

# Business Environment Snapshot for Nicaragua



<http://rru.worldbank.org/besnapshots/BecpProfilePDF.aspx?economy=nicaragua>

## Basic Data

Region: Latin America & Caribbean  
 Income category: Lower middle income  
 Population: 5,822,265 (2011)  
 GNI per capita (US\$): 1,080

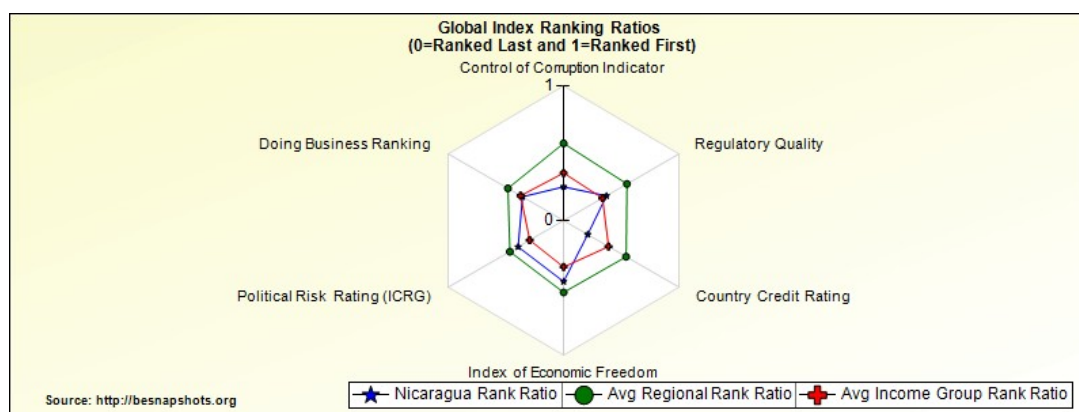
## Highlights

Below are select highlights for the data included in the profile.

- Nicaragua is ranked 117th out of 183 economies in Doing Business 2011, recording a slight improvement from last year. The most significant improvement was recorded in the Trading Across Borders indicator, where the country jumped 25 spots by migrating to a new electronic data interchange system for customs, setting up a physical one-stop shop for exports and investing in new equipment at the port of Corinto.
- According to the latest Enterprise Surveys (2006), Political Instability, Access to Finance and Electricity are the top constraints to investment in Nicaragua.
- Nicaragua's economic freedom score is 58.8, making its economy the 98th freest out of 183 countries in the 2011 Index. Its score is 0.5 point better than last year, with gains in trade freedom, monetary freedom, and government spending offsetting a decline in property rights. Nicaragua is ranked 19th out of 29 countries in the South and Central America/Caribbean region, and its overall score is below the world average. Nicaragua's trade liberalization has continued, although non-tariff barriers remain.

## Global Rankings

View global rankings on the business environment. See the underlying scores, the trend indicator, and a radar chart with regional and income group comparisons.



| # | Indicator  | Rank         |              |              |              |              | Scale              | Score |      |      |      |      |      |      | Trend over past year <sup>1</sup> |      |      |   |
|---|--|--------------|--------------|--------------|--------------|--------------|--------------------|-------|------|------|------|------|------|------|-----------------------------------|------|------|---|
|   |  | 2011         | 2010         | 2009         | 2008         | 2007         |                    | 2011  | 2010 | 2009 | 2008 | 2007 | 2006 | 2005 |                                   | 2004 | 2003 |   |
| 1 | Business Environment Index<br><a href="#">EIU - Global Outlook Report</a>                        |              |              |              |              |              | 1-10               |       |      |      |      |      |      |      |                                   |      |      |   |
| 2 | Control of Corruption Indicator<br><a href="#">World Bank Group</a>                              |              |              | 152<br>(203) | 158<br>(202) | 152<br>(201) | -2.5-2.5           |       |      | -0.8 | -0.8 | -0.8 | -0.8 | -0.6 | -0.3                              | -0.5 | ↔    |   |
| 3 | Regulatory Quality<br><a href="#">World Bank Group</a>   |              |              | 128<br>(203) | 121<br>(202) | 126<br>(200) | -2.5-2.5           |       |      | -0.4 | -0.4 | -0.4 | -0.4 | -0.5 | -0.4                              | -0.3 | -0.4 | ↔ |
| 4 | Country Credit Rating<br><a href="#">Institutional Investor</a>                                  | 141<br>(178) | 147<br>(178) | 155<br>(178) | 146<br>(174) | 143<br>(174) | 0-100              | 23.1  | 23.9 | 19.5 | 19.3 | 21.1 | 24.1 | 20.6 | 18.0                              | 18.2 | ↔    |   |
| 5 | Index of Economic Freedom<br><a href="#">The Heritage Foundation and the Wall Street Journal</a> |              | 97<br>(178)  | 84<br>(179)  | 74<br>(157)  | 60<br>(157)  | 0-100              | 58.3  | 59.8 | 60.8 | 62.7 | 63.8 | 62.5 | 61.4 | 62.6                              | ↓    |      |   |
| 6 | Political Risk Rating (ICRG)<br><a href="#">PRS Group</a>  | 85<br>(140)  | 85<br>(140)  | 87<br>(140)  | 73<br>(140)  | 74<br>(140)  | 0-100              | 61.5  | 62.0 | 62.0 | 67.0 | 66.5 | 66.0 | 64.0 | 59.5                              | 60.0 | ↔    |   |
| 7 | Doing Business Ranking<br><a href="#">World Bank Group</a>                                       | 118<br>(183) | 122<br>(183) |              |              |              | 1-183 <sup>2</sup> |       |      |      |      |      |      |      |                                   |      |      |   |

### Notes:

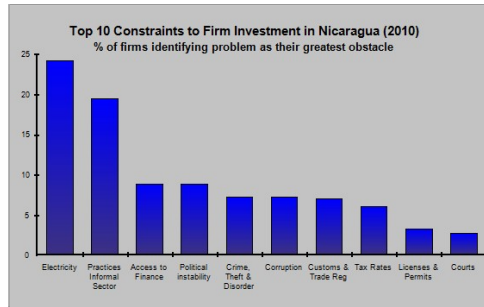
Please Note: As each of these rankings is collected and published on a different schedule, we associate the data with the year it was published. For Doing Business, the data is also associated for the year it was published (not the year of the report). For example, the data for 2007 was published in 2007 (yet from the Doing Business 2008 report).

<sup>1</sup>An up/down rating requires a change within the last 2 years with available data of at least 1%

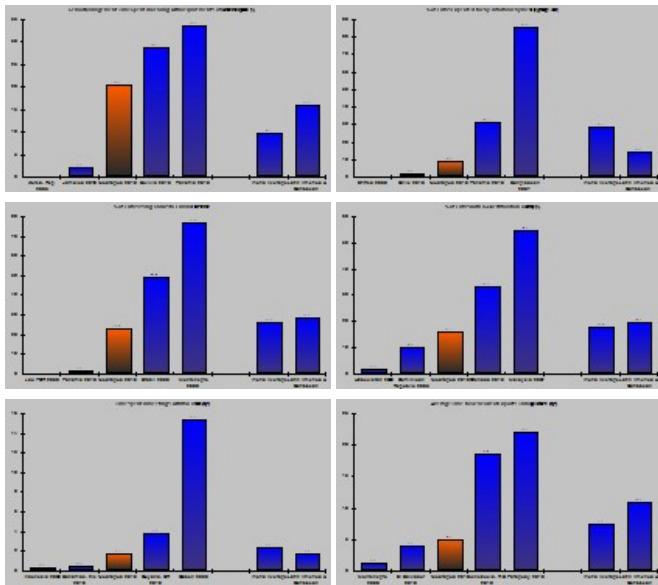
<sup>2</sup>These two sources only provide rankings, not an underlying score. We do not report trends for these two, as trends on rankings cannot be compared with the trends on scores.



## Enterprise Survey Perception Rankings



## Enterprise Data Cross Country Comparison



**Note:** These graphs compare the relevant country to the best and worst countries within the region and the world.



## Doing Business: Country Rankings

| Ease of...                        | DB 2012 rank | DB 2011 rank | Change in rank |
|-----------------------------------|--------------|--------------|----------------|
| Doing Business (Overall Ranking)  | 118          | 122          | 4              |
| Starting a Business               | 130          | 121          | -9             |
| Dealing with Construction Permits | 150          | 146          | -4             |
| Registering Property              | 122          | 151          | 29             |
| Getting Credit                    | 98           | 96           | -2             |
| Protecting Investors              | 97           | 93           | -4             |
| Paying Taxes                      | 155          | 158          | 3              |
| Trading Across Borders            | 83           | 85           | 2              |
| Enforcing Contracts               | 52           | 82           | 30             |
| Resolving Insolvency              | 78           | 80           | 2              |

## Key Indicator Rankings

| Three Well Performing Indicators  | Percentile Rank <sup>1</sup> | Indicator Value <sup>2</sup> | Compare with Income Group Average | Compare with Region Average |
|---|------------------------------|------------------------------|-----------------------------------|-----------------------------|
| Starting a Business: <i>Paid-in Min. Capital (% of income per capita)</i> | 99.5                         | 0.0                          | 170.0                             | 18.3                        |
| Getting Credit: <i>Strength of legal rights index (0-10)</i>              | 91.8                         | 3.0                          | 4.7                               | 5.4                         |
| Trading Across Borders: <i>Documents to import (number)</i>               | 89.6                         | 5.0                          | 7.8                               | 6.9                         |
| Three Potential Indicators for Reform                                     | Percentile Rank <sup>1</sup> | Indicator Value <sup>2</sup> | Compare with Income Group Average | Compare with Region Average |
| Paying Taxes: <i>Other taxes (%)</i>                                      | 12.6                         | 22.0                         | 11.1                              | 13.6                        |
| Starting a Business: <i>Cost (% of income per capita)</i>                 | 10.4                         | 107.9                        | 47.8                              | 39.4                        |
| Paying Taxes: <i>Total tax rate (% profit)</i>                            | 8.7                          | 66.8                         | 41.9                              | 48.1                        |

<sup>1</sup>A percentile rank of 1 reflects a country ranked for that variable in the bottom 1% of countries. Conversely, a percentile rank of 100 reflects a country ranked for that variable in the top 1% of countries.

<sup>2</sup>The value shown in this column is the specific value for the indicator. For example, if there is a value of 9.8 for Starting a Business: Duration (Days), that means that for the particular country it takes 9.8 days to Start a Business.

## Time Series Data

|  | 2008 | 2007 | 2006 | 2005  | 2004  | 2003  | 2002 |
|--|------|------|------|-------|-------|-------|------|
| <b>Macro Indicators</b>  |      |      |      |       |       |       |      |
| GDP growth (annual %)  | 3.0  | 3.9  | 3.7  | 4.3   | 5.3   | 2.5   | 0.8  |
| Inflation, consumer prices (annual %)                          | 20.0 | 11.1 | 9.1  | 9.6   | 8.5   | 5.3   | 3.8  |
| Total Returns Index (IFCGTRUS)                                 | ..   | ..   | ..   | ..    | ..    | ..    | ..   |
| <b>Financial &amp; Private Sector Development Indicators</b>   |      |      |      |       |       |       |      |
| FDI Net Inflows (% of GDP)                                     | 10.0 | 6.7  | 5.4  | 5.0   | 5.6   | 4.9   | 5.1  |
| Gross Fixed Capital Formation, private sector (% of GDP)       | ..   | 24.4 | 22.1 | 21.6  | 19.9  | 19.4  | 19.6 |
| Tax revenue (% of GDP)   | ..   | 18.0 | 17.5 | 16.8  | 15.8  | 15.2  | 13.5 |
| Exports of goods and services (% of GDP)                       | ..   | 33.2 | 31.1 | 29.1  | 27.4  | 24.6  | 22.4 |
| Imports of goods and services (% of GDP)                       | ..   | 67.2 | 61.0 | 58.8  | 54.8  | 51.5  | 48.7 |
| Domestic credit to private sector (% of GDP)                   | 37.7 | 39.1 | 33.8 | 29.5  | 25.5  | 22.9  | ..   |
| Domestic credit to private sector (% of total domestic credit) | 55.0 | 53.2 | 45.4 | 36.7  | 30.2  | 24.7  | ..   |
| Total Financial System Deposits to GDP                         | ..   | ..   | 33.3 | 35.3  | 36.0  | 35.6  | 34.5 |
| Bank nonperforming loans to total (%)                          | ..   | ..   | ..   | 8.0   | 9.3   | 12.7  | 12.6 |
| Lending Spread   | ..   | 7.0  | 6.7  | 8.1   | 8.4   | 9.5   | 9.8  |
| Private Sector Employment as a % of Total Employment           | ..   | ..   | ..   | ..    | ..    | ..    | ..   |
| Business Entry Rate (new registrations as % of total)          | ..   | ..   | ..   | ..    | ..    | ..    | ..   |
| <b>Infrastructure Indicators</b>                               |      |      |      |       |       |       |      |
| Paved roads (% of total)                                       | ..   | ..   | ..   | ..    | ..    | ..    | ..   |
| Mobile cellular subscriptions (per 100 people)                 | ..   | ..   | ..   | 20.5  | 33.1  | 37.9  | 53.5 |
| Internet users (per 100 people)                                | ..   | ..   | ..   | 2.6   | 2.8   | ..    | ..   |
| Electric power consumption (kWh per capita)                    | ..   | ..   | ..   | 414.1 | 426.4 | 445.6 | ..   |



## Investing Across Borders: Data and Highlights

| INDICATORS  | COUNTRY SCORE | IAB REGIONAL AVERAGE (14 COUNTRIES) | IAB GLOBAL AVERAGE (87 COUNTRIES) | HIGHLIGHTS  |
|---|---------------|-------------------------------------|-----------------------------------|---|
| <b>INVESTING ACROSS SECTORS</b>   |               |                                     |                                   |   |
| Foreign equity ownership indexes (100 = full foreign ownership allowed) |               |                                     |                                   | According to the Foreign Investments Promotion Law of Nicaragua, foreign investors have the same rights and obligations as domestic investors with respect to ownership of local companies. The majority of the sectors covered by the Investing Across Sectors indicators are thus open to foreign equity ownership. As a notable exception, overt legal ownership restrictions still exist on the domestic air transportation and television broadcasting sectors. In both industries, foreign capital participation is limited to a less-than-50% stake. In addition to those overt legal restrictions, a number of business sectors, such as electricity transmission and port and airport operation, are still dominated by publicly owned enterprises. Those monopolies, together with a high perceived difficulty of obtaining required operating licenses, make it difficult for foreign companies to engage in these sectors.  |
| Mining, oil and gas   | 100.0         | 91.0                                | 92.0                              |   |
| Agriculture and forestry  | 100.0         | 96.4                                | 95.9                              |   |
| Light manufacturing   | 100.0         | 100.0                               | 96.6                              |   |
| Telecommunications  | 100.0         | 91.0                                | 87.2                              |   |
| Electricity   | 100.0         | 81.5                                | 84.3                              |   |
| Banking   | 100.0         | 96.4                                | 91.0                              |   |
| Insurance   | 100.0         | 96.4                                | 91.2                              |   |
| Transportation  | 89.8          | 77.9                                | 76.6                              |   |
| Media   | 74.5          | 73.1                                | 68.0                              |   |
| Sector group 1 (constr., tourism, retail)                               | 100.0         | 100.0                               | 98.1                              |   |
| Sector group 2 (health care, waste mgt.)                                | 100.0         | 96.4                                | 96.0                              |   |
| <b>STARTING A FOREIGN BUSINESS</b>                                      |               |                                     |                                   |   |
| Time (days)   | 42            | 74                                  | 43                                | It takes 8 procedures and 42 days to establish a foreign-owned limited liability company (LLC) in Nicaragua (Managua), faster than the regional average for Latin America and the Caribbean and in line with the IAB global average. Although foreign ownership is allowed, an LLC needs a minimum of 2 shareholders (one being a natural person). The legal representative of the company must be a resident of Nicaragua—getting a residency permit can take up to 3 months. In addition to the procedures required of a domestic company, a foreign company must legalize and translate the parent company's documents in its country of origin. In addition, a company engaged in international trade must obtain an importer/exporter ID from the customs authority (Dirección General de Servicios Aduaneros) for imports and from CETREX (Centro de Exportaciones) for exports. A company in Nicaragua can hold a commercial bank account in U.S. dollars, euros, or córdoba. There is no minimum capital requirement for foreign or domestic companies in Nicaragua.  |
| Procedures (number)   | 8             | 14                                  | 10                                |   |
| Ease of establishment index (0 = min, 100 = max)                        | 58.0          | 62.8                                | 64.5                              |   |
| <b>ACCESSING INDUSTRIAL LAND</b>  |               |                                     |                                   |   |
| Strength of lease rights index (0 = min, 100 = max)                     | 72.1          | 78.2                                | 82.1                              | The most common means by which foreign companies acquire land in Managua is to lease or buy privately owned land. Although not prohibited, leasing or buying public land is not common. It requires the enacting of specific laws as well as special terms and conditions governing the corresponding public auction. There is no limit on the amount of land that may be leased. Lease contracts offer the lessee the right to subdivide or sublease the leased land or use it as collateral, subject to the terms of the contract. Only the owner of the land is allowed to mortgage it. Lease contracts for durations of 4 or more years must be executed by a notary public as a public deed and registered in the land registry. Land-related information may be found in the land registry and cadastre, which are linked and coordinated to share data. It is possible to find electronic data for most land parcels in Managua.   |
| Strength of ownership rights index (0 = min, 100 = max)                 | 100.0         | 98.2                                | 92.2                              |   |
| Access to land information index (0 = min, 100 = max)                   | 31.6          | 40.4                                | 41.3                              |   |
| Availability of land information index (0 = min, 100 = max)             | 75.0          | 73.0                                | 70.6                              |   |
| Time to lease private land (days)                                       | 149           | 62                                  | 61                                |   |
| Time to lease public land (days)  | 267           | 156                                 | 140                               |   |
| <b>ARBITRATING COMMERCIAL DISPUTES</b>                                  |               |                                     |                                   |   |
| Strength of laws index (0 = min, 100 = max)                             | 95.4          | 87.5                                | 68.7                              | Alternative dispute resolution (ADR) in Nicaragua is governed by the Mediation and Arbitration Law (2005), which is largely based on the UNCITRAL Model Law. The law recognizes the kompetenz-kompetenz principle and provides for Supreme Court revision of the arbitration tribunal's ruling on its own jurisdiction, if and when the arbitration tribunal decides upon it as a previous matter, and not of the award itself. The law distinguishes between arbitration at equity and arbitration at law. In arbitrations at law, all members of the arbitration tribunal must be lawyers. Parties can choose foreign lawyers to represent them in arbitrations in Nicaragua. Parties domiciled in Nicaragua are free to choose any arbitral institution, even one outside of Nicaragua. There are around 13 arbitral institutions in Nicaragua. The most commonly used for commercial disputes is the Nicaraguan Chamber of Commerce Mediation and Arbitration Center Antonio Leiva Pérez. Nicaraguan arbitration law is relatively new and not many arbitration agreements, requests, or awards have been presented to local courts for assistance with the proceedings or enforcement. There are no legal provisions mandating courts to assist arbitral tribunals with the taking of evidence, but there are provisions for assistance with orders for interim measures. The Civil District Court is responsible for enforcement of arbitration awards. On average, it takes around 31 weeks to enforce an arbitration award rendered in Nigeria, from filing an application to a writ of execution attaching assets (assuming there is no appeal), and 104 weeks for a foreign award. It is not clear, under the current Nicaraguan legal framework, whether appeal of this court's decisions is possible, and there is no such precedent yet. |
| Ease of process index (0 = min, 100 = max)                              | 73.3          | 66.8                                | 65.4                              |   |
| Extent of judicial assistance index (0 = min, 100 = max)                | 40.3          | 51.7                                | 59.3                              |   |

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## Analytical Work

View reports on the business environment produced by the World Bank Group within the last five years.

| Title  | Author/Contact                                | Source   | Date  |
|--|---|----------|-------|
| <a href="#">Nicaragua - Joint IDA-IMF staff advisory note and the poverty reduction strategy paper</a>                   |   |          | 04/10 |
| <a href="#">Nicaragua - Country partnership strategy progress report for the period FY2008-2012</a>                      |   |          | 12/09 |
| <a href="#">Global Investment Promotion Benchmarking 2009: Summary Report</a>  |   |          | 05/09 |
| <a href="#">Doing business 2010 : Nicaragua - comparing regulation in 183 economies</a>                                  |   |          | 01/09 |
| <a href="#">Easing investment barriers : Nicaragua's renewable energy potential</a>                                      | Mostert, Wolfgang                             |          | 01/09 |
| <a href="#">Doing business 2009 : country profile for Nicaragua - comparing regulation in 181 economies</a>              |   |          | 09/08 |
| <a href="#">Nicaragua - Institutional and governance review</a>  |   |          | 04/08 |
| <a href="#">Does participation in productive associations signal trust and creditworthiness ? evidence for Nicaragua</a> | Angel-Urdinola, Diego F., and Ezequiel Molina | WPS 4512 | 02/08 |
| <a href="#">Nicaragua - Country Partnership Strategy</a>   |   |          | 10/07 |
| <a href="#">Doing Business 2008 Nicaragua : comparing regulation in 178 economies</a>                                    |   |          | 06/07 |



## Country Assistance Strategy: PSD Focus

View projects associated with the World Bank Group's Finance and Private Sector Development unit. View brief summaries of the private sector strategy as stated in the most recent Country Assistance Strategy (CAS) document.

**Nicaragua Country Assistance Strategy (CAS) PSD focus:**  
(July 2005)

1. Simplify procedures for opening, closing and operating businesses;
2. Increase the percentage of financially sound service centers for low-income households and micro and small businesses by 10% (from 200 to 220) by mid 2007;
3. Number of indigenous territories or communities, depending on the case, have complete land rights (demarcated, titled, registered);
4. Implement the new institutional framework for registries, including the link with the cadastre, through the establishment of the National Directorate of Public Registries and the initiation of operations of the SIICAR.

## Project Portfolio

| World Bank<br><i>[Click to expand/collapse]</i> ▼                                      |  |                                |  |
|--|--|--------------------------------|--|
| Project  | Total Project Amount<br>(US \$ millions) | Contact                        |  |
| Name: <a href="#">Micro, Small and Medium Enterprise Development</a>                   | 20.00                                    | Goldberg, Michael J.           | ID: P109691<br>Open/Close 6/12/2008<br>Status: Active              |
| Name: <a href="#">Broad-Based Access to Financial Services</a>                         | 7.00                                     | Goldberg, Michael J.           | ID: P077826<br>Open/Close 5/18/2004<br>Status: Active              |
| Name: <a href="#">NI ENHANCED COMPETITIVENESS FOR INTERNATIONAL MARKET INTEGRATION</a> | 17.00                                    | Goldberg, Michael J.           | ID: P092949<br>Open/Close 8/24/2006 - 12/31/2011<br>Status: Closed |
| Name: <a href="#">NI Competitiveness LIL</a>   | 5.00                                     | Goldberg, Michael J.           | ID: P070016<br>Open/Close 1/19/2001 - 6/30/2006<br>Status: Closed  |
| International Finance Corporation<br><i>[Click to expand/collapse]</i> ▼               |  |                                |  |
| Project  | Total Project Amount<br>(US \$ millions) | Contact                        |  |
| Name: <b>Banpro Nicaragua</b>  | 0.38                                     | Ignacio Estevez                | ID: 569568<br>Open/Close 6/1/2009<br>Status: Active                |
| Name: <a href="#">GTFP Nicarag-TA</a>  | 0.04                                     | Rogers David LeBaron           | ID: 550146<br>Open/Close 8/16/2006 - 6/1/2009<br>Status: Closed    |
| Name: <a href="#">Nic Leasing</a>  | 0.29                                     | Marco Aurelio Gonzalez Revatta | ID: 543644<br>Open/Close 7/1/2006 - 7/31/2008<br>Status: Closed    |
| Name: <a href="#">Upgrade of FINDESA's operations to commercial bank standards</a>     | 0.49                                     | Ricardo Martin Garcia Tafur    | ID: 542266<br>Open/Close 5/1/2006 - 11/1/2009<br>Status: Closed    |

## Links

EIU - Global Outlook Report: <http://www.eiu.com>  
 World Bank Group: <http://info.worldbank.org/governance/wgi/index.asp>  
 World Bank Group: <http://info.worldbank.org/governance/wgi/index.asp>  
 Institutional Investor: [www.iimagazine.com](http://www.iimagazine.com)  
 The Heritage Foundation and the Wall Street Journal: <http://www.heritage.org/index/>

