

Nicaragua

¡Crecamos Juntos! Let's Grow Together!



Potential for African Palm Plantations in Nicaragua

March 2016





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Executive Summary

Nicaragua: The Right Move for African Palm Production

PRONicaragua plays an active role in attracting and facilitating the establishment of innovative, socially responsible foreign direct investment (FDI) projects, which translate into new job opportunities for Nicaraguans.

The Agency is pleased to present the following information package, which contains general information on topics such as: key macroeconomic indicators, geographic and agricultural characteristics of Nicaragua's various regions, market access, fiscal incentives, labor regulations and costs, legal framework for FDI, and Nicaragua's remarkable potential for agribusiness processes, among other useful data. The latter part of this informative document presents more specific information about the potential for African palm production in Nicaragua.

Nicaragua, the largest country in Central America, provides significant qualitative and quantitative advantages for foreign investments. Chief among Nicaragua's competitive advantages are its high levels of personal safety and social stability, ample availability of a young and skilled workforce, competitive operational costs, and a strong legal framework for investments. Additionally, its strategic geographic location at the center of the Americas and preferential access to the world's most important markets, have made Nicaragua an ideal exporting platform.

Based on African Palm's agro ecological requirements, the Central and Atlantic Regions of Nicaragua are the most suitable regions in the country for its production and according to the Ministry of Agricultural, there are approximately 1,461,907 hectares suitable for the development of this type of crop.

Since the African Palm project implies both an agricultural component as well as an industrial operation for the oil extraction, the project is eligible to receive generous fiscal incentives. On the agricultural side, the project can benefit from the Tax Concertation Law, to receive exemption from import duties on agricultural machinery and equipment. Secondly, should the project encompass both exporting as part of its business strategy and a reasonable transformation degree of raw materials or intermediate goods, it can benefit from either the Temporary Admission Regime or the Free Zones Regime incentives.

Nicaragua's labor cost structure is one of the most competitive in the Americas; the agriculture and cattle sector has a minimum wage of US\$172.83 monthly per person. Furthermore, Nicaragua's Tripartite Agreement –a consensus between the Private Sector, Government and Unions– allows investors operating within the Free Zone Regime to project labors costs for the period between 2013 and 2017. This Agreement has signified a remarkable milestone in the country's growing social dialogue between different sectors, which implies a deep interest in supporting the economic development through employment creation.

Finally, throughout the document your company will note various maps that illustrate Nicaragua's general climate and soil profile, particularly: average temperature, relative humidity, potential use of soil, altitudes, among others that will support you to identify the great potential that the country has for this type of production.



Discovering Nicaragua

Nicaragua, the largest nation in Central America, is located in the heart of the isthmus between North and South America. The country is bordered by Honduras to the North and Costa Rica to the South, the Pacific Ocean to the West and the Caribbean to the East. It is a land of dazzling natural beauty, hospitable people, rich cultural traditions, and abundant investment opportunities.

Originally a colony, Nicaragua claimed its independence from Spain and became an independent Republic in 1821. Its culture reflects the heritage of the colonial period fused with native element.

2015 General Country Information	
Official Name	Republic of Nicaragua
Total Area	130,373.4 km
Capital City	Managua
Official Language	Spanish
Standard Time Zone	UTC/GMT – 6 hours
Temperature	Between 20°C and 35°C
GDP*	US\$12,159.0 million
GDP per capita*	US\$1,941.5
GDP Real Growth Rate	4.3 - 4.8%
FDI Inflows*	US\$1,500.0 million
Total Exports*	US\$5,093.3 million
Population	6.24 million
Annual Population Growth Rate	1.0%
Population under 39 years	76.1%
Human Development Index	0.614
Life Expectancy	74 years
Rate	97%
Labor Force	3.2 million
Unemployment¹	6.7%
Under employment	46%
Currency	Cordoba
Average Exchange Rate (2015)	C\$28.62 = US\$1.00
Accumulated Inflation Rate	2% - 3%

1. 2014 III Quarter Data.

Source: PRONicaragua, 2015.

*Estimated data

A Safe and Democratic Country

Nicaragua is a constitutional democracy with Executive, Legislative, Judicial, and Electoral branches of government. The National Assembly is unicameral and consists of 90 deputies elected from party lists drawn at department and national level, plus the defeated presidential candidates who obtained a minimal quotient of votes. The President and the members of the National Assembly are elected to concurrent five-year terms.



Also elected to the same five-year term is the Supreme Court, which supervises the Judicial System, and is chosen by the National Assembly. The Supreme Electoral Council (CSE, for its acronym in Spanish) is the co-equal branch of government responsible for organizing and conducting elections, plebiscites, and referendums. This government institution is led by a council of seven magistrates, who are elected, along with their alternates, to five-year terms by the National Assembly.

Freedom of speech is a right guaranteed by Nicaragua's Constitution and vigorously exercised by its people. Diverse viewpoints are freely and openly discussed in the media and in academia. Other constitutional freedoms include peaceful assembly and association, freedom of religion, and freedom of movement within the country, as well as foreign travel, emigration and repatriation. The Constitution prohibits discrimination based on birth, nationality, political belief, race, gender, language, religion, opinion, national origin and economic or social condition.

The 2015 Global Peace Index (GPI), published by the Institute for Economics and Peace, ranks Nicaragua as having one of the most peaceful and favorable business climates in Latin America. Nicaragua ranks second in Central America showing an improvement in the overall score. The GPI consists of 23 quantitative and qualitative indicators, which combine internal and external factors ranging from a nation's kindness towards foreigners, openness to international trade, level of military spending to its relations with neighboring countries and level of respect for human rights. The Institute for Economics and Peace is a global non-profit research organization dedicated to investigating the relationship between, business, peace and economic development.

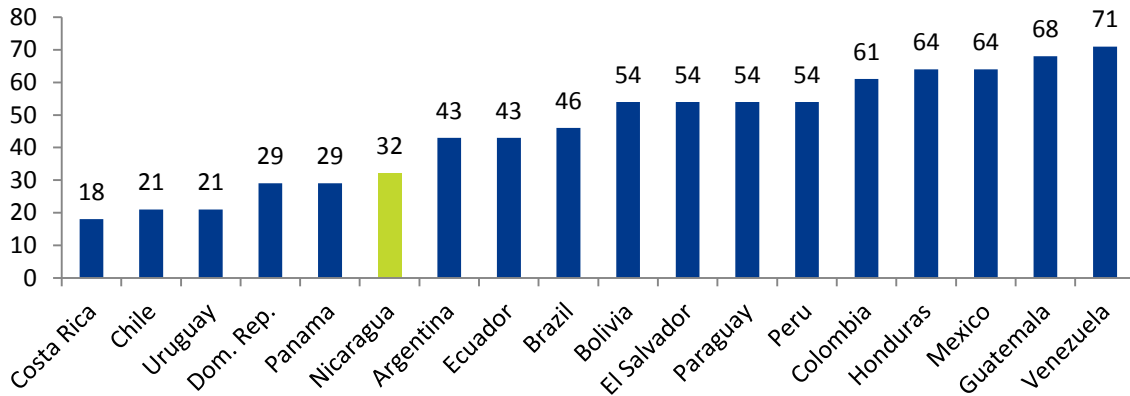
2015 Global Peace Index

Country	Position Among 162 countries
Costa Rica	34
Nicaragua	74
Honduras	116
Guatemala	118
El Salvador	123

Nicaragua's security levels have gained international recognition, as it has become one of the safest countries in the Western Hemisphere. Risk Briefing Services, part of the Economist Intelligence Unit, confirms this in its 2015 Country Risk Evaluation, which ranks Nicaragua as one of the safest country in Central America and Latin America. The EIU Security Risk report measures indicators such as armed conflict, demonstrations, organized crime and kidnappings in different countries around the world.



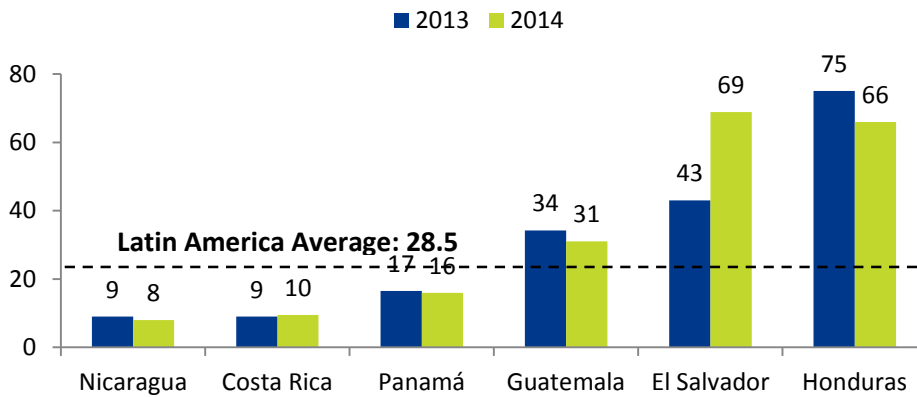
2015 Security Risk



Note: A rating of 100 equals more risk.
Source: Economist Intelligence Unit, 2015.

The homicide rate measures the number of homicides in each Central American country per every 100,000 inhabitants. The rate shows that Nicaragua holds the first position in Central America for 2014.

Homicide Rate (per every 100,000 inhabitants)



Source: Commission of Police Chiefs and Directors of CA, Mexico, the Caribbean and Colombia.

A Dynamic Economy

Nicaragua has experienced sustained economic growth because of prolific fiscal, financial, and currency exchange policies. Clear legislation and administrative procedures concerning businesses have promoted exports, as well as contributed to a strong inflow of foreign investment in recent years. Moreover, current macroeconomic policies have allowed the national economy to remain stable during the international financial crises, with an estimated growth between 4.3 to 4.8 percent in gross domestic product (GDP) and cumulative inflation rate that of 2 to 3 percent in 2015. International reserves also increased from US\$382.8 million in 2001 to US\$2,455.1 million in December of 2015.



Monetary Outlook

The Central Bank of Nicaragua established a “crawling peg” exchange rate regime whereby small daily adjustments are planned in the national currency exchange rate against the United States (US) dollar. For 1993, the “crawl” or depreciation with respect to the US dollar was established at 5 percent, which represents roughly a 0.0134 percent daily depreciation of the Cordoba. This successful system assures a high level of currency stability, while at the same time maintaining the country’s export competitiveness.

The official exchange rate is determined and announced daily by the Central Bank of Nicaragua (BCN) on its website, www.bcn.gob.ni.

Fiscal Outlook

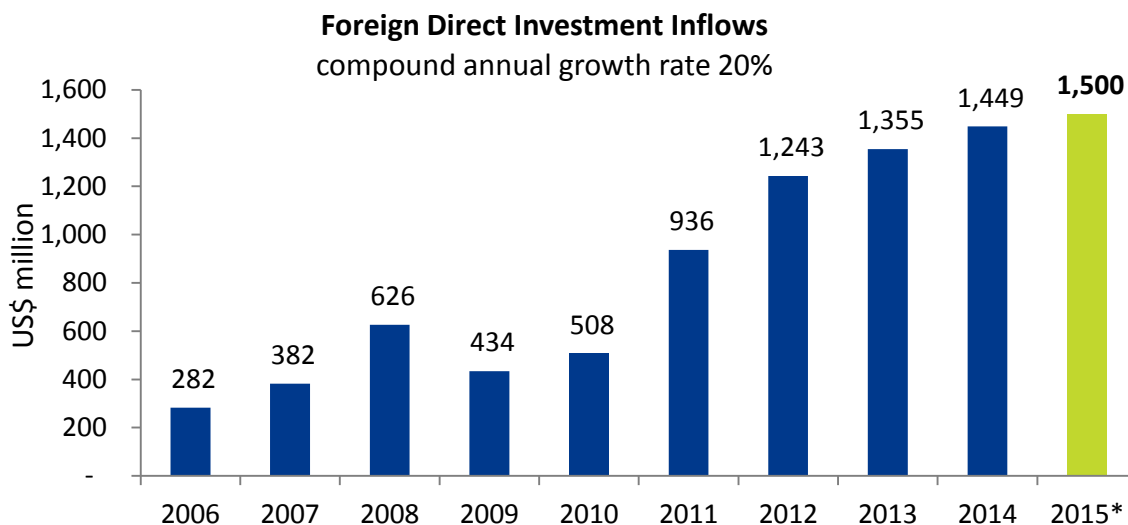
Tax reforms adopted by different governments over the past years have attempted to maintain economic stability, incorporating not only revisions to the national and local tax system, but also to the system of incentives for domestic production and exports.

Additionally, Nicaragua’s exemplary compliance with the International Monetary Fund (IMF) agreements have allowed it to access new sources of financing, concessional loans, and external debt relief.

Tax reforms are prepared by the Executive branch, refined in a first round discussion with the private sector, and then submitted to the legislature, where all sectors of the economy reach a consensus that is finally approved and published in The Gazette, official newspaper.

Foreign Direct Investment Inflows and Exports

It is estimated that Foreign Direct Investment Inflows in Nicaragua will reach reached US\$1,500.0 million in 2015, which represents a 3.6 percent increase compared to 2014. Nicaragua’s FDI Inflows registered a compound annual growth rate of 21 percent between 2006 and 2015; an increase that supports the country’s secure and stable business climate and solid legal framework.



Source: MIFIC, BCN and PRONicaragua. *Estimated data



The top five sectors were industry (40%), telecommunications (13%), financial (11%), energy (10%) and mines (9%), which comprised 84 percent of total foreign direct investment inflows in 2014.

Foreign Direct Investment Inflows by Economic Sector 2013-2014 (US\$ Million)

Sector	2013	2014	Variation (%)	2014 Participation
Industry	520.85	583.40	12%	40%
Telecommunications	136.29	189.59	39%	13%
Financial	141.50	163.61	16%	11%
Energy	56.70	145.70	157%	10%
Mines	273.64	135.25	-51%	9%
Commerce and Services	154.06	92.60	-40%	6%
Agriculture	54.42	76.06	40%	5%
Fishing	8.26	25.01	203%	2%
Tourism	22.31	14.83	-34%	1%
Forestry	19.32	12.05	-38%	1%
Construction	-	5.13	-	0%
Transportation	1.08	3.41	216%	0%
Total	1,388.44	1,446.82	4%	100%

Source: MIFIC, BCN and PRONicaragua

Nicaragua has reached more diversification of FDI Inflows source in the country, going from 22 countries in 2007 to 40 countries in 2014, which represent an 81 percent growth. Specifically in 2014, the top five sources of FDI Inflows were United States (20%), Panama (14%), Mexico (13%), Venezuela (13%) and Spain (6%), which together represented 66 percent of the total inflows of the country.

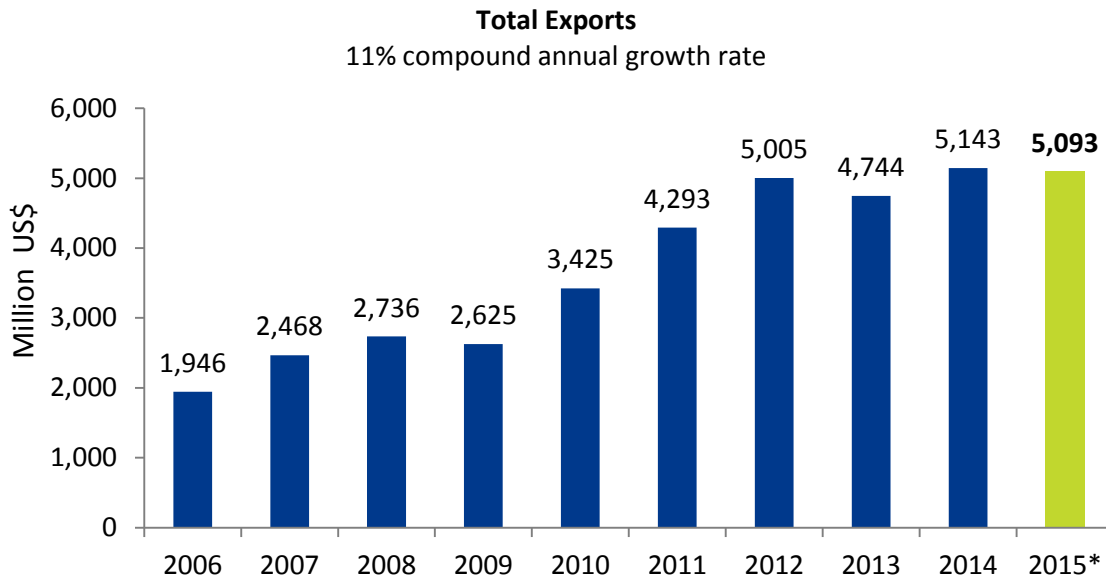
Foreign Direct Investment Inflows by Country of Origin 2013-2014 (US\$ Million)

Country	2013	2014	Variation (%)	2014 Participation
United States	410.33	290.23	-29%	20%
Panama	186.61	200.32	7%	14%
Mexico	206.84	191.65	-7%	13%
Venezuela	125.25	184.49	47%	13%
Spain	91.00	90.76	0%	6%
Switzerland	37.92	67.84	79%	5%
Korea	38.08	60.53	59%	4%
China	0.06	60.35	-	4%
Costa Rica	67.70	50.76	-25%	4%
Canada	52.45	48.47	-8%	3%
Other countries	172.20	201.41	17%	14%
Total	1,388.44	1,446.82	13%	100%

Source: MIFIC, BCN and PRONicaragua.



For 2015, it is expected that Nicaragua's total exports will reach the record figure of US\$5,093 million, which represents a decrease of 1 percent approximately when comparing to 2014. Furthermore, total exports has shown 11 percent compound annual growth rate from 2006 to 2015.



Source: Central Bank of Nicaragua (BCN). Estimated data

The top 10 export products of 2015 were: textile and apparel (26.7%); automotive harnesses (11.5%); bovine meat (9.2%); coffee (9.2%); gold (6.4%); cigars and tobacco (4.4%); dairy products (4.0%); sugar (3.2%); shrimp (2.7%); and peanut (2.2%).

Market Access

Nicaragua maintains prolific commercial relations with most countries of the world. It has been a member of the General Agreement on Tariffs and Trade (GATT), which later evolved into the World Trade Organization (WTO), since 1949, and has been a full member of WTO since 1995.

Nicaragua is also a member of the Central American Common Market (CACM) and has Free Trade Agreements with the European Union, Mexico, Dominican Republic, the United States, Chile, Panama, and Taiwan. It trades under the Generalized System of Preferences (GSP) with various countries, including Canada, Norway, Russia and Japan.

As a result of Nicaragua's engagement in various multilateral, regional, and bilateral negotiations, the country has successfully established preferential access to key markets, which adds to its strategic position and further qualifies it as an ideal export platform. Preferential agreements have become an important component of trade liberalization in Nicaragua, and the country continues to seek more opportunities to ensure its successful integration into international trade and the global economy.



The following charts describe Nicaragua's commercial agreements with different countries around the world:



Free Trade Agreements	United States, Mexico, Panama, Taiwan, European Union, Chile & European Union ¹
Central American Common Market	Free movement of capital, services and human resources in the region (CA-4). (Nicaragua, Honduras, El Salvador and Guatemala)
Preferential Access Agreements	European Union, Venezuela, Ecuador, Cuba, Bolivia, Colombia, Japan (GSP), Norway (GSP), Canada (GSP), Korea (GSP), Russia (GSP), Switzerland (GSP) & ALADI
Agreements under Negotiation	Ecuador, Canada, CARICOM & Cuba
Solidarity Union Agreements	Venezuela, Ecuador, Bolivia, Cuba, Antigua & Barbuda, Dominica & St. Vincent and the Grenadines
Recent Agreements	ALADI (Argentina, Bolivia, Brazil, Chile, Colombia, Ecuador, Mexico, Paraguay, Peru, Uruguay, Venezuela & Cuba)
Interest in Negotiating	Russia & MERCOSUR

¹ Ratification pending

Source: Ministry of Development, Industry and Trade (MIFIC for its acronym in Spanish)

The Free Trade Agreement between Central America, the Dominican Republic and the United States (DR-CAFTA), effective since April 1, 2006, has promoted the revitalization of the national economy by providing significant benefits to various sectors of the economy.



Investment Climate

Over the past years, Nicaragua has transformed itself into one of the safest and fastest-growing countries in Latin America. A stable, multi-party democracy, Nicaragua has ratified Free Trade Agreements with major markets such as the United States, the Dominican Republic (DR-CAFTA), Taiwan and Mexico, among others. The country has had free democratic elections since 1989 and has made significant progress towards strengthening its democratic institutions. Democracy and freedom are alive and well in Nicaragua. Its strategic location, favorable business climate, competitive cost structure, and productive workforce combine to make Nicaragua the right move for your next overseas expansion.

Foreign Investments Promotion Law (Law 344)

Nicaragua has made important progress in the improvement of its investment climate in efforts to continue attracting high-quality foreign direct investments. The main legislation that governs foreign investment consists of the Foreign Investment Promotion Law and its bylaws, as well as other sector-specific laws that provide incentives for investment.

The main incentives for investments are:

- Total currency conversion.
- Freedom to repatriate all capital and profits, dividends or earnings generated in the national territory, after paying pertinent taxes.
- Recognition of Copyright and Trademarks and Patents.
- Alternative dispute resolution between Investor-Government.
- No need for minimum or maximum investment amounts.
- 100 percent international ownership permitted; there is no discrimination against foreign investors, and the possibility that they may hold 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 and conditions 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).

All investors should abide by the current legal regime in Nicaragua and particularly, respect national sovereignty, public order, national culture and provisions related to conservation of the environment and protection of natural resources.

Mediation and Arbitration Law (Law 540)

The Law governs two methods alternate to the judicial process (Mediation and Arbitration) to expeditiously solve any dispute resulting from contractual relations, which can be used by both national and foreign investors, and by the State of Nicaragua, to resolve differences on property and non-property assets.



This law 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 six 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 Civil Procedure Code of Nicaragua.

Bilateral Treaties for the Promotion and Protection of Investments

The Government of Nicaragua has signed several Bilateral Treaties for the Promotion and Protection of Investments as part of its policy to encourage investment in the country. Bilateral investment treaties set standards for the promotion and legal protection of foreign investments and investors. All countries that have Free Trade Agreements with Nicaragua also include bilateral treaties for the promotion and protection of investments.

Bilateral Treaties for the Promotion and Protection of Investments

Taiwan (1992)	Korea (2000)
Spain (1994)	Netherlands (2000)
Denmark (1995)	Czech Republic (2002)
USA (1995)	Dominican Republic (2002)
Germany (1996)	Finland (2003)
United Kingdom (1996)	Italy (2005)
Chile (1996)	Belgium and Luxembourg (2005)
France (1998)	Guatemala (2006)
Argentina (1998)	Honduras (2006)
Switzerland (1998)	Costa Rica (2006)
Mexico (1998)	Panama (2009)
El Salvador (1999)	Russia (2012)
Sweden (1999)	European Union (2012)

Multilateral Commitments / Investor Protection Mechanisms

- International Center 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 of 1958)
- Inter-American Convention of Commercial Arbitrage of Panama.

Human Capital

Education

The Nicaraguan Government firmly believes that education is the foundation of a country's economic development, and has thus allocated a significant amount of the national budget to invest in primary, secondary and higher education. Education expenditures, including public Universities, amount to approximately 21 percent of the GDP.

As a result from the literacy campaign carried out by the government in 2007 with the slogan "Yes I can," a general literacy rate of 96.7% was reached. Based on the results of this campaign, the United Nations Educational, Scientific, and Cultural Organization (UNESCO), declared Nicaragua as a territory free of illiteracy, for presenting an illiteracy rate lower than 4%. In 2012, the Central Bank of Nicaragua reported a literacy rate of 97 percent.

Higher and Technical Education

In the country, there were 56 higher education institutions recognized by the National Council of universities (CNU, for its acronym in Spanish) by 2013, which 46 of them has an estimated total enrollment of over 171,000 students, according to an independent study carried out by PRONicaragua. Additionally, there is a university certified by the United States of America and three bilingual university programs.

Another study made by the agency in 2013 shows that there were 396 private formation centers registered in the Technologic National Institute (INATEC, for its acronym in Spanish). Additionally, this institution has 43 own formation centers. In 2013, there were more than 136,000 enrolled students in fields such as electronics, computing and sciences, agroforestry, construction and business related services.

INCAE Business School, a prestigious regional business school affiliated with Harvard University, is located on the out skirts of Managua. The institute is ranked as number one in Latin America and trains experts in international management, ready to offer its services to world-class companies.

English Skills

Although the official language of Nicaragua is Spanish, English is increasingly popular. For historical reasons, there is a cultural affinity with the United States; the country is also experiencing the "return of brains and talent" phenomenon, where a large group of people who emigrated in the past has returned to Nicaragua, bringing with them the English language skills and international business experience.

According to a study carried out by PRONicaragua about the Spanish and English speaking population, showed that the interest of Nicaraguan in speaking English as a second language is growing fast. The results of the study showed that in 2013, there were almost 23,000 students



learning English in public and private language centers; furthermore, almost 9,300 students finished the study program. In addition to the population in public and private language centers, there were 226 students enrolled in bilingual secondary schools and more than 4,000 students enrolled in universities that offer degrees in English, pedagogy in English or the classes are taught in English.

Workforce

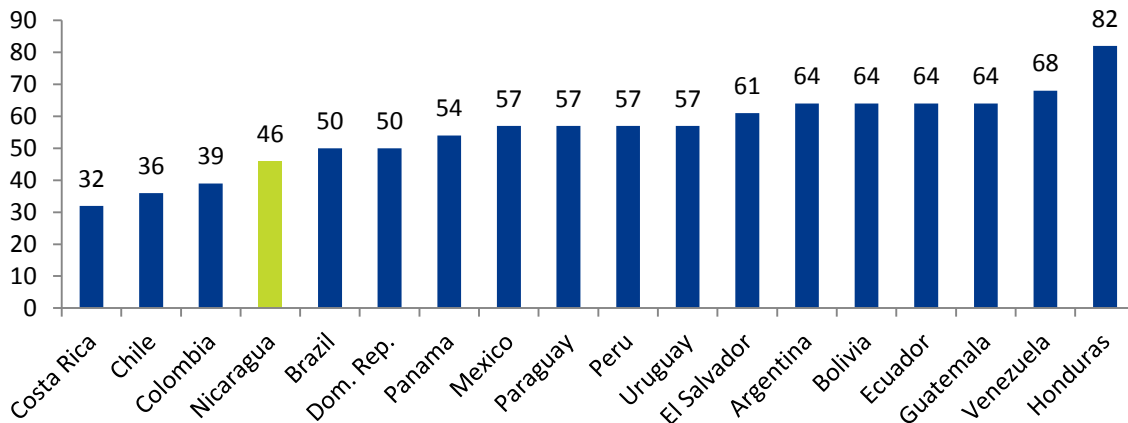
Nicaragua's population is characterized as flexible, with good work habits, fast learners and low rates of absenteeism and turn over. This has allowed Nicaragua to be one of the most competitive and productive nations of the region in terms of human capital.

The official unemployment figure for the third quarter of 2014 was 6.7 percent and according to National Social Security Institute (INSS, for its acronym in Spanish) statistic, in 2014, the economic activities which generated more jobs were social and personal services, manufacturing industry, commerce, hotels and restaurants.

The number of active insured members before INSS has increased substantially in recent years, from 471,856 in 2007 to 673,466 in 2013, an increase of 43 percent.

The Economist Intelligence Unit positions Nicaragua as the second country in Central America with the greatest labor market stability, according to its 2015 *Labor Market Risk Index*. This index measures various indicators such as: union strength, labor disputes, wage restrictions and hiring and firing restriction.

2015 Labor Market Risk



Note: A rating of 100 equals more risk.
Source: Economist Intelligence Unit, 2015.

The following chart presents the number of people affiliated to the social security by different economic activities over the last two years.



Social Security Affiliates (Thousands of people)			
Economic Activity	2013	2014	Variation
Community, social and personal services	228.12	236.05	3%
Industry	152.02	153.93	1%
Trade, hotels and restaurants	109.15	127.40	17%
Agriculture	63.15	67.03	6%
Financial Institution	61.14	64.27	5%
Transportation and communication	25.45	26.70	5%
Construction	21.92	21.68	-1%
Electricity, gas and water	7.81	8.16	4%
Mines	4.70	4.81	2%
Total	673.47	710.03	5%

Source: Central Bank of Nicaragua.

Labor Law

The minimum guaranties of the Nicaraguan labor rights are privileged with constitutional protection and include the right to:

- 1) Equal salary for equal work in the same conditions without discrimination on political, religious, social, gender reasons or any other kind;
- 2) 8-hour workday, weekly rest, vacations, remuneration for national holidays and Christmas bonus in accordance with the law; and
- 3) Social security for full protection and livelihoods in cases of disability, old age, occupational hazards, sickness and maternity; and their families in cases of death, in the form and manner prescribed by the Law.

The Labor Code is mandatory for all natural or legal person established in Nicaragua. Workers cannot waive to their rights in favor.

Spanish will be the default language to use in all labor relations. In case of those carried out the Caribbean Coast of Nicaragua, the languages of its communities will be used.

It is mandatory for employers to hire at least 90% of Nicaraguan employees; except if the Ministry of Labor (MITRAB, for its acronym in Spanish) authorizes the employers to hire more foreign employees for technical reasons.

Foreigners that want to work in Nicaragua must obtain a permission granted by the General Immigration Department (DGME, for its acronym in Spanish).

Types of Labor Shift

- Day shift: Work undertaken between six in the morning and eight at night is considered a day shift. Regular day shift hours are 8 working hours daily for 48 hours per week.



- Night shifts: Work undertaken between eight at night and six in the morning of the following day is considered a night shift. Regular night shift hours are 7 working hours daily for 42 hours per week.
- Combination day-night shifts: A combined work shift is 7.5 hours per day for a 45-hour workweek.
- Overtime: Work outside regular working hours is always considered overtime. According to the National Labor Code, for overtime employers must pay twice the amount stipulated for regular working hours. A maximum of 3 hours beyond regular hours may be worked, not exceeding a total of 9 hours per week.

Types of Employment Contract

The individual employment contract is most of the time indefinitely, unless the parties have agreed the term.

If the fixed-term contract expires and the employee continues working for 30 more days, or if the contract is renewed for the third time, the contract will be considered as indefinite.

Fringe Benefits

Total social benefits amount is 48.5%. In some cases, there is an agreement about the cash payment of holidays and vacations when the employee does not take them, but it is not mandatory for the employer since the employee should take those days off.

Costs for the Employer	% of Ordinary Gross Income
Vacation	8.33%
Christmas bonus – 13 th month	8.33%
Termination compensation	8.33%
Holidays	3.01%
Social security	18.5% ¹
National Technologic Institute (INATEC, for its acronym in Spanish)	2.0%
Total	48.5%

Source: Labor Code of Nicaragua

- Paid Vacations: All workers have the right to 15 take continuous days of vacation, fully paid, for every six months of uninterrupted labor for the same employer.
- Christmas Bonus (13th Month): For each year of continued labor, all workers are entitled to a 13th month of salary (Christmas bonus). The amount of the 13th month is equivalent to a monthly salary. If the worker does not have a year of continued labor, the 13th month is calculated proportional to the months worked. The 13th month must be paid within the first 10 days of

¹ The 18.5% rate applies for 2016. It will rise to 19% in 2017.



December. If the employer fails to comply, he or she must pay a compensation equal to one day's worth for each day of delay.

- **Severance Payment:** As a general rule, an employer can fire an employee without cause, as long as the employer pays a severance payment according to the Article 45 of the Labor Code. This payment also applies if the labor relation ends by mutual agreement or quit and consist in a payment of a month of salary per each worked year, during the first three years; and 20 days of salary per each additional worked year after the fourth year, no more than 5 months of salary. The application of Article 45 has some limitations in cases of workers with union privileges.

When an employee is fired for any of the justified causes enlisted in Article 48 of the Labor Code (and with the Ministry of Labor authorization), it is not mandatory for the employer to pay the severance payment to the employee; nevertheless, the proportional vacation and thirteenth month must be paid.

In case of fixed-term contracts and unfair dismissal, the employer must pay to the employee every pending month of salary until the expiration of the agreed term.

After the expiration of a fixed-term contract, the employee is not entitled of severance payment because it only applies on indefinite term contracts.

The list of national Holidays with full salary benefits is the following:

1. January 1st (New Year)
2. Maundy Thursday (Easter week)
3. Good Friday (Easter week)
4. May 1st (International Workers Day)
5. July 19th (Commemoration of the Triumph of the Sandinista Revolution)
6. September 14th (San Jacinto Battle)
7. September 15th (Central America Independence day)
8. December 8th (Feast of the Immaculate Conception of Mary)
9. December 25th (Christmas)
10. Patron Festivities (2 days for Managua and 1 day for other cities)

Social Security

Every employee must be registered in the Nicaraguan Social Security Institute (INSS, for its acronym in Spanish) within three days of beginning employment.

The employer must withhold the social security contribution (6.25%) from the employee's salary, and monthly pay the employer's contribution (18.5%) along with the employee's contribution to the INSS.

From 2016, every 1st of January, the INSS will set the salary object to contribution by applying the annual change of the average salary of the monthly insured people.



INATEC

In addition to social security, the employer must pay a contribution of 2% of the payroll to the National Technologic Institute (INATEC, for its acronym in Spanish), destined to a fund created to promote technical education.

INATEC offers capacitation programs in various disciplines at very affordable costs. By law, the percent of the employee's salary will be withheld and delivered to INATEC to be applied to the cost of offered courses in the institute, or to be used in training seminars or courses offered by the employer.

Maternity Leave

Female workers are entitled to a maternity leave that consists of a prenatal rest of 4 weeks and a postnatal rest of eight weeks, both fully paid. The prenatal rest is given pending on the due date certified by a physician. If the worker does not take all the prenatal due to an early birth, she is entitled to add the days she did not rest to the postnatal rest period.

Sick Leave

There are no limits on the amount of sick days that an employee can take. However, if the sick leave is extended for more than 12 months, a Medical Committee of the INSS must evaluate the worker's total disability.

Doctors authorized by the INSS are the only ones that can grant subsidies for health reasons. The worker must present to the employer a physician's certification justifying the proposed rest and its duration.

During the period that the subsidy lasts, INSS pays to the employee 60% of his/her regular salary and employers are not required to pay the remaining 40%.

Unionization

The National Constitution and Labor Code grant workers the right to join or form unions. If a company or business has 20 or more workers, they have the right to form a union and negotiate collectively.

Strikes are allowed if employees meet certain requirements, including a preventive attempt of mediation in the Ministry of Labor (MITRAB, for its acronym in Spanish).

The directors of a union enjoy union immunity. To be dismissed, the law requires employers to demonstrate a rightful cause and obtain the approval of the MITRAB. Those employers who violate this disposition can be forced to reinstate the worker.



Minimum Wage

According to the Ministry of Labor (MITRAB, for its acronym in Spanish), the 2015 minimum wage by law for an agricultural worker is of US\$ 172.83, including fringe benefits (48.5%). The minimum wage established by law for operations of the Free Zone Regime US\$ 242.36, also including fringe benefits.

The Minimum Wage Law (Law 625) states that minimum wage is fixed every six months according to the details of each job and industry. This fixation may be per unit of time, work, or task, and can be calculated per hour, day, and week, per fourteen days, fortnight or month.

The factors considered in adjusting this wage include the required nutritional and caloric values and quantities necessary to maintain the health of an average family, general salary levels, cost of living, social security benefits and the living standards of other social groups as well as the higher wages paid by the State.

Nicaragua is the most competitive platform for labor intensive operations in the region. The following chart describes the minimum wage for all the economic sectors in Nicaragua, including the fringe benefits. You can notice in green color the minimum wage for the operations involved in agricultural and manufacturing operations.

Minimum Wage per Economic Activity

Sector	Monthly in US\$	Hourly in US\$
Agricultural*	172.83	0.83
Fishing	262.79	1.26
Mines and Quarry	310.39	1.49
Manufacturing Industry	232.39	1.11
Free Zones Regime Industry	242.36	1.16
Electricity, Gas and Water, Commerce, Restaurant and Hotels, Transport, Warehouse and Communications.	186.59	0.89
Construction, Financial Establishments and Insurance	317.00	1.52
Community, Social, Domestic and Personal Services	386.77	1.85
Central and Municipal Government	242.29	1.16

**Minimum Wage does not include food.*

Exchange Rate: 28.62, 2016 average. Fringe Benefits are included.

Source: Ministry of Labor (MITRAB), Valid from March 2016. Free Trade Zones valid from January 2015.

If an employer negotiates a higher salary than the minimum wage established by the government, the employer may not lower the agreed upon salary afterwards.

Minimum Wage - Agribusiness sector

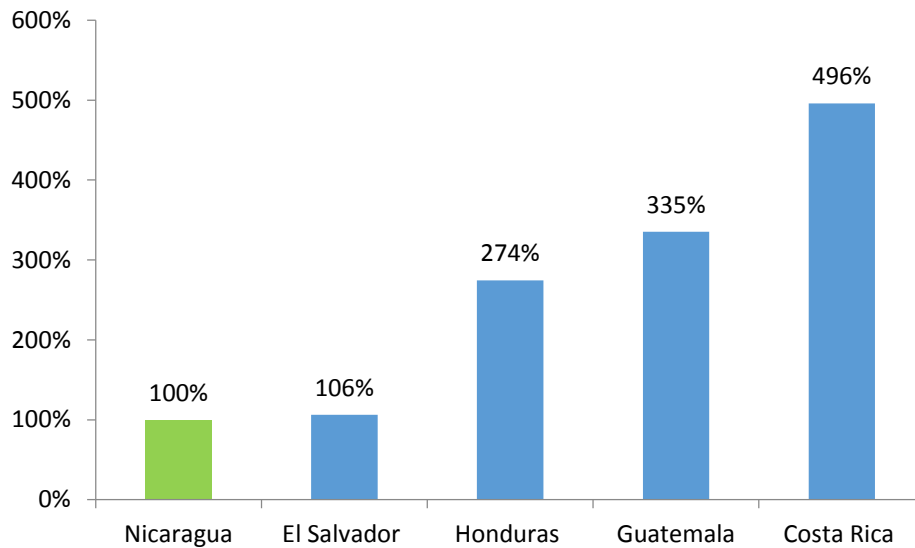
The minimum wage for the agribusiness sector applies to all the companies engaged in primary production in Nicaragua. An African Palm plantation project should pay at least the minimum wage



established by Law. Below is a chart describing the final cost of labor in Nicaragua, including the fringe benefits.

2016 Minimum Wage (fully loaded)		
Country	US\$ per Hour	Base 100
Nicaragua	0.79	100%
El Salvador	0.84	106%
Guatemala*	2.18	274%
Honduras	2.66	335%
Costa Rica	3.93	496%

*Includes bonus per law.



Minimum Wage – Tripartite Agreement for the Industrial Sector (Free Zone Regime)

Nicaragua is the only country in Latin America that has defined its minimum wage for the next three years, providing not only stability and predictability for investors, but also enabling them to more effectively make financial plans for their businesses.

On January 20, 2010, the Nicaraguan Government, union leaders and the private sector signed an agreement establishing salary adjustments in the free zone sector for the next three years (2011 - 2013) with the aim of both protecting and promoting job growth. This is the second time an agreement of this type has been made. The first agreement was signed in March 2009 when minimum wage adjustments were agreed for 2009 at 8 percent, and 2010, at 12 percent (in Córdobas, the local currency).

This decision provides certainly for companies operating as Free Zone, as they are able to project labor cost for the period between 2013 through 2017. This is an unprecedented, accomplishment in the whole region that shows Nicaragua's openness for investment and reflects the country's favorable business climate.

- Year 2014: increase of 8% in Córdobas, or 2.9% in US\$*
- Year 2015: increase of 8% in Córdobas, or 2.9% in US\$*



- Year 2016: increase of 8% in Córdobas, or 2.9% in US\$*
- Year 2017: increase of 8% in Córdobas, or 2.9% in US\$*

* Accounting for 5% annual devaluation rate of the Córdoba against the US Dollar

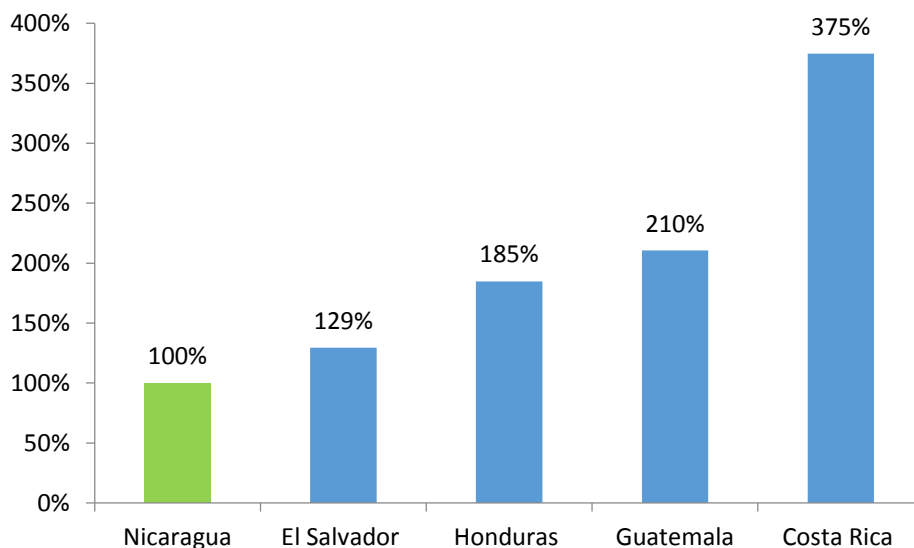
Benchmarking Minimum Wages: Nicaragua vs. Central America

The Government of Nicaragua, union leaders and the private sector signed an agreement on minimum wages to protect employment in the Free Zones sector over the next three years. This agreement, the only one of its kind in the region, provides investors with labor costs predictability, which facilitates companies financial planning.

Minimum wages in Central America for 2016 are the following:

Country	2016 Minimum Hourly Wage US\$ (Fully Loaded)
Nicaragua	1.16
El Salvador	1.50
Guatemala	2.15
Honduras	2.45
Costa Rica	4.35

Source: Labor Ministry of Each Country



It is worth noting that the ordinary work week in Nicaragua is 48 hours, whereas Guatemala, Honduras and El Salvador have 44 hours work weeks.



Suitable Land & Production Capacity for African Palm

Nicaragua is divided into four major regions that present well defined climate, soil and topography characteristics. These regions are: the Pacific, Central, North and Atlantic (Caribbean), and they are shown on the following graph:



Historically named the “breadbasket of Central America”, Nicaragua is known for its ideal climate and fertile soils with optimum conditions to produce a wide variety of agricultural products, from quality forestry plantations in the Atlantic region to shrimp cultivation and industrial fishing operations in the coastal areas of the Pacific and the Caribbean Sea.

The country’s most fertile lands are found in the **Pacific region** and it is where the greatest quantity of fruits, vegetables, sugar cane, and root tubers is produced. The northern Pacific region, known as Northwest Nicaragua or *Occidente*, is home to the majority of the industries related to the production of oil seeds, meat and shrimp. The departments of Managua, León, and Chinandega comprise most of Nicaragua's agribusiness and food industry activities.

The Northern zone is the most mountainous region of the country, where you will find some of the coolest temperatures in Nicaragua (24°C / 75°F annual average). This zone is the main coffee-producing and exporting region of the country. The region also has a lot of potential for the cultivation of vegetables and ornamental plants. The **Central** region has 50 percent of the cattle herd and is the main dairy production center in the country.

The **Atlantic** region has abundant rain, between 2,500 and 5,000 mm per year. It has great potential for forestry plantations and for crops such as **African palm**, rubber and others that require high precipitation levels. The country has more than 3.5 million hectares of forestry potential, with



approximately more than 19,000 km² of economically valuable natural forests apt for sustainable management projects, the majority of which are found in the Atlantic region. Over 1.8 million hectares of land are suitable for forest plantations of species with commercial value, including royal cedar, mahogany, pochote, teak, eucalyptus and melina.

Potential for African Palm Production in Nicaragua

As mentioned before, the Caribbean Region in Nicaragua presents all the adequate conditions for the development of African palm plantations. This region counts with an abundant average of precipitations, between 2,500 and 5,000 mm per year, well distributed throughout the year.

For tropical countries, African palm, also known as oil palm, (*Elaeis guineensis Jacq*) represents a crop with high development potential for the future. This specific palm produces 10 times as much as the oil yield from most other oil crops. With recent genetic material, the difference in oil yield is even sharper in favor of African oil palm. Moreover, health problems or diseases attributed to trans-fats result in oil palm becoming the preferred source to the processing of vegetable oils and derivatives.

This plant produces two important oils: (1) palm oil, which is soft and is widely used in oleomargarine, lard and in fats necessary for both cooking and industrial manufacturing of many other products for human consumption, and (2), palm kernel oil (palm kernel) that is high in lauric acid, which in turn produces excellent foam soaps. Besides these products, vegetable oils are also being transformed into many other products for technical use, such as: biofuels and natural biological oils.

From an energy consumption standpoint, one has to take into account the rather pessimistic forecasts related to a short lifespan of the planet's petroleum reserves and the negative impact of this industry in environmental terms, reflected both in air pollution as well as in greenhouse effect. Hence the importance of producing fuels from renewable sources, with cleaner combustion.

Nicaragua has more than 1.4 million hectares suitable for African Palm plantations in the North Autonomous Atlantic Region (RAAN, by its acronym in Spanish), South Autonomous Atlantic Region (RAAS, in Spanish) and Rio San Juan department, with no need of irrigation, of which one million are already deforested.

History of the Crop in Nicaragua

African palm plantation activities in Nicaragua began between 1945 and 1950 by Kukra Development Company, a subsidiary of United Fruit Company, with approximately 500 hectares of DURA DELI vegetative material from Honduras, in the communities of La Esperanza (located by the shores of the Siquia and Rama Rivers). Oil extraction activities took place for a period of 10 years. This venture came to an end because of various factors, including bad genetic material, careless maintenance, sanitary problems and poor handling methods.

By 1950, experimental plantations were created in the El Recreo and Kukra Hill stations. Authorities' interest in both plantations diminished in time, probably because of the cotton boom happening at that moment in the Pacific region of Nicaragua.



In 1969 there were some recognition surveys throughout the Caribbean, and in 1972 a 10-hectare test crop was cultivated at Santa Fe farm, in the department of Río San Juan. Despite having no appropriate maintenance, local production yielded in average 15 tons of bunches per hectare.

In 1975, FAO (the Food and Agriculture Organization of the United Nations) conducted some studies in the Escondido River basin. In 1976, IRHO and the national property registry (called in Spanish as “Catastro”) put together a 3,000-hectare project in El Castillo, Río San Juan. In 1978, the United Brand Company created a small plantation of 1 hectare in Siksahwas, near Cruz de Río Grande (Palma guinensis, and Melanococca hybrids).

From 1984 to 1987, 1,200 hectares of African Palm were planted in the municipality of El Castillo. In 1988 the Ministry of Agriculture (called MIDINDRA at the time) organized 8 cooperatives for African Palm, with the purpose of achieving production and commercialization with the industrial factory ENDEPARA, owned by the state. This factory had a capacity for processing 6 tons of fresh fruit bunches per hour, with a future expansion to process 12 TM/RFF/Hour.

Production started in 1990, trading through ENDEPARA, the African Palm Development and Agrarian Reform Company (or *Empresa de Desarrollo de Palma Africana y Reforma Agraria* in Spanish), which was a part of CORNAP, the public institution that administers State-owned properties. ENDEPARA and palm cooperatives produced approximately 600 tons of fruit, which due to decreasing international prices, disorganized cooperatives, and low production volumes, the Government decided to close the operation after only 4 months.

In 1994, after four years of constant economic losses, the factory was bought by a group of investors called, E. Chamorro Industrial. They operated the factory for a period of six years; during those years the company was able to achieve the harvest and commercialization of 64,448 tons of fruit, with an average performance between 12.5 to 14 tons of fruit per hectare.

With the re-opening of factory operations, a project called “Revitalization of the African Palm Project” was executed with great success allowing crop plantations to restart successfully. In 1996 the eight palm cooperatives became the Union of Palm Cooperatives, R. L (UCOPA, R. L for its acronym in Spanish). In order to improve cooperatives’ management, in 1999 UCOPA, R.L. implemented another project for the establishment of a palm nursery of 180 hectares, which turned out very successful.

In the year 2000, E. Chamorro Industrial decided to close its African palm industrial factory due to a decrease in prices per ton of crude oil in international markets, and also due to low productivity volumes that the cooperatives were delivering. In 2003, UCOPA, R. L. was liquidated and another cooperative was created: “Multi-sector Cooperative for Palm Entrepreneurs”, aiming to improve and strengthen the business operation and management of the cooperatives.

It was not until June 2005 that investors from the company “Palmares de El Castillo” (PALCASA), restarted operations in the industrial factory, launching once again the commercialization of the cooperatives’ production. During that year, the Austrian cooperation financed a project worth US\$18,000.00, called “Institutional Strengthening of COMEPA, R.L.”. This project was carried out with the purpose of building more business management capacity in the context of reopened operations.



It is estimated that, at present, PALCASA has an estimated production area of 6,500 hectares. Additionally, COMEPA manages approximately 500 hectares in production. There is an average of 8 tons per hectare and a nursery for the establishment of 1,200 more hectares in the municipality of El Castillo. There is also an estimated 7,500 hectares of plantations in Kukra Hill, managed by the company: Agroindustrial de Oleaginosas S.A. (AGROSA), which is working in partnership with Costa Rican group NUMAR.

Additionally, during 2011 and 2014, an important group of foreign and national companies decided to invest in Nicaragua in African palm plantations, more than 15,000 hectares will be planted in the next years in the South Caribbean Autonomous Region, specifically at El Rama and Nueva Guinea. There are other companies also interested in investing in African Palm in Nicaragua that are planning to plant more than 10,000 hectares in the North Caribbean Region.

Next, you will be able to find a chart with information about the investment projects that are being developed in the palm industry in Nicaragua:

Location	Total Area (Ha)	Production Area (Ha)
RAAS	9,500	9,500
RAAS	4,750	4,750
RAAS	4,500	4,500
RAAS	3,500	0
RAAS	800	400
	23,050	19,150

Source: Chamber of African Palm Growers (CAPROPALMA for its acronym in Spanish), 2014.

Description and Information of the Crop

Agricultural and industrial management of African palm is relatively easy. It is a high profitable crop and is a good choice for the lowlands of tropical regions. The leaves are often cut, so they do not impede the development of bunches. Expected production is between 12 and 14 bunches per year, each one having between 20 to 30 kilograms. The African palm starts to produce and to cover expenses since the 18th to 24th month.

Production is economically viable for 25 years. The average yield of oil in Nicaragua is between 3.8 and 4.2 tons per hectare per year, but when improving the technological conditions and producers' capacity, yield can rise up to 5.5 to 6.0 tons of crude oil per hectare per year. In Nicaragua there are about 15,000 hectares of African palm.

Climate

Monthly average temperatures between 25°C to 28°C are favorable, if the average minimum temperature is not lower than 21°C. Temperatures of 15°C restrict the growth of nursery seedlings and reduce the performance of adult plants. Precipitation levels between 1,800mm and 2,200mm is ideal, if it is well distributed in each month. Rainfall of 1,500mm per year, with monthly averages of 150mm is also adequate. Relative humidity must exceed 75%. The oil palm is well adapted to heights of 500mt above sea level and the equator line, between 15° north latitude and 15° south latitude.



Soil

The physical and chemical characteristics of soils influence the development of the oil palm, particularly in marginal climatic zones. Similar to the coconut palm, the oil palm is favored on deep, loose and well drained soils. The oil palm resists low acidity levels, even pH4. Too alkaline soils are detrimental.

Agro-ecological Requirements	
Weather	Humid tropical
Soils	The best soils are loamy, deep and slit loamy. Soils with extreme textured must be avoided, especially those that are clayey and sandy. Well drained soils are required to avoid land washing and nutrient leaching.
PH	Between 4.5 and 7.5 is ideal, but it can be adapted from 3 to 8.2.
Rainfall	Optimal levels are between 1,600mm and 4,000mm per year, with 150mm per month. When precipitations levels are lower than 1,500mm per year, it is required to have complementary irrigation in the driest months.
Altitude:	0 to 500 meters above sea level
Slope	Up to 15%
Temperatures	23-27°C is optimal, and the crops adapts between 20°C - 35°C. Temperatures below 19 °C are prejudicial.
Relative humidity (RH)	70 – 90%
Luminosity	1500-2000 light hours per year

Source: Ministry of Agriculture and Forestry (MAGFOR 2012)

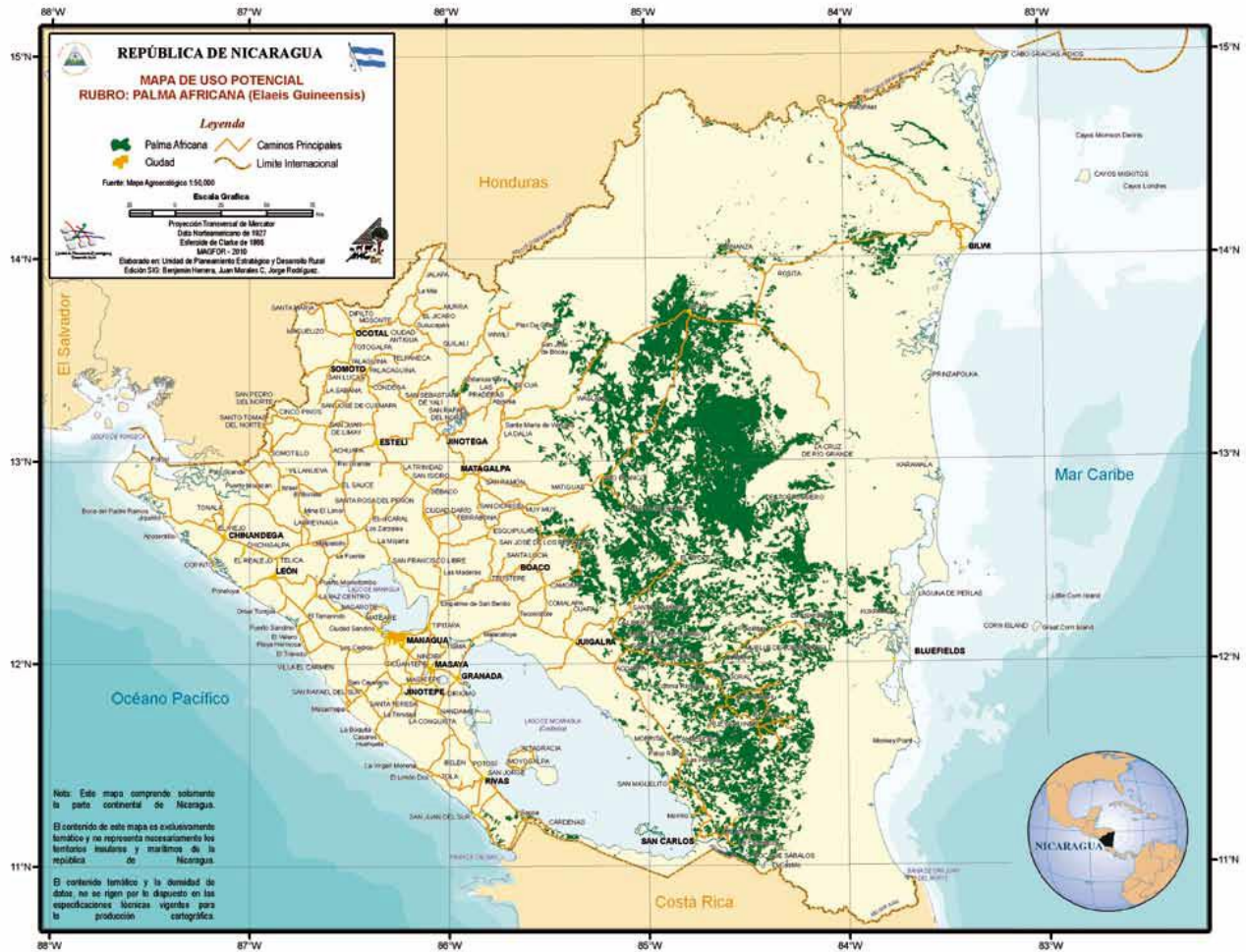
Suitable Land for African Palm

There are more than 1.4 million hectares of land apt for African palm plantations in Nicaragua. As explained before, the Atlantic Regions of Nicaragua are the best locations for growing these types of crops in the country.

In order to help the investors find the best locations for agribusiness projects, PRONicaragua can request to the Nicaraguan Institute of Territory Studies (INETER, for its acronym in Spanish) the conduction of a macro-localization study based on the client's technical needs and specifications, including -but not limited to- altitude, average temperature, type of soil, pH, drainage, precipitation, humidity, and other factors. INETER's macro-localization studies have been a valuable tool, and the starting point, to narrow down extensions of land where the actual specific properties can ultimately be identified (micro-localization).



The following map depicts the areas that gather the optimal conditions for the establishment of African palm plantations.



Source: Ministry of Agriculture and Forestry (MAGFOR)

Thematic Maps

In the next pages you will find useful thematic maps, which depict such elements as average temperatures, relative humidity indexes, precipitation and soil potential for the country's different regions. These maps are available in higher resolution to PRONicaragua clients upon request.



Average Temperatures

The adjacent map presents average temperatures for the period between 1971 and 2000. Temperature is shown in degrees Celsius.

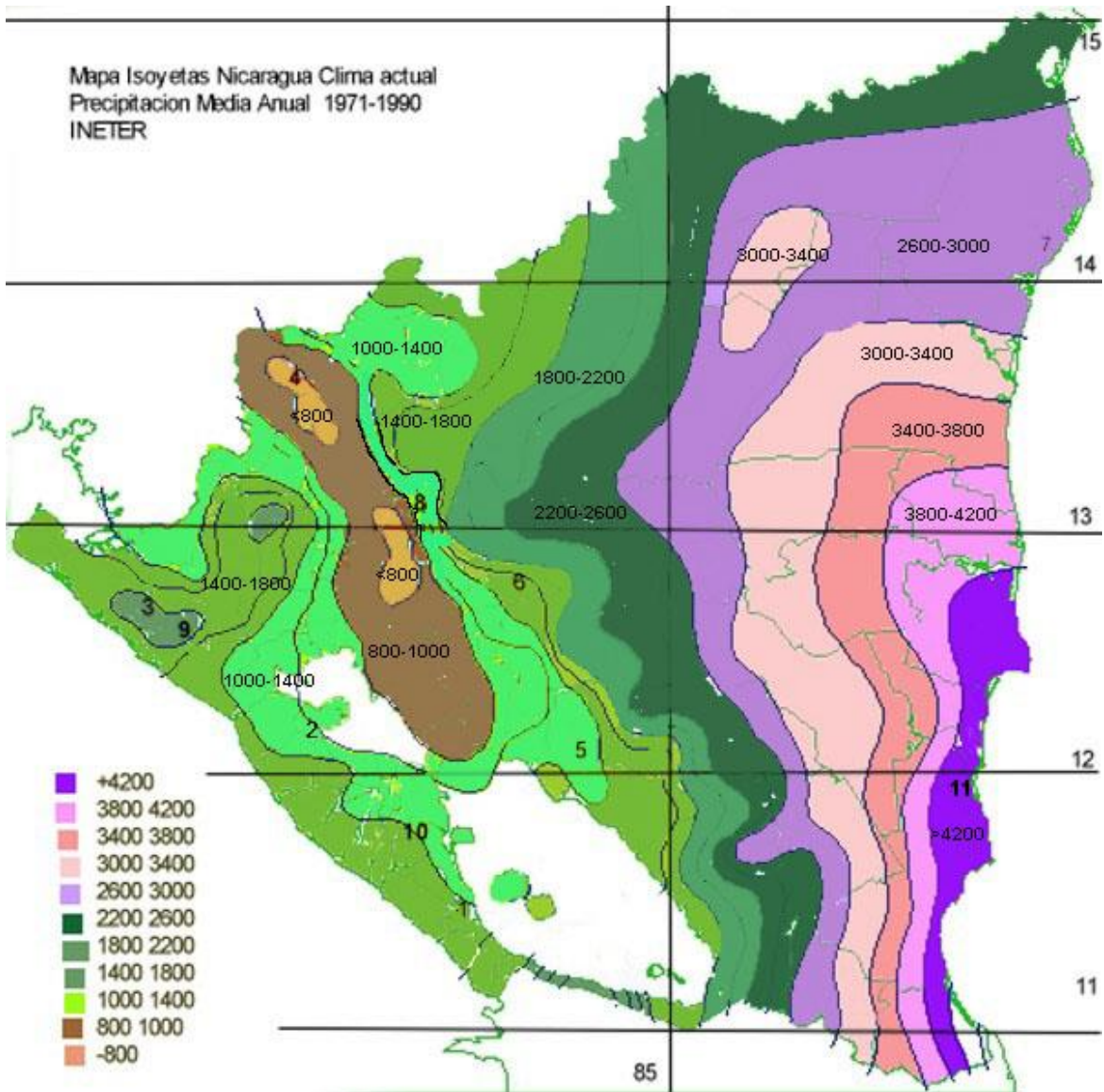


Source: Nicaraguan Institute of Territory Studies (INETER, for its acronym in Spanish. INETER monitors Meteorology, Seismic and Cartographic information).



Precipitation Indexes

As it was previously explained, the Caribbean Region presents the highest precipitation levels in the country. The following graph depicts Average Annual Precipitation in the country, for the period between years 1971 and 1990. Figures are expressed in millimeters.

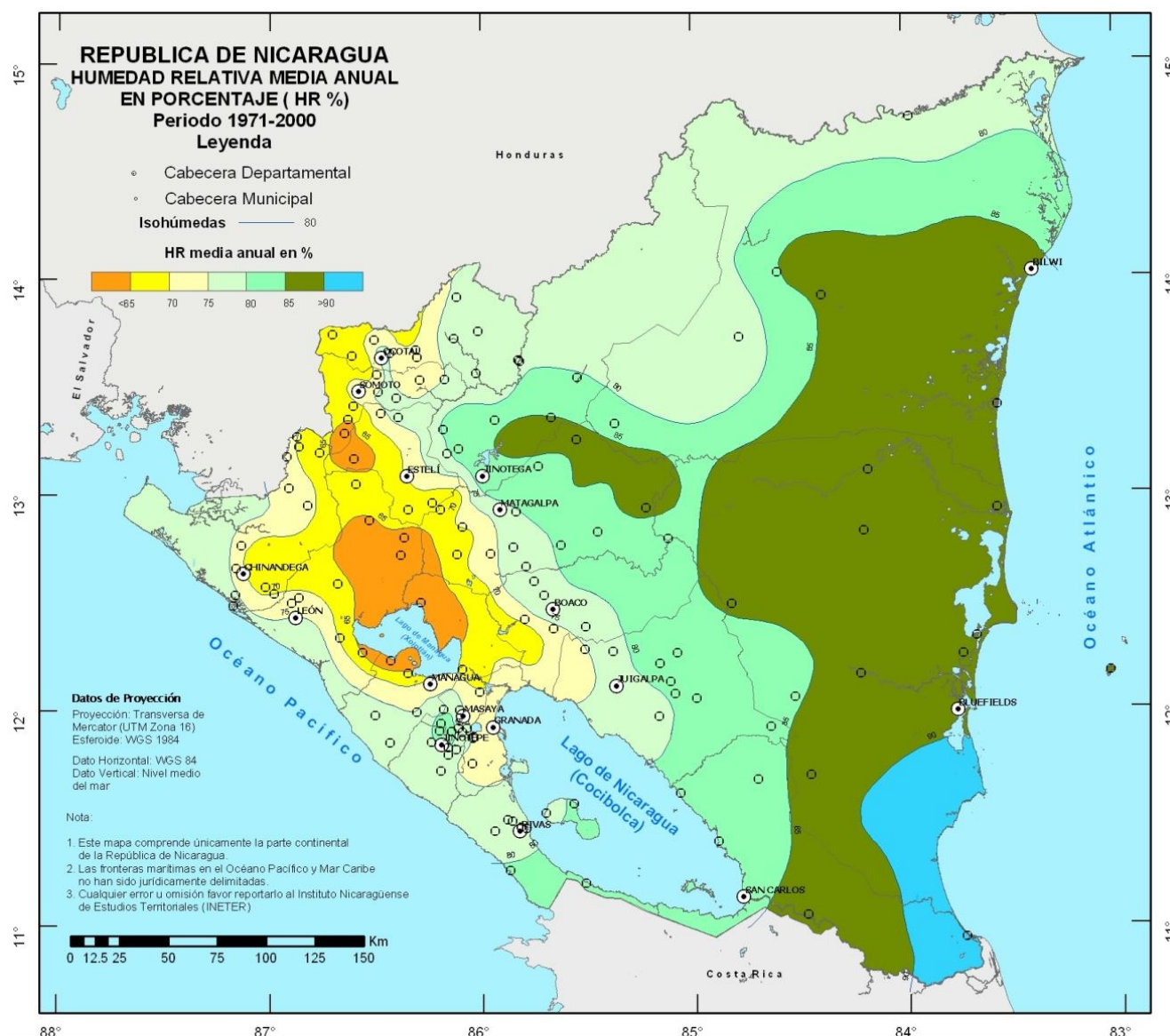


Source: INETER.



Average Relative Humidity Indexes

Similarly, the graph on the left portrays Nicaragua's average annual relative humidity indexes for the period between years 1971 and 2000.

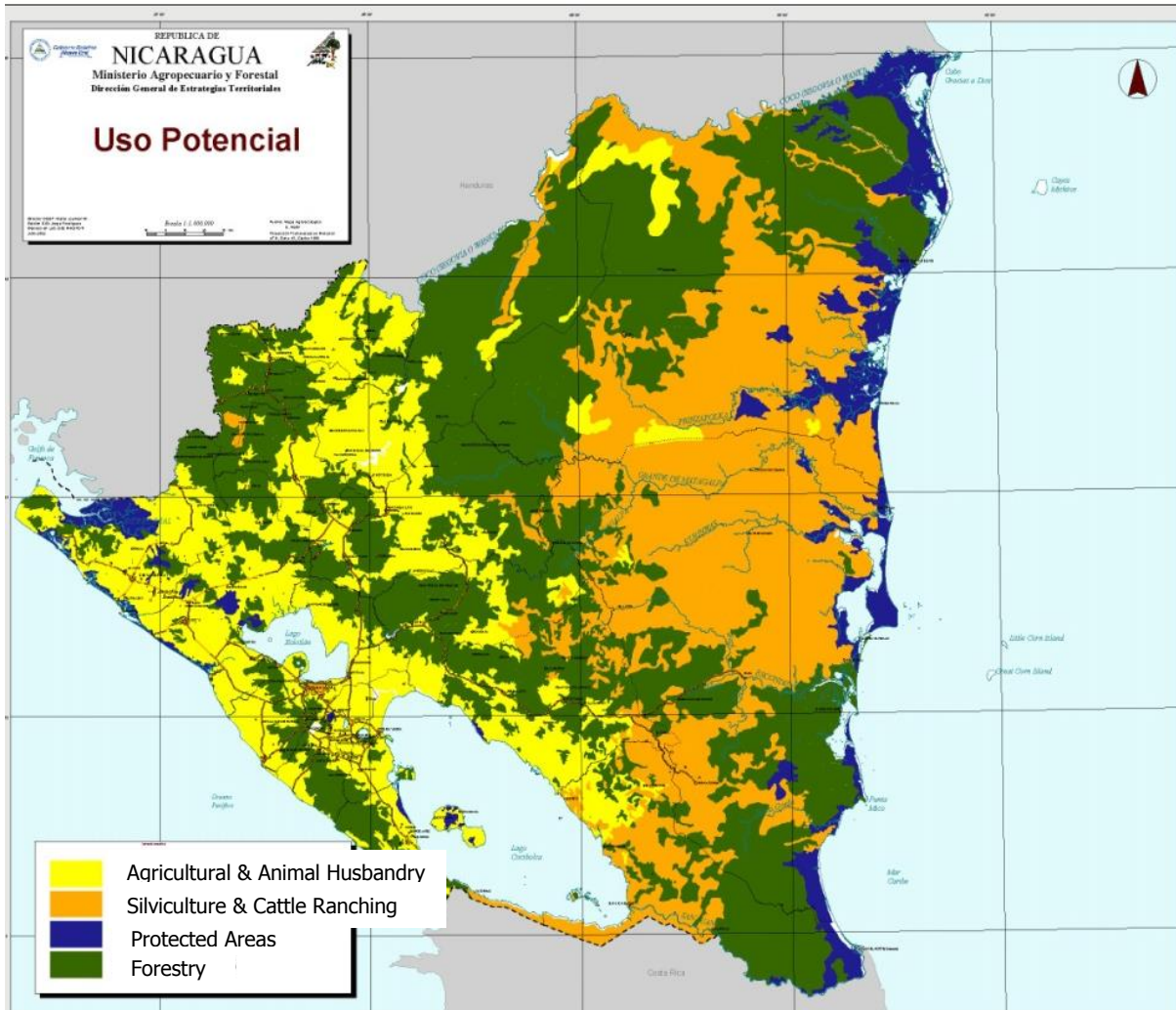


Source: INETER.



Potential Use of Soils

Nicaragua has a rich and long agricultural and livestock tradition. Both have been a fundamental part of the country's exports for over 150 years. Historically known as the "breadbasket of Central America," Nicaragua is recognized for the fertility of its lands. The map below shows the country's soil potential.



Source: Ministry of Agriculture



Competitive Costs of Land



Rango de precios US\$/Hectárea

Occidente	710 - 7,100
Managua-Tipitapa	426 - 5,680
Carazo-Masaya	426 - 1,420
Granada-Rivas	710 - 4,970
Norte Central	426 - 7,100
Boaco-Chontales	710 - 1,704
Atlántico Norte	426 - 800
Atlántico Sur	710 - 2,130
Río San Juan	426 - 1,704

Nicaragua has the most competitive prices for fertile land in the entire Central American region. The adjacent map shows approximate price ranges in US dollars, per hectare, in the different regions of the country.

Source: PRONicaragua surveys



Fiscal Incentives

Tax Concertation Law (Law 822)

The Tax Concertation Law provides numerous tax benefits to certain productive sectors of the economy in order to promote their growth and development. Exemptions and exonerations granted by this law are without detriment to those granted by the legal provisions listed in the article 287.

Tax Benefits to Exporters

- 0% rate of Value Added Tax (IVA) to exports of domestically produced goods or services provides to clients abroad.
- Exports of goods are taxed at 0% of the Selective Consumption Tax (ISC).
- You can apply a tax credit to the advance payments or annual Income Tax with previous authorization of tax administration in an amount equal to 1.5% of FOB value of exports.

Tax Benefits to Agricultural Producers

- Article 127 presents a list of transfers that are exempt of transferring the Value Added Tax, some of them related to the agricultural sector.
- Additionally, article 274 provide exemption of Value Added Tax and Selective Consumption Tax, transfers of raw materials, intermediate goods, capital goods, spares, parts and accessories for machinery and equipment to agricultural producers and micro, small and medium industrial and fishing enterprises, through a tax list.

Tax Benefits to Forestry Sector

The benefits granted in the Forestry Incentives Law (462) were extended to the year 2023 by the Tax Concertation Law (822).

- Plantations registered on the regulatory entity will be exempted of paying fifty percent (50%) of the Municipal Tax on Incomes (IMI) and fifty percent (50%) on profits arising from the exploitation.
- Areas where plantations are established and where forest management is done through a Forest Management Plan are exempted from Property Tax (IBI).
- Companies of any line of business that invest in forest plantations may deduct, as an expense, 50% of the amount invested for Income Tax purposes.
- Exemption from payment of duties and taxes on imports to companies of secondary and tertiary processing that import machinery, equipment and accessories to improve their technological level in the processing of wood, excluding sawmills.

Temporary Admissions Law - Law 382

The Temporary Admission Regime for Active Improvement is a tax system that allows both the entry of goods into the national customs territory and local purchase of goods without payment of any duties and taxes. Companies that export directly or indirectly, at least 25% of its total sales and an export value not less than US\$ 50,000, are eligible for this scheme.



Goods qualifying under this regime are:

- Intermediate goods and raw materials such as inputs, semi-finished products, containers, packaging, any merchandise incorporate export the final product, samples, models and patterns essential for production and staff training.
- Capital goods directly involved in the production process, parts and accessories, such as machinery, equipment, parts, molds, dies and tools that complement for such capital goods.
- Materials and equipment that will be integral and indispensable part of the facilities required for the production process.
-

Industrial Free Zones Incentives Law (Decree 46-91)

Nicaragua offers significant tax incentives under the free zone regime for companies interested in establishing export-oriented operations of Textile and Apparel Industries, Manufacturing, Agribusiness and Contact Centers and BPO:

- 100 percent exemption from income tax generated by their activities in the area during the first 10 years of operation, and 60 percent from the 11th year onwards. (This exemption does not include personal income taxes, wages, or salaries paid to Nicaraguan or foreign workers. It does include payments to nonresident aliens for interest on loans, or commissions, fees and remittances for legal services within or outside Nicaragua, as well as the promotion, marketing, consulting, and related payments for which such companies will not have to make any retention).
- Exemption from taxes on transfers of real-estate in any capacity including earnings of capital tax, if any, provided that the firm closes its operations in the area and the property continues to affect the free zone.
- Tax exemption from the set-up, transformation, fusion and reforming of society, as well as on stamp duties.
- Exemption from all taxes and customs duties related to imports, applicable to supplies, materials, equipment, machinery, dies, or spare parts, samples, molds and accessories designed to empower the company for its operations in the area, as well as taxes applicable to the equipment needed for installation and operation of cost-effective dining halls, health services, health care, childcare, leisure, and any other benefits that tend to satisfy the personnel of a company operating in the area.
- Exemption from customs taxes on transport equipment, including vehicles used for cargo, passengers or service intended for normal use of the company in the area. Purchasers outside the area will be charged customs taxes, with respective discounts applied due to the time of use, at disposals similar to those for diplomatic missions or international organizations.
- Full exemption from indirect, selective-sales or consumption taxes.
- Full exemption from municipal taxes.
- Full exemption from export taxes to products processed within the zone.
- Exemption of taxes on local purchases



Conclusions – Why Nicaragua?

Nicaragua, located in the heart of the Americas, is an ideal location for export-oriented operations. The country has experienced sustained economic growth as a result of vigilant management of fiscal, financial, monetary, and currency exchange policies. Nicaragua offers a favorable business climate and is ready to host different manufacturing and agribusiness operations.

A number of strengths make Nicaragua an attractive investment destination, including the following:

- **The safest countries in the region.** Nicaragua's security levels have gained international recognition, as it has become one of the safest countries in the western hemisphere.
- **A government that fosters investment and promotes exports.** Over the past years, government policies have been addressed towards improving the country's business climate. Nicaragua has made a top priority of attracting high-quality foreign direct investment and building a more supportive environment for existing investment.
- **A solid legal framework for investment.** Nicaragua offers a solid legal framework for investment and has been recognized by the World Bank's Doing Business Report as the country that better protects investors in the region.
- **Generous tax incentives.** Export-processing companies established in Nicaragua benefit from generous fiscal incentives through the Free Zone Regime, which in turn provide additional competitive advantages for companies looking to compete in the global market. When comparing Nicaragua with other countries, it is evident that this incentives package provides substantial cost savings.
- **Proximity and preferential access to most important markets.** The country's privileged location facilitates access to the world's largest markets and positions Nicaragua as an ideal export platform for North, Central and South America. Major shipping companies and parcel carriers are already serving the Nicaraguan market. Speed to market often translates into speed to profit, and in the current global environment it is **important** for companies to be able to offer flexibility in their response time to better serve their clients. Additionally, the country has gained preferential access to key markets such as the United States, Mexico and Europe.
- **Availability of cost-competitive, productive personnel.** Nicaragua's population is young and dynamic. Nicaragua has a vast pool of qualified, experienced workers ready to apply their skills for the successful development of industrial operations. Additionally, labor intensive operations will benefit from one of the most competitive labor cost structures in the region.
- **Large areas apt for fruitful African Palm plantations.** More than 1.4 million hectares with the ideal climatic conditions for the establishment of African Palm plantations at the most competitive cost in Central America, and one of the most competitive in all of Latin America. This is certainly one of Nicaragua's most attractive strengths, and one which deserves keen exploration.



PRONicaragua

PRONicaragua is the Official Nicaraguan Investment Promotion Agency, established in 2002. It is a non-profit, public-private institution whose mission is to generate sustainable economic growth and job creation in Nicaragua by attracting high-quality foreign direct investment.



Because of its public-private nature, we work hand in hand with both regulatory institutions, and companies and chambers of commerce, thus becoming an ideal facilitator to help attract and implement foreign investments.

The agency provides the following complimentary support services to qualified investors seeking investment opportunities in our country:

- **Complete information** on business opportunities in Nicaragua and key business information.
- **Customized Site Visits** with tailor-made information packages. We strive to provide the best service since our guests arrive in the airport.
- **Facilitation Services** including advisory and advocacy for foreign investors. We support companies throughout the entire investment process by providing referrals, government contacts and general start-up facilitation services.
- **Assistance in finding local companies** for possible joint ventures and identifying suppliers and other forms of business alliances.
- **Assistance with identifying the ideal real estate option** for your project and support with due diligence.
- **Aftercare Services** to identify and help resolve the main problems affecting established investors in order to improve the business climate.

Since its foundation in 2002, PRONicaragua has attracted US\$831.3 million in investments and re-investments, which translates in 55,127 new jobs.

Recognized as the best investment promotion agency in the world and only one to achieve a "Best Practice" score in every dimension evaluated in the 2012 Global Investment Promotion Benchmarking.



World Bank Group
Multilateral Investment
Guarantee Agency



International
Finance Corporation
World Bank Group



THE WORLD BANK