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Reasons why

Investing in Nicaragua Now Could Lead to Triple Digit Profits

Reason # 1: Continued Increases in Tourism

The numbers of tourists visiting Nicaragua continues to grow each year. Since 2001 the number has multiplied 500% – with almost 900,000 tourists in 2009 and an expected 1.2 million by 2012. Nicaragua is being featured in multiple travel publications around the world as an affordable, adventure destination. While many vacation spots are experiencing lower tourism numbers due to lack of average family affordability (Hawaii – Europe), Nicaragua has become the beneficiary country. The cruise industry added San Juan del Sur as a new port-of-call in 2000 with three ships for the year. To start the new decade, 2010 will see some 62 ships bring more than 75,000 people ashore to experience the beauty of the country. It has been reported that San Juan del Sur will welcome as many as 100 cruise ships annually by 2012.



Nicaragua has six important seaports, among which are the Pacific coast ports of Corinto and Puerto Sandino, which have the capacity to handle international container traffic. Nicaragua also has access to Puerto Cortés in Honduras and Puerto Limón in Costa Rica, both of which are at a day's distance by truck.

Major shipping companies like Crowley Logistics, Seaboard Marine, Maersk Sealand, NYK Logistics are already serving the Nicaraguan market, as well as parcel carriers such as FedEx, DHL, and UPS.

The international airport, Augusto C. Sandino, is located 11 km from Managua's urban center. It handles all international passengers and freight traffic to and from Nicaragua, and is considered one of the safest airports in Central America. A US\$60 million expansion and modernization of Managua's International Airport was finished in 2006. This important project included not only an infrastructure revamp aimed to provide improved services to passengers, but also the construction of facilities for a more efficient cargo handling process.

Reason # 2: Major Investments into Logistics & Infrastructure

Nicaragua has approximately 19,000 km of roads connecting the capital, Managua, to all major cities. The Pan- American Highway traverses the country from north to south. It is 370 km long and connects Nicaragua with Honduras and Costa Rica. The main highways have been refurbished substantially in the last two years, including the highways that link the capital with the Western, Central and North Regions, as well as with both borders. The budget for infrastructure development in 2008/9 increased by 13%, compared to 2007, and the current Pacific highway project of more than \$200 million is underway.

Nicaragua is serviced by the following international airlines: American Airlines, Continental Airlines, Delta Airlines, Copa Airlines, Grupo Taca, and Spirit Airlines.

The border crossing between Nicaragua and Costa Rica is planned for renovations. Both countries have agreed to fund the project and then to encourage tourists to visit each neighboring country while on vacation in Central America. This opens up a tremendous advantage for travelers to southern Nicaragua as a flight into Costa Rica's Liberia International Airport reduces the ground travel time to SJdS when compared to arriving at the airport in Managua.

Telecommunications

The telecommunication sector is fully privatized and is considered to be one of the most modern in Central America. ENITEL, the national telephone system operator and provider of land-line services, is connected to all major international operators. The two current providers of mobile phone services are Telefónica and Grupo Móvil. Nicaragua also has several Voice over IP service providers and Internet providers of data transport services using fiber-optic and submarine cables.

Furthermore, the country provides high quality redundant connections by means of two submarine optic fiber cables. These cables have no limit as regards broadband capacity.

Energy Independence

Nicaragua is tapping into its vast geothermal power resources and has awarded two concessions to Magma Energy Corp. and its partner Polaris Geothermal Inc., both of Canada, as part of a long-term energy self-sufficiency plan. Industry experts say Nicaragua has the most geothermal energy potential of any country in Central America. Mostly trapped in volcanic mountains along the Pacific Coast, experts say geothermal energy alone can solve Nicaragua's energy crisis while efforts are under way to exploit wind power and other forms of renewable energy.

Nicaragua granted the concession on the understanding that the two Canadian companies will invest \$50 million on developing the sites for power generation. Exploration will start in early 2010. Polaris is already involved in the construction of a geothermal power plant in San Jacinto, about 12 miles northeast of Leon, through its Nicaraguan subsidiary, San Jacinto Power S.A.

Recently, the country also announced a second new renewable energy project, which the government hopes will help the nation out of the energy crisis it has endured for the last three years. A group of high-powered Nicaraguan businessmen have committed to invest close to \$92 million to generate 40 MW of wind energy this year.

Abundant Fresh Water

By May 2011, residents and visitors in SJdS should be turning on the tap and using water

from Lake Cocibolca. The inauguration last week of the project called "Improvement and Expansion of the Water Supply and Sewer Systems" should have excited residents and investors seeing the light at the end of the tunnel (or water at the end of the pipe). The head of ENACAL, Ruth Herrera conceded that there have been delays in the project but all that will likely be forgiven as she promised the inhabitants of the municipality **"One hundred percent potable water supply and sewer as of May 2011."**

The \$2 million Cordoba project will see the construction of a "head-works" in Lake Nicaragua, capturing lake water and bringing it to a treatment facility in La Virgen. The now potable water will then travel about 24 kilometers west to San Juan del Sur. Two massive tanks will store up to 2 thousand 400 cubic meters of water and service 16 thousand inhabitants of San Juan del Sur.

The current sewer system will have an expanded wastewater treatment plant (north of the city on the aptly named "Chocolata"). Almost 7 kilometers of new pipes will connect three booster stations that will send the waste to a new treatment plant, and then pump the treated waste into the Pacific Ocean. At 8,264 square kilometers (3,191 square miles), Lake Cocibolca or Lake Nicaragua is the largest lake in Central America and the 21st largest in the world (by area). It is 32 meters (100 ft) above sea level and reaches a depth of 26 meters (85 ft).

Reason # 3: Generous Investment Incentives

Nicaragua has various incentive laws for priority sectors, such as the Tourism Incentive Law, the Renewable Energy Incentive Law and the Free Trade Zones Law (for export-oriented industries, including light manufacturing, agribusiness and contact centers). According to international agreements with WTO members (Doha Article VII), Nicaragua is now one of the few countries in the region able to provide free zone and other tax incentives to exporters.

Free Trade Zone Incentives Law

In 1991, the Government of Nicaragua approved a series of laws aimed at supporting the Export Processing Zones. These laws are currently being modified to provide even more benefits to the companies governed by this program, however they currently provide:

- Total tax exemption on income and property taxes
- Total exemption on municipal taxes
- Total exemption on taxes for machinery, equipment and raw material, and on transport and support services for the Free Trade Zones
- Total tax exemption on value added tax

Tourism Investment Incentives Law (Law No. 306)

Tourism is a very dynamic industry in Nicaragua, due to the country's breathtaking natural resources and the fiscal incentives offered to investments in this industry.

- Qualified tourism projects can receive the following tax benefits under Law #306:
 - 80% to 90% income tax (IR) exemption
 - Property tax exemption for 10 years (IBI)
- Tax exemptions related to project implementation:
 - Value-added tax on design/engineering and construction services
 - Exoneration of import duties and taxes and of the General Value Tax (I.G.V.) for the local purchase of construction materials and fixed building accessories.
- Tax incentives can be extended if project undergoes extensive expansions
- Over 300 projects have been approved to benefit from this law since 1999.



Forestry Incentives (Law No. 462)

Nicaragua has 4.9 million hectares (49,000 sq kilometers) of suitable agricultural land available, of which only 1.0 million hectares (10,000 sq kilometers) are being utilized. With over 2.5 million hectares of lakes and lagoons (25,000 sq kilometers), the country enjoys ample water sources.

The New Forestry Incentive Law of August 2003 provides generous tax incentives for forestry plantations:

1. Ten year tax exemption on;
 - 50 percent of municipal taxes on sale of land.
 - 50 percent of profits.
 - The payment of taxes on real estate in the case of forest plantations and areas under forest management.
2. Companies investing in forest plantations can reduce 50 percent of the amount invested as costs.
3. Exemption from import duties for companies of secondary transformation and third transformation that import machinery, equipment and accessories excluding saw mills.
4. All state institutions must give priority in their acquisitions, to goods made from certified wood. Recognition of up to five percent higher pricing will benefit the certified producer.
5. 100 percent deduction of income tax when land is destined to reforestation projects or forest plantations.

Renewable Energy Incentives Law (Law No. 532)

The Law for the Promotion of Energy Generation from Renewable Sources promotes the development of new projects, expansion of existing ones, and biomass and biogas energy sources. Fiscal, economic and financial incentives are granted to this effect:

1. Exemption of customs duties on the importation of machinery, equipment, material and raw material necessary for all

construction of stations, including sub transmission lines necessary for energy transportation from the generation facility to the Sistema Interconectado Nacional, or National Interconnected Grid (SIN)

2. Exemption of the Value Added Tax (IVA) levied on machinery, equipment, material and raw material utilized during pre-investment stage, construction of structures, including the construction of the sub transmission lines necessary to transport energy to the Sistema Interconectado Nacional or National Interconnected Grid (SIN).

For “isolated systems” with their own generation facilities, this exoneration covers pre investment, construction and all the investment made in distribution grids associated with the project (i.e. panels and solar batteries for solar energy generation)

3. Exemption of the income tax (IR) for a maximum period of seven years. During this same period, the income derived from the sale of carbon dioxide bonds will also be exempted.

4. Exemption of all the Municipal Taxes on real estate, sales and registrations during the construction of a project, for a period of ten years to be applied in the following manner: exoneration of 75 percent during the first three years; 50 percent the five following years and 25 percent for the last two years. Fixed investment in machinery, equipment, and hydroelectric dams will be exempted from all taxes and duties, for a period of ten years.

5. Exemption of taxes on the exploitation of natural resources for a maximum period of five years after the beginning of operations.

6. Exemption of Fiscal Seals Tax incurred by the construction or operation of the project or expansion of a project for a period of ten years.

Reason # 4: Human Capital

One of Nicaragua’s greatest assets is its people. Nicaragua's population is very young; in fact 80% of the total population (an estimated 5.7 million in 2009) is under the age of 39. The country’s labor force is made up of 2.3 million people, and it is known to be flexible and highly productive, with good working habits and the ability to learn quickly. Managua, the capital city of Nicaragua, has a total population of 1.3 million; of which over 27% range in age from 20 to 34 years.

Vast Labor Availability

With an estimated unemployment rate of 4.9% and an underemployment rate at over 33%, availability of workers is abundant. The country has a rich pool of available bilingual professionals trained abroad. Based on PRONicaragua’s research, an estimated 10% of the economically active population speaks English. There is also a broad base of workers for labor-intensive industries.



Quality Labor Pool

There is an ample pool of well-educated, computer-literate young individuals with university degrees in Nicaragua. They are eager to find jobs that provide them with the opportunity to compete worldwide. Because of its low attrition rates, a fast learning curve and low absenteeism, the Nicaraguan labor force is quickly becoming recognized as one of the most competitive and productive in the region.

Furthermore, the Economist Intelligence Unit's Riskwire Report ranks Nicaragua as one of the two countries in the Central American region with the lowest labor market risk. The report measures various indicators, such as: union strength, labor disputes, wage restrictions and hiring and firing restrictions.

Education and Training

Education is the foundation of a country's economic development. For this reason, the Government of Nicaragua has allocated a significant amount of its national budget to invest in primary, secondary and higher education. Education expenditures (including public Universities) amount to approximately 18% of the government's total budget. Nicaragua's overall literacy rate is at 78%. However, an 85% literacy rate is found in the 15 to 24 age bracket, while urban youth shows an even higher literacy rate at 92%.

Managua has been declared "the first Central American capital free of illiteracy," as a result of a literacy campaign launched in 2005. The official certification from UNESCO (United Nations Educational, Scientific and Cultural Organization) to back up this achievement is already in process. These results are based on a survey undertaken in different districts of Managua by more than 2,000 college students.

University & Technical Education

The Nicaraguan education system includes quality technical training to meet the immediate and long-term needs of the labor force.

The country offers:

- 48 universities with approximately 116,000 students enrolled
- 1 U.S. accredited English Language University
- 3 universities with bilingual programs;
- 5 Bilingual secondary schools
- Dozens of English Language Institutes
- 113 technological institutes servicing more than 20,000 students in the areas of:
 - electronics
 - computer systems and sciences
 - agroforestry

INCAE, the prestigious Nicaraguan Harvard-affiliated regional business school ranked as number one in Latin America is located in Managua and offers a pool of individuals with world class managerial skills.

INATEC, the National Technological Institute, provides technical training that can be tailored to meet specific business needs.

English Skills

Nicaragua offers a large pool of well educated people who are proficient in English. In 2004, PRONicaragua launched the Nicasearch.com database to identify English-proficient individuals with good computer skills. The Nicasearch.com database includes over 4,000 bilingual professionals from the main cities in the country, and can be made available to qualified investors. Furthermore, in 2007 PRONicaragua organized a Job Fair attended by over 1000 people, of whom 51% passed a written English test and 43% passed both, written test and face-to-face interviews.

Reason # 5: Market Access

Nicaragua is an original Member of the WTO, and attaches considerable importance to its participation in the multilateral trading system. Since the beginning of 1990s, Nicaragua has engaged in multilateral negotiations, regional and bilateral negotiations (Free Trade Agreements). Preferential agreements have become an important component of trade liberalization in Nicaragua.

Through a broad array of commercial and free trade agreements Nicaragua has achieved access to the most important markets in the world, which allows companies that operate in Nicaragua to establish a cost-effective export platform for key markets in North, Central and South America, as well as Europe and Asia

- trade-related services

In the 2008 Latin American Globalization Index, published by The Latin Business Chronicles, Nicaragua was ranked as the third most globalized country in Latin America. The index of 18 countries looks at six factors that measure a country's links with the outside world, such as exports and imports of goods and services as a percent of GDP, foreign direct investment as a percent of GDP and tourism receipts as a percent of GDP.

Current Free Trade Agreements

- **DR-CAFTA:** Free Trade Agreement between Central America, the Dominican Republic and the United States of America.
- **MEXICO:** Free Trade Agreement between the Government of the Republic of Nicaragua and the Government of the United Mexican States.
- **TAIWAN:** Free Trade Agreement between the Government of the Republic of Nicaragua and the Government of Taiwan.
- **EUROPE:** General System of Preferences (GSP) allows preferential access to the European Union and Japan.
- **CENTRAL AMERICAN COMMON MARKET**
- **PANAMA**
- **COLOMBIA**

Reason # 6: Legal Framework

Law for the Promotion of Foreign Investment (Law No. 344)

The main legislation that governs foreign investment consists of Law No. 344 for the Promotion of Foreign Investments and its bylaws, as well as other sector-specific laws that provide incentives for investment.

Law No. 344 provides: a) equal treatment of foreign and domestic investment; b) eliminates restrictions on the way in which foreign capital can enter the country, and c) recognizes the foreign investor's right to own and use property without limitation, and in the case of a declaration of eminent domain, to receive proper indemnification. The law makes no distinction between acquisition, merger, takeover, or green-field investment. There are no restrictions in Nicaragua on converting or transferring funds associated with investments. Many transactions are freely and fully conducted in U.S. dollars. Remittances of investment capital, earnings, loan repayments and lease repayments are freely allowed through the private foreign exchange market operated by local financial institutions. The Law also contemplates:

- Total currency conversion
- Freedom to repatriate all capital and profits
- There is no pre-established minimum or maximum investing amount
- 100% international ownership permitted; there is no discrimination against foreign investors, whether it be on total ownership of the company or as shareholders.
- Prompt and fast depreciation of capital goods.
- National loans are accessible through local banks, according to their terms of approval.
- Property protection and security. The Nicaraguan law recognizes and guarantees the legal rights of national or international investors, property rights and the right to dispose freely of the goods, capital and the profits of the company (everything as established under the law).



On-going reforms of the judicial system and administrative procedures are expected to continue to improve the business climate and help attract increasing amounts of foreign investment into Nicaragua. Recent government actions have included successful performance under an IMF program that required a significant reduction in the budget deficit and provided new resources and debt relief; opening a "one-stop office" for investors in the Ministry of Development, Industry and Trade (MIFIC), and completion of a decade-long privatization program.

Nicaragua is a member of the Central American Agreement for the Protection of Industrial Property, and there is full protection under the law for intellectual property, including patents, trademarks and brand names. Nicaragua is also a member of the World Trade Organization and therefore adheres to the Agreements on the Trade Related Aspects of the Rights of Intellectual Property.

Nicaragua's banking policies enable the free flow of financial resources to the private sector. Options to obtain credit include commercial and industrial loans,

various types of credit lines, factoring, leasing, and bonded warehousing.

The Country has signed and ratified a total of 19 bilateral investment agreements with Mexico, Spain, Taiwan, Denmark, the United Kingdom, the Netherlands, Korea, Ecuador and the Dominican Republic, among others. The U.S.-Central America Free Trade Agreement (CAFTA), includes investment protection obligations that supersede provisions of traditional bilateral investment agreement.

Mediation and Arbitration Law (Law no. 540)

- The Law governs two methods alternate to the judicial process (Mediation and Arbitration) to expeditiously solve any dispute resulting from contractual relations.
- It can be used by both national and foreign investors, and by the State of Nicaragua to resolve differences on property and non-property assets.
- It applies both nationally and internationally, without detriment to the treaties, Conventions, covenant or any other instrument of International Law subscribed by Nicaragua.
- In the arbitration proceedings, the Court shall be composed of highly trained professionals who have special expertise in the area relevant for resolving the dispute, who are freely chosen by the parties, under the procedures previously agreed upon by the parties, and without their nationality being an impediment to act as such, unless the parties have so decided.
- Unless otherwise agreed by the parties, the maximum time established by law for the Arbitral Tribunal to issue its final award is 6 months starting from its creation date.
- Agreements reached by the parties through a Mediation process as well as arbitration awards resulting from an Arbitration process are final and enforceable without delay under the rules established by the Code of Civil Procedure of Nicaragua.

Reason # 7: Timing

The approximately 76 million members of the baby boomer generation show a great interest in retiring to Central America. Most of these retirees will head for Mexico, Costa Rica, Nicaragua, Panama, Colombia, Belize or Brazil, all of which have beautiful beaches that thousands of Americans have already discovered.

But only a few of these countries are focused on developing a state-of-the-art national infrastructure. One that is likely to develop into a strong economy, with a burgeoning tourism market, yet boasts affordable property prices today that stand to increase many times in the near future. The one country that does have this is Nicaragua. Here's why Americans will start retiring to Nicaragua:

Bargain house prices

About two hours from Managua and half an hour from the Costa Rican boarder, the foundations are being set for a jet-set oceanfront destination in a small fishing village called San Juan del Sur. This peaceful pueblo holds the attraction of being close to major towns, accessible to tourism, has delicious restaurants, gorgeous beaches close-by, and an affordable quality of living. Beachfront home sites start at \$125,000 and ocean view homes as low as \$150,000.

Beachfront availability

Whether in California or Florida, beach front property is always a valuable investment. Nicaragua is no different. Most of the current retiree's who have purchased there plan to live in the US for the summer months and escape to their Nicaraguan getaway for the winter. They are always shocked and delighted to hear that it would cost them about 1/20 the price of buying a frontline beach house in Florida to buy a similar property in Nicaragua.

Domestic help

American retirees to Nicaragua can afford a standard of living that they could never imagine having in the United States. Live-in maids for example cost less than \$200 a month in many parts of the country. Some homeowners have sent their maids to culinary courses so they can learn to be gourmet cooks as well. Having someone to cook a gourmet meal, clean after a party, take out the trash, pick up the groceries, and do the laundry means that homeowners can truly enjoy their retirement, and spend more time on the beach!

Healthcare

Indeed, foreign residents, expatriates and tourists are finding that the quality of health care in Nicaragua far exceeds expectations. You can find excellent

personalized care as well as highly-trained, English-speaking doctors and state-of-the-art facilities. Most people are truly amazed at the diversity and level of quality care you can find if you know where to look.

High-quality care is not only accessible in country, but reasonably priced as well, with a wide range of coverage options for foreigners that can cover everything from maternity costs to international MedEvac insurance

Vibrant culture

Nicaragua's myriad cultures and traditions make it a fascinating and rewarding place to live. Active retirees can look forward to local festivals, holidays, eco tours, surfing, sports fishing, golf, tennis, horse-back riding, and of course, deserted beaches—in other words, Nicaragua offers much more than a 55yr+ gated community in the desert.

Investment potential

While prices in Costa Rica, Panama, and Belize have already peaked, Nicaragua has an excess of available oceanfront property. A basket of recently passed measures mean that prices will rise soon. Developers are buying beachfront property and investing hundreds of millions of dollars into small and large projects. Buying in Nicaragua today is similar to buying property in Costa Rica in the 1980s. Prices can only move up from here.

Safety

Safety in Central America is only a challenge in certain well-known dangerous areas, namely, the slums of El Salvador and Guatemala. A recent study by the Inter-American Institute on Human Rights and a survey of police forces in the Americas show that Nicaragua is the safest country in Central America and one of the safest countries in the world. Recent studies also point to Nicaragua's low reported crime rate -- lower than in Germany, France or the U.S.

Distance and access

Nicaragua is closer than you might think – a short 2 hours by plane from Miami, 3 hours from Houston, and less than 6 hours from Los Angeles. And anyway, getting there is half the adventure—since you're saving so much on property prices, why not fly first class?

(which costs about \$250 a year) to ensure that in case of an emergency (such as the need for open heart surgery) you'll be airlifted by jet to Houston or Miami from Nicaragua. Even out-of-pocket health expenses are uncommonly affordable by international standards. Inaugurated May 31, 2004, the \$23-million Hospital Metropolitano Vivian Pallas is being billed as the most modern, state-of-the-art private hospital in all of Central America.

In the News

The world's best kept retirement secret

MSN Money

The Next Big Thing

Men's Health Magazine

Paradise Discovered

L. A Times

The latest retirement haven

Miami Herald

U.S. citizens flock to Central America

Miami Herald

Nicaragua is today's land of opportunity

International Living

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