of the export value of this great natural resource.

The capture of lobster plays a crucial role in Nicaragua's commercial fishing industry. The economic value of lobster is the highest among all the other crustaceans. In the last decade, a significant increase was noted not only in pounds captured but in economic contributions this export has brought to Nicaragua. Annually, lobster capture has maintained an average of 3 million pounds and brings in more than US\$ 35 million in exports.

3.4) TOURISM

Nicaragua is the ideal destination for companies seeking innovation and growth in the tourism sector. Nature and culture combine to create an enchanting environment, unique in beauty. In addition, the country enjoys ample incentives for Tourism which set the grounds for a variety of investment opportunities. The recent extension to the Tourism Incentive Law 306, makes Nicaragua a paradise for investors interested in this sector.

The growth experienced in this sector has made it one of the key sectors in the Nicaraguan economy :



West Nicaragua offers the prime conditions for the development of the tourism industry. Beautiful beaches on the Pacific Ocean extend along approximately 400 kilometers of the coast, making them the ideal location for tourist development. Furthermore, West Nicaragua offers an immense potential in ecotourism. The Maribios volcanic range cuts through the heart of West Nicaragua and is the perfect location for adventure. West Nicaragua offers excellent destinations of historic importance. Leon, city which was once the nation's capital, still retains its colonial-style streets and buildings, evidenced by its majestic Cathedral - the largest in Central America. West Nicaragua is marked with unimaginable beautiful scenery where volcanoes, beaches, and culture blend into one unique experience.

4.0 INVESTMENT INCENTIVES

Tourism Incentive Law (Law #306)

<ul style="list-style-type: none"> 80% to 90% tax exemption on Earnings for a period of 10 años 	<ul style="list-style-type: none"> Exemption of Property tax for a period of 10 years
<ul style="list-style-type: none"> 100% Sales tax exemption on design services, engineering, and construction 	<ul style="list-style-type: none"> 100% Exemption of Import duties and sales tax on construction materials, furniture, equipment, vehicles and accessories for a period of 10 years.

Free Zone Law

<ul style="list-style-type: none"> 100% exemption on Income and Municipal Taxes 	<ul style="list-style-type: none"> 100% Exemption on Value-Added tax
<ul style="list-style-type: none"> Zero tax on Capital Gains 	<ul style="list-style-type: none"> 100% Import Duty Exemption on machinery, equipment, raw material, and accessories

Temporary Admissions System

The Temporary Admissions System allows both the entry of merchandise into the national customs territory, and the local purchase of goods or raw material without paying any kind of taxes or duties. This merchandise must be re-exported after being subjected to a process of transformation, repair or alteration. The company must request a suspension of duties and tariffs to competent authorities. If the company cannot apply for the suspension for tax management reasons, it may later apply for a tax return, as long as it re-exports the merchandise that was temporarily admitted into the country.

Forestry Incentives Law

Taxes	Exemption
<ul style="list-style-type: none"> • 50% Sales Tax Exemption on Sale of Land for 10 years 	<ul style="list-style-type: none"> • 50% to 100% Income Tax Exemption for 10 years
<ul style="list-style-type: none"> • 100% Exemption on Real Estate taxes¹ 	<ul style="list-style-type: none"> • 100% Exemption of Import Duties²

¹ In case of forest plantations and areas under forest management

² For companies of secondary and third transformation that import machinery, equipment and accessories excluding saw mills.

Law for the Promotion of Energy Generation from Renewable Sources.

<ul style="list-style-type: none"> • Exemption of customs duties on the importation of machinery, equipment, material and raw material 	<ul style="list-style-type: none"> • Exemption of all the Municipal Taxes on real state, sales and registrations during the construction a project, for a period of 10 years
<ul style="list-style-type: none"> • Exemption of the Value Added Tax 	<ul style="list-style-type: none"> • Exemption of Income Tax for a maximum period of 7 years

4.1 MARKET ACCESS

- Free Trade Agreement with the United States DR- CAFTA
- Free Trade Agreements with Mexico, Chile, Panama, and the Dominican Republic
- Preferential Access to European Union, Canada, Colombia, and Venezuela
- Central American Common Market (CA-4)

5.0 AGENCIES RELATED TO INVESMENT IN NICARAGUA

ProNicaragua is the Nicaraguan Investment Promotion Agency, established in 2002. It is a non-profit, public-private institution whose mission is to generate economic growth and job creation in Nicaragua by attracting high-quality foreign direct investment. The agency provides free support services to qualified investors seeking investment opportunities in our country.

Contact us now at mca@pronicaragua.org to schedule a customized visit or to obtain more information about investing in Nicaragua.

Other Investment Related Organizations

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

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

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

www.cancilleria.gob.ni

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

www.cetrex.com.ni

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

www.competitividad.org.ni

National Tourism Institute (INTUR)- The organization responsible for regulating the tourism industry, and promoting domestic and international tourism.

www.intur.gob.ni

Comisión Nacional de Zonas Francas– Regulatory entity for Free Zones.

www.cnzf.gob.ni

Ministerio Agropecuario y Forestal- Ministry that regulates agriculture and forestry activities.

www.magfor.gob.ni

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

www.marena.gob.ni

Instituto Nicaragüense de Energía (Nicaraguan Energy Institute) - Responsible for regulating energy generation, transmission and distribution.

www.ine.gob.ni

Comisión Nacional de Energía (National Energy Commission) - Supports the development of the energy sector.

www.cne.gob.ni