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TRADE POLICY REVIEW

REPORT BY THE SECRETARIAT

NICARAGUA

This report, prepared for the fourth Trade Policy Review of Nicaragua, has been drawn up by the WTO Secretariat on its own responsibility. The Secretariat has, as required by the Agreement establishing the Trade Policy Review Mechanism (Annex 3 of the Marrakesh Agreement Establishing the World Trade Organization), sought clarification from Nicaragua on its trade policies and practices.

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Document WT/TPR/G/404 contains the policy statement submitted by Nicaragua.

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SUMMARY

1. This fourth Trade Policy Review of Nicaragua covers the period 2012-20. In recent years, the potential growth of the Nicaraguan economy increased by half a percentage point according to International Monetary Fund (IMF) estimates, thanks to significant infrastructure improvements, especially to transport, telecommunications and the electricity supply. This additional potential growth contributed to average annual real GDP growth of 4.7% between 2013 and 2017. Nevertheless, the Nicaraguan economy has been severely affected by the political and social crisis that began in April 2018 in connection with reforms to the social security system. The crisis has led to job losses and a fall in consumer and business confidence, which, combined with international financial sanctions, caused real GDP to fall by 3.9% in 2018 and 4.0% in 2019. For 2020 and 2021, the IMF estimates that the growth rates for real GDP will be -5.5% and -0.5% respectively, essentially as a result of the effects of the COVID-19 pandemic.

2. Nicaragua's economy is relatively diversified, and the portion of GDP corresponding to services and construction showed an upward trend during the review period, whilst that of agriculture (and related activities) and manufacturing declined. The agricultural sector continues to play a major role in creating jobs. Nicaragua's development has progressed in recent years, with a slight increase in per capita GDP and improved poverty indicators. However, reducing poverty and the disparities between urban and rural areas are still among the country's main challenges, especially given the economic impact of COVID-19.

3. During the review period, Nicaragua has kept inflation under control by appropriately managing fiscal and monetary policy. The free convertibility of the Nicaraguan córdoba (NIO) has been maintained through an exchange-rate system involving pre-determined daily mini-devaluations. The depreciation of the exchange rate of the córdoba to the US dollar was reduced from 5% per year to 3% in November 2019 to reduce costs and improve the purchasing power of wages. The credibility of the pre-determined devaluation programme, backed up by international reserves, serves as a nominal anchor for prices, as the economy is highly dollarized.

4. Fiscal policy has sought to contribute to macroeconomic stability and the sustainability of public finances. Nonetheless, the non-financial public sector (NFPS) deficit rose as a percentage of GDP from 2.2% in 2017 to 4.0% in 2018, due in part to the effect of the slowdown in economic activity on tax revenues, especially from value added tax (VAT) and other taxes. Consequently, fiscal policy has been adjusted since 2018 through a cautious approach to containing public spending, a package of fiscal and pension reforms and the rationalization of subsidies. These measures reduced the NFPS deficit to 2.0% of GDP in 2019. The NFPS deficit is expected to grow in 2020, as public spending is stepped up in response to the pandemic.

5. Historically, Nicaragua has had a structural savings-investment gap that is reflected in a relatively high deficit in the balance-of-payments current account (8.0% of GDP on average in 2013-18). Nonetheless, the adverse economic climate in 2018 led to the first current account surplus since 1979 (6.0% of GDP in 2019). The positive current account balance in 2019 was generated primarily by a significant reduction in imports, reflecting domestic adjustment in the public and private sectors, the strong performance of exports, and strong flows of remittances.

6. Nicaragua is dependent on foreign trade for its development. The lower deficit in trade in goods was one of the key elements contributing to the current account surplus in 2019. It was the result of lower demand for imports of non-petroleum goods, especially capital goods, and the buoyancy of free-zone exports, mainly in the textiles industry.

7. In recent years, Nicaragua's merchandise exports have been adversely affected by lower international prices for its main export products, especially coffee. Thus, textiles and textile articles are now the country's main exports, contributing 29.3% of total exports in 2019. Nicaragua's merchandise exports go mainly to the United States (61.7% of all exports in 2019), the other members of the Central American Common Market (CACM), and Mexico. In 2019, 96.7% of Nicaragua's export income was generated by exports to economies with which it has free trade agreements.

8. As is the case with exports, textiles and textile articles are Nicaragua's main imports, having risen from 2.0% of the total in 2012 to 21.7% in 2019. Next come mineral products, chiefly fuel.

Imports of merchandise from economies with which Nicaragua has preferential agreements accounted for 74.5% of the total in 2019. The country that provides the largest share of Nicaraguan merchandise imports is the United States (almost 30% in 2019), followed by China and Mexico, whose shares also increased during the review period.

9. Nicaragua is a growing net exporter of services, although total exports of services, especially tourism, have been affected by social unrest since April 2018.

10. During the review period, Nicaragua took measures to attract foreign direct investment (FDI), in particular through the adoption of the Law establishing the Investment and Export Promotion Agency (PRONicaragua); the Law on Export Free Zones; and the Law on Public-Private Partnerships governing the formulation, tendering, financing, implementation, operation and termination of investment projects. Nevertheless, annual FDI inflows, which reached a historic high in 2013, have fallen in recent years. In addition to concerns about political and social instability, the main obstacles to foreign investment are dealing with construction permits, protecting minority investors, paying taxes, and registering property.

11. Nicaragua's trade policy is largely shaped by the commitments adopted under the Central American Common Market and the Dominican Republic - Central America - United States Free Trade Agreement (CAFTA-DR). The main objectives of Nicaragua's trade policy include increasing the country's participation in international trade, broadening its exportable supply and forging strategic alliances with trading partners to foster innovation and production chains.

12. During the review period, Nicaragua, together with other Central American countries, brought into force trade agreements with the Republic of Korea and the European Union, a new Central America–Mexico agreement, and partial scope agreements with Cuba and Ecuador. Consequently, in addition to the CACM, Nicaragua has free trade agreements and/or partial scope agreements in force with Chile, Colombia, Cuba, the Dominican Republic, Ecuador, the Republic of Korea, Mexico, Panama, Chinese Taipei, the United States, Venezuela and the countries of the European Union.

13. According to the authorities, although trade agreements are important in determining the country's trade policy and trade flows, Nicaragua gives special importance to participation in the multilateral trading system, which it considers essential for small and vulnerable economies. Since its last Review, Nicaragua has not been a complainant or respondent in any case brought under the WTO dispute settlement mechanism, but it has participated as a third party in one case. Nicaragua has submitted various notifications under different WTO Agreements. Nonetheless, it has a number of pending notifications, mainly in the field of agriculture.

14. The general objective of Nicaragua's trade policy continues to be to promote access to foreign markets and further the country's integration into the international economy by negotiating and administering international trade and investment agreements. The National Human Development Plan 2018-21 includes continuing with work to strengthen the national quality assurance system and the intellectual property register, improving the Central American free trade zone, taking advantage of the preferential agreements in force, and signing new trade agreements. As regards investment promotion and facilitation, Nicaragua seeks to continue boosting domestic and foreign investment, cutting red tape, modernizing the legal framework, and strengthening the country's performance in terms of international indicators.

15. On 4 August 2015, Nicaragua became the first country in Latin America to ratify the WTO Trade Facilitation Agreement (TFA) and deposit its instrument of acceptance. Nicaragua has notified the WTO of its category A, B, and C commitments under the TFA.

16. Nicaragua has implemented several initiatives in recent years to facilitate trade, including the electronic exchange of information contained in the Central American Single Declaration (DUCA). The DUCA, which entered into force on 7 May 2019, has three variants: DUCA-F, for trade in goods originating from the Central American region; DUCA-D, for imports and exports of goods with third countries outside the Central American region; and DUCA-T for the movement of goods under the overland international customs transit regime. The Border Integration Programme (PIF), meanwhile, aims to modernize infrastructure, equipment and information technology systems at border

crossings to improve the efficiency of border controls, reduce wait times and improve competitiveness.

17. The country's single window for foreign trade (VUCEN), which the authorities have stated they expect to implement during the first six months of 2021 at the latest, will facilitate foreign trade operations by simplifying formalities for pre-customs import and export permits, reducing the time required of, and costs incurred by, companies engaged in foreign trade.

18. Nicaragua's tariff is based on the Central American Tariff System and contains 7,768 *ad valorem* tariff lines at the 12-digit level under HS 2017. Nicaragua does not apply seasonal or variable tariffs. The simple average of Nicaragua's applied most-favoured nation (MFN) tariffs did not change during the period under review, remaining at 6.2%. The average tariff on agricultural products (WTO definition) is 11.8% and remains well above the average applied tariff on non-agricultural products (5.2%). Nicaragua bound all its tariffs at rates between 0% and 200%.

19. Nicaragua grants preferential treatment to imports originating in the countries with which it has preferential trade agreements. Most imports originating in the CACM enter duty-free, except for sugar and coffee. The average preferential tariffs in the agreements negotiated by Nicaragua are all well below the average MFN rate. Preferential tariffs range from 0.1% to 6.1% and are always lower for non-agricultural products. The tariff preferences granted under some of the agreements cover nearly 100% of the tariff universe.

20. In addition to customs tariffs, Nicaragua applies internal taxes to imports as well as domestic production, namely: VAT, selective consumption tax (ISC), a customs security service fee and a goods import service fee (TSIM). Customs duties accounted for 2.5% of total receipts in 2019 (3.9% in 2013). VAT remains one of the pillars of the tax system, but its weight has diminished in recent years, falling from 36.5% of total receipts in 2013 to 30.4% in 2019.

21. Nicaragua makes little use of non-tariff barriers. Imports and exports of certain products are banned or restricted to protect the environment, human health and species, as well as for security reasons, in conformity with domestic legislation or international commitments. Automatic and non-automatic licences are maintained for the same reasons. The licensing regime used for all imports, irrespective of their origin, has not changed substantially since 2012 and, according to the authorities, it is not intended to limit import volumes or values.

22. Nicaragua did not modify its legislation on anti-dumping, countervailing and safeguard measures during the review period, and has not imposed measures or initiated investigations pertaining to such measures since the last Review. Moreover, it did not make any use of the special safeguard provisions in Article 5 of the Agreement on Agriculture during the period 2012-20. No trading partner is exempt from the application of anti-dumping or countervailing measures under the preferential trade agreements signed by Nicaragua.

23. During the review period, Nicaragua did not provide notification as to having granted, or not, any of the subsidies permitted under Annex VII to the WTO Agreement on Subsidies and Countervailing Measures. Nicaragua notified the WTO that it did not grant any export subsidies within the meaning of the Agreement on Agriculture during the period 2012-19.

24. Nicaragua has two subsidy-related programmes: the free zone regime and the inward processing regime. These programmes provide tax incentives to domestic and foreign investors that meet specific criteria on investment, employment and national value added. The legal framework for free zones was modified in 2015; it is now covered by the Law on Export Free Zones. The activities of free zones are exclusively for the purpose of exportation. In some cases, however, subject to prior authorization by the Ministry of Development, Industry and Trade (MIFIC), a portion of the products concerned are allowed to enter national customs territory for domestic consumption. In addition to export incentives, Nicaragua maintains some sectoral incentives for tourism, forestry and the generation, transmission, distribution and marketing of electricity for public use.

25. The institutional and legal framework for standards and other technical requirements has changed little during the review period. By December 2019, around 90% of standards and 15% of technical regulations were based on international standards. Between 2012 and 2020, Nicaragua

adopted numerous standards and technical regulations, including technical regulations harmonized at the CACM level, with some of the measures dealing with conformity assessment procedures.

26. Major changes have been made to the country's sanitary and phytosanitary (SPS) requirements since the previous Review. In 2014, the Institute for Agricultural and Livestock Protection and Health was created to implement SPS measures related to the production, import and export of plant material, plants, and agricultural, aquaculture and fisheries products and by-products. In 2015, the Basic Law on Animal Health and Plant Health entered into force. In 2016, the National Commission for the Registration and Control of Toxic Substances (CNRCST) was created. No Member has turned to the WTO's formal dispute settlement procedure in relation to matters concerning the SPS measures applied by Nicaragua.

27. The institutional and legal framework for competition policy remained essentially the same during the review period, but Article 99 of the Constitution was reformed in 2014 to incorporate the culture of free competition. Between 2013 and 2019, most of the cases addressed by PROCOMPETENCIA were related to economic concentrations (51%), followed by unfair behaviour (40%), vertical practices and horizontal practices. Nicaragua continues to regulate airport services and the services provided by the National Port Authority, as well as the tariffs for electricity (transmission and public consumption), bottled liquefied petroleum gas (LPG), sanitary sewerage services and drinking water for public consumption. Profit margins on pharmaceutical products for human consumption are also regulated.

28. State involvement in the economy remains important. According to the authorities, its purpose is to support strategic activities for Nicaragua, such as food security, the supply of water, and the administration of ports and airports.

29. No major changes were made to the regulatory framework for government procurement during the review period. The Law on Public Sector Administrative Procurement has no preference margin provisions. Nevertheless, government procurement contracts may prioritize products made of wood bearing a certificate from the National Forestry Institute (INAFOR), with a preference margin of up to 5%.

30. The main change to Nicaragua's legal framework in the area of intellectual property rights (IPR) since the previous Review is that the owner of a geographical indication or appellation of origin is now required to prove that the indication or appellation was registered in its country of origin. Previously, this requirement applied only to appellations of origin. In 2019, Nicaragua ratified the Marrakesh Treaty to Facilitate Access to Published Works for Persons Who Are Blind, Visually Impaired or Otherwise Print Disabled.

31. Major changes have been made to the institutional framework in the areas of agriculture, livestock and forestry since Nicaragua's last Review. In 2012, the Ministry of Family, Community, Cooperative and Associative Economy (MEFCCA) was created to promote and develop family agriculture, family enterprises, small and medium-sized enterprises (SMEs) and cooperativism. Following the restructure at the Ministry of Agriculture and Forestry, the Office of the President of the Republic, through the National Forestry Institute (INAFOR), is now responsible for forestry management throughout the country. The main agricultural policy objectives for 2018-21 are: to sustainably increase production, productivity, quality and added value in the agricultural sector, and to foster good practices in the catching, processing and marketing of fishery and aquaculture resources.

32. Nicaragua supports its agricultural sector and has notified the WTO of seven green-box sectoral projects for which it provided support to the sector during the period 2012-16. Internal support between 2012 and 2016 totalled USD 15.6 million, or an average of USD 3.1 million a year (compared with a yearly average of USD 5.4 million for the period 2005-10). Measures were also introduced to foster and support coffee growing, fisheries and aquaculture.

33. The mines and quarries sector is still not developing to its full potential. Although mining output at constant prices gradually rose during the review period, the number of mining concessions and the total area under concession both fell. At 31 December 2019, the total area still available for mining activity was 55.2% of Nicaragua's total land area. The state-owned Nicaraguan Mines Company (EMIMINAS) was created in 2017 to develop the exploration and rational exploitation of

the country's mineral resources. Meanwhile, the Mining Development and Promotion Fund was created to finance and execute mineral promotion activities, while the Mine Monitoring and Surveillance Fund was created to finance inspection and monitoring in the mining sector.

34. While oil and biofuels still dominate the energy matrix, Nicaragua has reduced its dependency on petroleum products to generate electricity. The authorities estimate that, at December 2019, Nicaragua was tapping 12.5% of its approximately 4,500 MW in potential for renewable energy generation. During the review period, Nicaragua adopted legal frameworks for distributed electricity generation and more rational and efficient energy use.

35. Nicaragua does not impose restrictions on the import, export, storage, refining, transport or distribution of petroleum or petroleum products. Apart from LPG, fuel prices are not regulated. The mission of the state-owned Nicaraguan Oil Company (PETRONIC) is to promote investment in the hydrocarbon subsector and guarantee permanent reserves of fuels in Nicaragua. Since 2014, PETRONIC is required to participate as the state representative in the surveying, exploration and exploitation of domestically produced hydrocarbons.

36. Since Nicaragua's financial system is poorly developed, especially in the non-bank segments, it still underperforms in terms of its contribution to the growth of the national economy. Banks continue to dominate the financial system, though their relative weight declined from 94.8% of total assets in 2012 to 91.4% in 2019. During the review period, Nicaragua strengthened its regulatory and prudential framework by updating capital adequacy and leverage requirements, adopting a standard for comprehensive risk management, establishing countercyclical provisions and special capital buffers, and approving the accounting framework for banks, insurance, securities and warehouses on the basis of the International Financial Reporting Standards. Standards have also been implemented for simplified savings accounts and for managing and preventing the risks associated with the financing of terrorism.

37. There have been no substantial changes to Nicaragua's institutional and legal framework for the telecommunications sector since its last Review. In 2014, the sector's regulatory body, the Nicaraguan Institute of Telecommunications and Postal Services (TELCOR), once again assumed exclusive responsibility for dealing with competition-related matters in the telecommunications market. The regulatory framework would benefit from the adoption of regulatory provisions establishing technological neutrality in the granting of authorizations; infrastructure-sharing requirements; interconnection conditions (mandatory publication of reference offers and regulated interconnection charges); number portability; and market access for virtual operators.

38. Following a public tender in 2013, a new telecommunications operator was authorized (for fixed telephony, mobile telephony, Internet, subscriber television and data transmission services), and began its operations in April 2016. In 2014, Nicaragua launched Project Broadband (*Proyecto Banda Ancha*) to contribute to the country's social and economic development by expanding the fibre-optic backbone of the National Electricity Transmission Company (ENATREL), which will provide data-carrier services at the wholesale level and passive infrastructure. By May 2020, 2,580 km of optical fibre had been laid, serving 93 of Nicaragua's 153 municipalities.

39. All the telecommunications equipment used domestically is imported; manufacturers must be approved and import permits must be granted. Nicaragua does not recognize foreign conformity certificates.

40. There have been no major institutional changes in the transport sector since Nicaragua's previous Review. In 2013, Nicaragua adopted a new regulatory framework governing the construction, administration and operation of ports and port facilities. In 2019, the transport services sector (maritime, air and land) accounted for 4.4% of GDP, up from 4.1% in 2012. Most passengers and goods are transported by road and water. Nicaragua does not have any rail transport services.

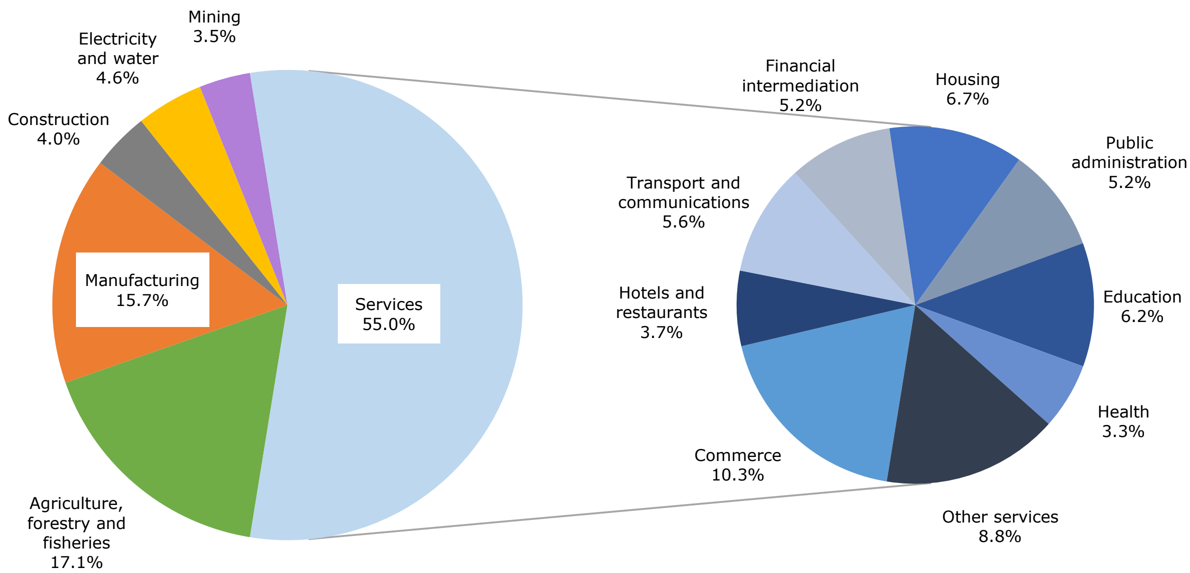
1 ECONOMIC ENVIRONMENT

1.1 Main Features of the Economy

1.1. The Republic of Nicaragua has the lowest population density and largest surface area of all Central American countries.[1] Most economic activities take place in the Pacific coastal lowlands, while the less developed Atlantic coast has forestry assets (timber, biodiversity), as well as fishery and mining resources (gold and silver). The Nicaraguan economy is very market-oriented and highly dependent on exports of goods (42.1% of GDP in 2019), family remittances (13.4% of GDP in 2019), income from tourism (4.1% of GDP in 2019) and FDI flows (4.0% of GDP in 2019).

1.2. Nicaragua's economy is relatively diversified. During the review period the share of GDP corresponding to services and construction trended upwards, whilst the shares corresponding to agriculture (and related activities) and manufacturing declined. As a result, the services sector has become the backbone of Nicaragua's economy in terms of contribution to GDP (55.0% in 2019), thanks mainly to the contribution made by commerce; followed by agriculture, livestock farming, forestry and fisheries (17.1%); and manufacturing (15.7%). The agriculture and related activities sector is estimated to employ 31.1% of workers; climatic conditions are still a key determinant in the sector's performance. The share of GDP from mining is still small (Chart 1.1).

Chart 1.1 GDP by economic activity, 2019



Source: WTO Secretariat, based on data provided by the Nicaraguan authorities.

1.3. Nicaragua has a population of 6.4 million, and just over 40% of people live in rural areas. The country's development has progressed in recent years, as reflected in the slight increase in per capita GDP from USD 1,790 in 2013 to USD 1,918 in 2019. However, reducing poverty and the disparities between rural and urban areas are still among the country's main challenges. According to the National Development Information Institute's most recent Living Standards Survey, between 2014 and 2016 national poverty fell from 29.6% to 24.9%; while in the same period extreme poverty declined from 8.3% to 6.9%. The World Bank projects that the proportion of poor households living below the international poverty line will rise from 13% in 2019 to 15% in 2020 chiefly as a result of the impact of the COVID-19 pandemic (Section 1.2).[2]

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[1] Nicaragua covers an area measuring 130,373 km^2 and has coastlines on the Caribbean and the Pacific Ocean. About 20% of the country's land area is arable, and the central zone is mountainous. It has a vast lowland plain on the Pacific coast; numerous volcanoes; several lakes, including the largest freshwater lake in Central America (Lake Nicaragua); and one of the world's rainiest tropical jungles on its Atlantic coast. Information viewed at: https://www.bancomundial.org/es/country/nicaragua/overview.

[2] The international poverty line is USD 3.2 a day based on 2011 Parity Purchasing Power (PPP). Information viewed at: https://www.worldbank.org/en/publication/macropovertyoutlook/mpo_lac.

1.4. Since 1993, Nicaragua has maintained the free convertibility of its national currency, the Nicaraguan córdoba (NIO), under an exchange-rate system involving pre-determined daily mini-devaluations, known as a "crawling-peg system" (Section 1.2). The fundamental objective of the Central Bank of Nicaragua (BCN) is to maintain the stability of the national currency and the functionality of internal and external payments.[3] On 30 July 1964, Nicaragua accepted the obligations established in Article VIII, Sections 2, 3 and 4, of the Articles of Agreement of the International Monetary Fund (IMF).[4]

1.5. According to the IMF, potential annual economic growth in Nicaragua has risen from 4.0% to 4.5% in recent years owing chiefly to improvements in some of the country's main bottlenecks such as power supply, transport and telecommunications. Electricity generation increased almost 50% during 2010-15, and electricity coverage rose from 56% in 2006 to the current figure of over 90%. Nicaragua also has better infrastructure as a result of significant investment in transport and telecommunications since 2010, financed in part with FDI. Planned public sector investment in major infrastructure projects for 2017-20 is estimated at USD 0.5 billion or (3.5% of GDP). The IMF calculate that these investments could contribute about 0.4% to GDP growth per year.[5]

1.6. Despite the rise in potential GDP growth, Nicaragua's economic outlook has been seriously affected by the profound political and social crisis triggered in April 2018 when the government published reforms to the social security system.[6] This led to social unrest, job losses, international financial sanctions and a deterioration in consumer and business confidence which, in combination with a decline in sectors such as tourism and construction, have had a significant social and economic cost.[7]

1.2 Recent Economic Developments

1.7. At the time of the previous TPR towards the end of 2012, Nicaragua's macroeconomic outcomes had been broadly satisfactory. The economy had overcome the effects of external shocks including the global financial crisis, hurricane Felix, and the increase in food and oil prices. This was achieved without recourse to protectionist measures. Nonetheless, excessive reliance on foreign remittances to finance the deficit in the balance-of-payments current account was also noted, as was the still high level of external debt.[8]

1.8. Between 2013 and 2019 Nicaragua achieved real average GDP growth of 2.3%. This can be divided into two periods: 4.7% over 2013-17 and a drop of 4.0% in 2018-19 (Table 1.1). As noted, in April 2018 a series of social and political incidents adversely affected various sectors of the economy (tourism and construction in particular), reduced employment and damaged infrastructure. Additionally, some countries have imposed sanctions on the Nicaraguan Government and specific individuals, which in turn has sharply reduced Nicaragua's access to external financing.[9] Domestic demand bore the brunt of the ensuing economic contraction with falls in gross capital formation (28.5% in 2018-19) and consumption (2.9%). External demand was consistent with less buoyant exports (2.1% over the same period) and the adjustment in imports (-9.7%). For 2020 and 2021, the IMF estimates that the growth rates for real GDP will be -5.5% and -0.5% respectively, essentially as a result of the effects of the COVID-19 pandemic.[10]

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[3] Information viewed at: https://www.bcn.gob.ni/banco/objetivos.php.

[4] Article VIII lays down the obligations incumbent on members when applying their monetary policy. Section 2 prohibits members from imposing restrictions on current payments, and provides that governments must guarantee the availability of foreign currency for the purchase of goods and services and for invisible transactions; Section 3 encourages members to avoid discriminatory currency practices; and Section 4 allows convertibility of foreign-held balances.

[5] *IMF Country Report No. 17/173*.

[6] On 18 April 2018, the social security reforms were officially published. They included increased employer and employee contributions to the Nicaraguan Social Security Institute (INSS), and pension cuts. The reforms were dropped on 22 April.

[7] Information viewed at: https://www.bancomundial.org/es/country/nicaragua/overview.

[8] WTO (2013), *Trade Policy Review of Nicaragua 2012*, Geneva.

[9] In December 2018, the US Government enacted the Nicaragua Human Rights and Anticorruption Act, which severely restricts external finance to Nicaragua. In June 2019, Canada followed suit imposing sanctions on certain Nicaraguan nationals. In October 2019, the European Council established a framework enabling the EU to impose targeted sanctions on Nicaragua. *IMF Country Report No. 20/59*.

[10] IMF (2020), *World Economic Outlook*, October 2020, Washington, D.C.

Table 1.1 Basic economic indicators, 2013-19

	2013	2014	2015	2016	2017	2018	2019[a]
Real sector and prices							
Current GDP (NIO billion)	271.5	308.4	347.7	380.3	414.3	412.2	414.7
Current GDP (USD million)	10,983	11,880	12,757	13,286	13,786	13,064	12,521
Real GDP, growth rate (%)	4.9	4.8	4.8	4.6	4.6	-4.0	-3.9
Per capita GDP (USD)	1,790	1,917	2,037	2,100	2,165	2,031	1,918
Unemployment rate (%)	5.7	6.6	5.9	4.5	3.7	5.5	..
Inflation (CPI average, % change)	7.1	6.0	4.0	3.5	3.9	4.9	5.4
Monetary sector (growth rates)							
Monetary base	6.7	14.8	26.2	-1.8	13.6	-9.0	14.4
Total deposits	13.9	19.0	13.9	8.6	10.7	-20.7	1.1
Gross loans portfolio	21.3	19.5	23.0	18.5	13.9	-8.9	-12.9
Non-financial public sector (% GDP)							
Balance after grants	-1.1	-1.5	-2.2	-2.5	-2.2	-4.0	-2.0
External financing	2.3	2.5	2.6	2.3	3.2	1.9	2.4
Internal financing	-1.1	-1.0	-1.0	-0.3	-1.2	2.2	-0.4
Public debt							
Balance of total public debt (USD million)	5,786	5,800	5,753	5,930	6,487	6,885	7,164
Total public debt (% GDP)	52.7	48.8	45.1	44.6	46.9	52.7	56.5
Balance of external public debt (USD million)	4,724	4,796	4,804	5,042	5,546	5,950	6,279
External debt (% GDP)	43.0	40.4	37.7	38.0	40.1	45.4	49.6
External sector							
Average official exchange rate (NIO x USD)	24.7	26.0	27.3	28.6	30.1	31.6	33.1
Remittances (USD million)	1,078	1,136	1,193	1,264	1,391	1,501	1,682
Remittances (% GDP)	9.8	9.6	9.4	9.5	10.1	11.5	13.4
Income from tourism (USD million)	417.3	445.6	527.9	642.1	840.5	544.4	515.3
Current account (% GDP)	-12.6	-8.0	-9.9	-8.5	-7.2	-1.9	6.0
Gross international reserves (USD million)	1,993	2,276	2,492	2,448	2,758	2,261	2,397

.. Not available.

a Provisional figures.
b IMF forecasts.

Source: Information viewed at: https://www.bcn.gob.ni/publicaciones/periodicidad/InformeAnual2018; IMF (2020) *World Economic Outlook*, October 2020, Washington, D.C; and data supplied by the Nicaraguan authorities.

1.9. Nicaragua has implemented various measures in response to the COVID-19 pandemic including establishing an inter-institutional commission, declaring a national state of alert and implementing epidemiological surveillance protocols at national level. The government has continued to prioritize programmes to strengthen the social safety net, including providing food parcels to vulnerable families.[11] However, the World Bank projects that the proportion of households living below the international poverty line will rise from 13% in 2019 to 15% in 2020. This negative outlook is attributed to less employment in most sectors of the economy, the fall in family remittances and the limited application of countermeasures to contain the social impact of the COVID-19 crisis.[12]

1.10. In 2013-19, average inflation rate measured using the consumer price index (CPI) was 5.0%, which is below the rate recorded in the period 2002-11 (8.4%), mainly as a result of sound fiscal and monetary policy management. The crawling-peg exchange rate maintained by the BCN has also provided a credible nominal anchor for price stability. Nonetheless, inflation has picked up again since 2018 because of higher international prices for oil and certain agricultural products. The IMF projects that average inflation will be 4.4% in 2020 and 4.0% in 2021.[13]

1.11. During the review period, the General Budget of the Republic was reformed to safeguard fiscal sustainability; the Supervisory Authority for Banks and Other Financial Institutions (SIBOIF) issued

[11] Information viewed at: https://www.imf.org/en/Topics/imf-and-covid19/Policy-Responses-to-COVID-19#N.
[12] This will increase the number of people living in poverty by 130,000. Information viewed at: https://www.bancomundial.org/es/country/nicaragua/overview.
[13] IMF (2020), *World Economic Outlook*, October 2020, Washington, D.C.

debt relief rules; and the Financial Stability Committee and legal framework for bond issuance were established in order to bolster the financial system. Additionally, the BCN supplemented the regime for implementing monetary policy by introducing daily currency operations to absorb and inject liquidity while relaxing policy on minimum reserve requirements and streamlining its financial assistance facility.[14]

1.12. During the review period, fiscal policy continued to contribute to macroeconomic stability and the sustainability of public finances. Nonetheless, the non-financial public sector (NFPS) deficit[15] rose as a percentage of GDP from 2.2% in 2017 to 4.0% in 2018, due in part to the effect of the slowdown in economic activity on tax revenues, especially from VAT, the selective consumption tax and the specific fuel tax. Consequently, fiscal policy was adjusted through the reform of the General Budget of the Republic (PGR) in August 2018[16], in an effort to establish a cautious approach to containing public spending.[17] In 2019, the government adopted a package of fiscal and pension reforms that included freezing wages in 2019 and rationalizing subsidies to cut the NFPS deficit to 2.0% of GDP.[18] The fiscal deficit is projected to grow in 2020 as the authorities implement fiscal stimuli in response to COVID-19 and a shrinking tax base. It is envisaged that the additional expenditure will be financed through the issuing of national bonds, non-concessional loans and, to a lesser extent, concessional loans from international financial bodies.[19]

1.13. Finance policy has focused on managing and maximizing concessional funds from multilateral bodies. The burden of Nicaragua's total public debt (both external and domestic) had been falling in recent years; indeed, its solvency indicator (total debt/GDP) fell to a record low of 44.6% in 2016 (Table 1.1). However, since then, the solvency indicator has rebounded (56.5% in 2019) because of growing external public debt, which rose from USD 4,724 million in 2013 (equivalent to 43.0% of GDP) to USD 6,279 million in 2019 (49.6% of GDP).

1.14. In view of the unfavourable macroeconomic climate since 2018, as reflected in net sales of foreign currency by the BCN to the financial system and the loss of international reserves, the BCN's monetary policy has sought *inter alia* to maintain the convertibility of the córdoba at the exchange rate set out in exchange-rate policy, to tackle the rise in demand for liquidity, and to have adequate coverage of gross international reserves (GIR) in terms of the monetary base and imports of goods. At the end of 2019, GIR amounted to USD 2,397 million (compared to USD 1,993 million in 2013), equivalent to more than five months of imports.

1.15. Between 2004 and 31 October 2019, the BCN succeeded in keeping the depreciation of the exchange rate of the córdoba to the US dollar in line with an annual rate of 5%. On 1 November 2019, the rate was decreased to 3% in order to rebuild aggregate spending while reducing costs and improving the purchasing power of wages. According to the IMF, the credibility of the predetermined devaluation programme, backed up by international reserves, serves as a nominal anchor for prices, as the economy is highly dollarized.[20]

1.16. Historically, Nicaragua has had a structural savings-investment gap that is reflected in a relatively high deficit in the balance-of-payments current account (8.0% of GDP on average in 2013-18). Nonetheless, the adverse economic climate in 2018 led, in 2019, to the first current

[14] Information viewed at: https://www.bcn.gob.ni/publicaciones/periodicidad/InformeAnual2018.

[15] The non-financial public sector balance sheet consolidates the central government's balance sheets, covering all ministries, offices, establishments and other bodies that are agencies or instruments of central authority in the country; the balance of the rest of the general government, namely the Nicaraguan Social Security Institute (INSS) and the Mayoralty of Managua (ALMA); and the balance of state-owned enterprises including the National Electricity Transmission Company S.A. (ENTRESA) and the Nicaraguan Water Supply and Sewage Company (ENACAL).

[16] The main operating instrument of fiscal policy was the PGR, published on 15 December 2017 in *La Gaceta* No. 239 under Law No. 966, the Annual Law on the General Budget of the Republic 2018.

[17] For example, the 2018 PGR included average wage rises of 9.0% in education and 8.0% in health; and the continuation of subsidies for electricity and water for the retired, and public urban transport in the cities of Managua and Ciudad Sandino. Information viewed at: https://www.bcn.gob.ni/publicaciones/periodicidad/InformeAnual2018.

[18] Other measures included a rise in the minimum rate of corporation tax from 1% to 2-3% of gross sales, the elimination of VAT exemptions for certain consumer goods, and rises in excises, including on alcoholic drinks and tobacco. *IMF Country Report No. 20/59*.

[19] Information viewed at: https://www.bancomundial.org/es/country/nicaragua/overview.

[20] Around 85% of banks' liabilities and almost all banks' loans are denominated in or indexed to the US dollar. *IMF Country Report No. 20/59*.

account surplus since 1979 (6.0% of GDP) (Table 1.1). It is clear from Table 1.2 that the positive current account balance in 2019 was generated primarily by a significant reduction in imports, reflecting domestic adjustment in the public and private sectors, the strong performance of free-zone exports, and strong flows of family remittances.[21] The IMF projects that Nicaragua will have a current account surplus of 0.5% of GDP in 2020 and a deficit of 0.2% in 2021.[22]

Table 1.2. Balance of payments[a], 2013-19

(USD million)

	2013	2014	2015	2016	2017	2018	2019[b]
Current account	-1,380.4	-953.8	-1259.6	-1,127.1	-987.1	-242.7	755.9
Goods and services	-2215.2	-1,955.8	-2,285.1	-2,105.0	-1,842.5	-1,201.8	-535.6
Goods	-2,234.9	-2,142.9	-2,514.2	-2,497.0	-2,369.6	-1,604.1	-1,054.9
Exports f.o.b.[c]	3,879.0	4,175.8	3,873.4	3,794.6	4,179.5	4,197.4	4,342.0
General goods	3,446.3	3,790.0	3,555.5	3,437.6	3,852.2	3,827.1	3,844.2
Exports of goods	2,463.3	2,696.5	2,435.7	2,249.4	2,585.3	2,545.7	2,696.8
Free-zone exports	1,388.2	1,450.9	1,416.4	1,528.0	1,570.4	1,628.6	1,625.6
Goods procured in ports	27.8	28.4	21.3	17.2	23.8	23.1	19.6
Imports f.o.b.	-6,113.9	-6,318.7	-6,387.6	-6,291.6	-6,549.1	-5,801.5	-5,396.9
General goods	-6,113.9	-6,318.7	-6,387.6	-6,291.6	-6,549.1	-5,801.5	-5,396.9
Imports of goods	-5,225.4	-5,452.9	-5,418.6	-5,361.8	5,597.8	4,829.4	-4,352.4
Free-zone imports	-888.5	-865.8	-969.0	-929.8	-951.3	-972.1	-1,044.5
Services (balance)	19.7	187.1	229.1	392.0	527.1	402.3	519.3
Primary income (Income)	-534.2	-447.9	-489.0	-634.2	-711.7	-652.2	-466.4
Secondary income	1,369.0	1,449.9	1,514.5	1,612.1	1,567.1	1,611.3	1,757.9
Family remittances	1,077.7	1,135.8	1,193.4	1,264.1	1,390.8	1,501.2	1,682.4
Capital account	**228.6**	298.7	374.8	202.2	177.7	**112.6**	**103.1**
Net loan (+)/net borrowing (-)	**-1,751.8**	-655.1	-884.8	-924.9	-809.4	-130.1	859.0
Financial account	-1,407.4	**-1,242.7**	-1,299.9	-1,118.0	-1,120.6	-614.7	509.6
Net direct investment	-1,374.0	-1,586.5	-1,300.1	-1,538.8	-1,670.0	-1,188.0	-808.4
Net portfolio investment	-128.6	-67.4	0.9	139.5	-1.8	-60.3	342.0
Financial derivatives and ESOs	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other net investment	-559.3	-474.4	-575.9	-277.0	-447.9	720.9	492.4
Reserve assets	95.5	281.9	197.1	-56.7	300.0	-512.8	119.1
Errors and omissions	-255.6	-587.6	-415.1	-193.1	-311.2	-484.6	-349.4

a According to the Sixth Edition of the Balance of Payments Manual.
b Preliminary figures.
c Exports of goods under the free-zone regime, excluding processing services posted in services.

Source: Information viewed at: https://www.bcn.gob.ni/publicaciones/periodicidad/InformeAnual2018; and data supplied by the Nicaraguan authorities.

1.3 Developments in Trade and Investment

1.3.1 Trends and patterns in merchandise and services trade

1.17. Nicaragua is dependent on foreign trade for its development. During 2016-18, trade (exports and imports of merchandise and services) accounted for 46.6% of GDP.[23] As is clear from Table 1.2, the lower deficit in trade in goods was one of the key elements contributing to the current account surplus in 2019. The lower deficit in trade in goods was the result of lower demand for imports of non-petroleum goods, especially capital goods, and the buoyancy of free-zone exports, mainly in the textiles industry[24], which in 2019 rose to USD 2,601 million (3.4% higher than in 2018).

1.18. In recent years, Nicaragua's merchandise exports have been adversely affected by lower international prices for its main export products, especially coffee. Thus, as classified under the

[21] Strong remittances can be explained principally by the increase in flows from the United States, Spain and Costa Rica.
[22] IMF (2020), *World Economic Outlook*, October 2020, Washington, D.C.
[23] WTO Statistics Database, "Trade Profiles: Nicaragua". Viewed at: http://stat.wto.org/CountryProfile/WSDBCountryPFView.aspx?Language=E&Country=NI.
[24] In 2018, 60% of free-zone exports were from the textiles and garments industry.

sections of the Harmonized System (HS), textiles and textile articles are now the country's main exports, contributing 29.3% of total exports in 2019 (25.7% in 2012). Next come exports of live animals and animal products (19.6% of total exports of goods in 2019), and exports of vegetable products (14.6%). The share of exports represented by metals and precious stones rose from 9.7% in 2012 to 10.4% in 2019 (Chart 1.2 and Table A1.1).[25]

1.19. Nicaragua's merchandise exports go mainly to the United States (61.7% of all exports in 2019, higher than the 2012 figure of 46.2%), the other members of the Central American Common Market (CACM) and Mexico. The relative share of the Bolivarian Republic of Venezuela in total exports fell sharply during the review period, from 9.8% in 2012 to 0.3% in 2019. Similarly, Canada's share as a destination market for Nicaragua's exports fell from 7.1% to 0.9% over the same period. Some 7.6% of Nicaraguan exports in 2019 went to the European Union (7.5% in 2012), where the main destinations were the United Kingdom, Germany and Spain (Chart 1.3 and Table A1.3).

1.20. In 2019, 96.7% of Nicaragua's export income was generated by exports to economies with which it has free trade agreements (Section 2.2.2).

1.21. Under the HS classification, textiles and textile articles are Nicaragua's main imports, having risen from 2.0% of the total in 2012 to 21.7% in 2019. Next come mineral products, chiefly fuel, which accounted for 14.2% of all imports in 2019 (compared to 25.1% in 2012).[26] Imports of electrical machinery or equipment and chemicals also fell in terms of share of the total volume of imports in 2012-19. However, imports of live animals and animal products retained their share of total imports at around 1.3% during the review period (Chart 1.2 and Table A1.2).

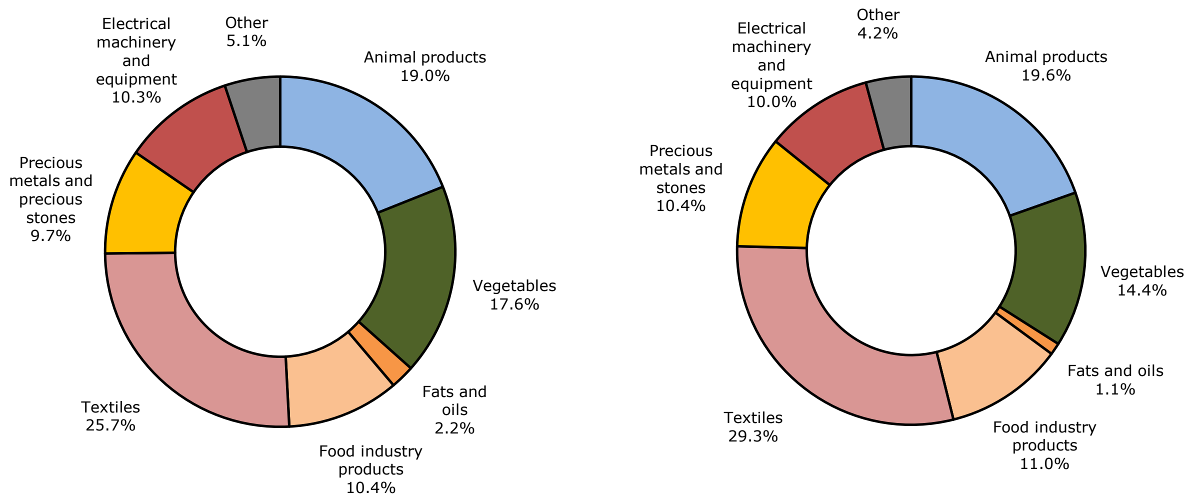
[25] According to information from the authorities, the top exports in 2018 were: textiles and clothing (33.2%), motor vehicle harnesses (10.3%), beef (8.9%), coffee (7.8%), gold (6.9%), cigars and tobacco (4.8%), fish and crustaceans (4.2%), dairy products (3.1%), sugar (3.1%), and groundnuts (2.1%).

[26] Rising international oil prices were offset generally by a fall in the volumes of fuel imported during the review period.

Chart 1.2 Merchandise trade by main products, 2012 and 2019

2012 **2019**

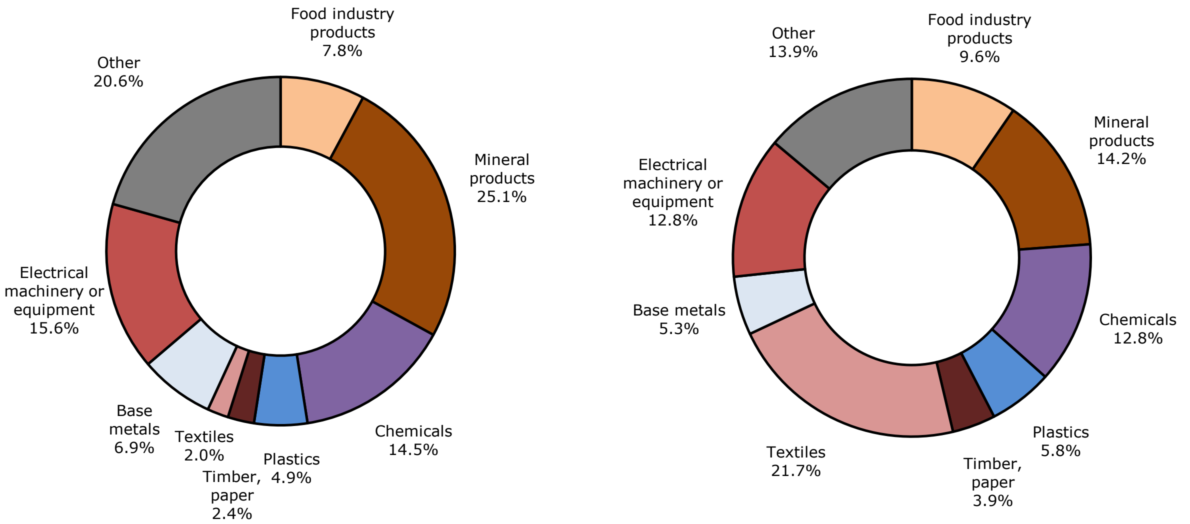
(a) Exports



Total: USD 4,551 millon

Total: USD 5,273 millon

(b) Imports

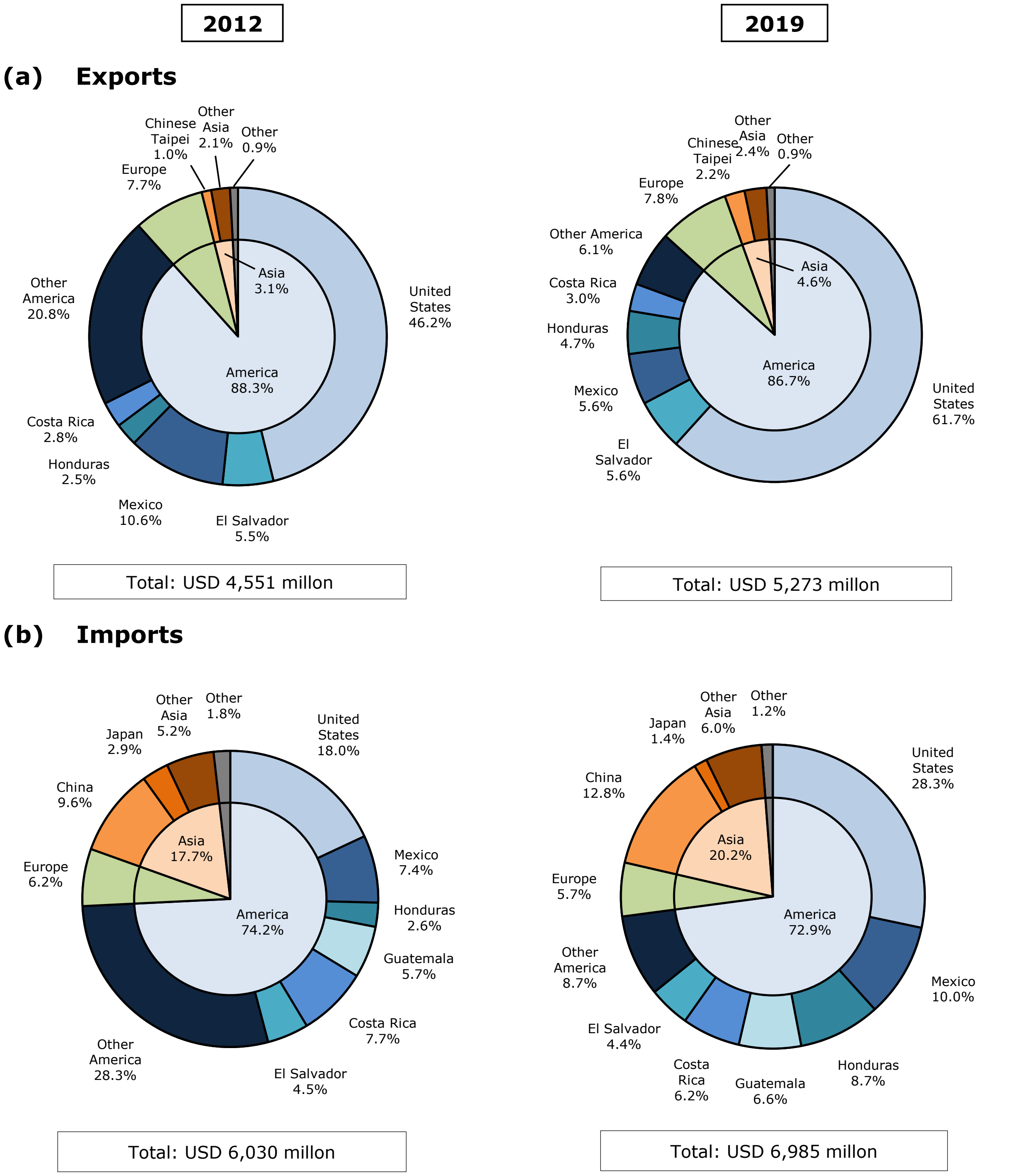


Total: USD 6,030 millon

Total: USD 6,985 millon

Source: WTO Secretariat calculations based on data from the Comtrade database and the Nicaraguan authorities.

Chart 1.3 Merchandise trade by trading partner, 2012 and 2019



Source: WTO Secretariat calculations based on data from the Comtrade database and the Nicaraguan authorities.

1.22. The largest share of imported goods comes from the United States, which in 2019 supplied 28.4% of total merchandise imports (compared to 18.0% in 2012). The second most significant country of origin is China, which in 2019 supplied 13.0% of total merchandise imports (compared to 9.6% in 2012), followed by Mexico (10.1%), and Honduras (4.7%). The proportion of merchandise imports from the Bolivarian Republic of Venezuela fell significantly from 13.4% of the total in 2012 to 0.4% in 2019, whilst the share from the European Union fell from 5.8% to 5.1% over the same period (Chart 1.3 and Table A1.4). Imports of merchandise from economies with which Nicaragua has preferential agreements accounted for 74.5% of the total in 2019 (Section 2.2.2).

1.23. Balance-of-payments data show that Nicaragua has become a net exporter of services, with a surplus that rose from USD 19.7 million in 2013 to USD 519.3 million in 2019 (Table 1.2). This is despite the fact that total exports of services, mainly tourism, were adversely affected by the unrest of April 2018. The largest deficits occurred in freight and passenger transport and in insurance.

1.3.2 Foreign direct investment

1.24. During the review period, Nicaragua took measures to attract greater inflows of FDI, in particular through the adoption of the Law establishing the Investment and Export Promotion Agency (PRONicaragua) (Sections 2.1 and 2.3); the Law on Export Free Zones (Section 3.2.6); and the Law on Public-Private Partnerships governing the formulation, tendering, financing, implementation, operation and termination of investment projects (Section 2.3).

1.25. FDI inflows to Nicaragua have still not reached their full potential. In addition to concerns about political and social instability, the latest World Bank survey of the business sector notes that the main obstacles include dealing with construction permits, protecting minority investors, paying taxes, and registering property. On the other hand, areas where improvement has occurred include enforcing contracts and getting electricity.[27]

1.26. In 2013, inflows of FDI as a proportion of GDP stood at a record 12.3%.[28] Since 2018, the favourable development of FDI in Nicaragua has been seriously affected by the social and political unrest referred to previously. Net flows of FDI[29] fell from an average of USD 1,007 million in 2013-17 to USD 838 million in 2018 and USD 503 million in 2019 (Table 1.3). In 2019, 29.9% of net FDI flows were channelled into the telecommunications sector (30%), followed by mining (26.2%), commerce and services (10.7%), and the financial sector (10.0%).

Table 1.3 Net flow of FDI by economic sector, 2013-19

(USD million)

	2013	2014	2015	2016	2017	2018	2019
Total	**965.7**	**1,076.8**	**967.0**	**989.1**	**1,035.4**	**837.6**	**503.0**
Industry	212.1	365.4	305.4	292.0	233.6	110.0	24.5
Finance	88.3	101.7	115.7	144.3	130.8	125.5	50.3
Commerce and services	98.5	32.4	140.2	217.7	211.8	137.2	53.9
Energy	329.8	325.4	107.8	18.3	175.1	165.3	14.2
Telecommunications	124.5	189.3	225.5	179.5	153.8	135.9	150.5
Agriculture	41.4	36.7	36.5	57.8	10.0	28.6	25.5
Mining	2.4	-17.8	-13.0	24.4	18.3	65.2	131.9
Forestry	19.4	13.2	17.5	9.8	2.7	0.4	0.1
Construction	0.0	5.8	8.6	26.9	1.6	2.2	-1.6
Tourism	1.0	6.9	30.0	9.3	36.5	19.5	34.4
Transport	34.3	-6.7	-32.0	-6.7	45.4	2.5	10.8
Other	13.4	24.5	24.8	15.8	15.8	45.3	8.5

Source: Information supplied by the Ministry of Development, Industry and Trade (MIFIC).

1.27. In 2019, Panama was Nicaragua's largest foreign investor, accounting for a net flow of USD 127.1 million, or 25.3% of total FDI inflows. As Table 1.4 shows, other significant investors were the United States (33.3% of the total), Canada (17.1%), and Mexico (13.2%).

Table 1.4 Net FDI flows by country of origin, 2013-19

(USD million)

	2013	2014	2015	2016	2017	2018	2019
Total	**965.7**	**1,076.8**	**967.0**	**989.1**	**1,035.4**	**837.6**	**503.0**
Panama	134.8	111.8	119.9	162.2	74.0	171.4	127.1
Mexico	96.8	143.8	179.2	140.8	178.3	164.4	66.8
United States	277.7	84.7	189.7	302.1	270.0	234.4	167.6
Guatemala	53.9	26.1	28.2	30.4	61.8	-64.1	-94.3

[27] Information viewed at: http://espanol.doingbusiness.org/es/data/exploreeconomies/nicaragua.
[28] FDI inflows are gross inflows of foreign investment into the country excluding finance from unrelated sources such as multilateral or bilateral bodies and commercial banking.
[29] "Net flows of FDI" refers to flows of foreign investment into the country excluding financing from unrelated sources, less capital outflows and payments abroad.

	2013	2014	2015	2016	2017	2018	2019
Bolivarian Republic of Venezuela	100.9	186.3	72.9	116.8	203.3	0.3	0.0
Spain	136.9	63.5	32.8	-126.0	52.6	40.1	24.9
China	0.0	59.9	90.6	87.4	24.7	5.7	3.1
Costa Rica	16.2	21.6	-3.1	32.7	47.6	29.9	17.3
Republic of Korea	47.7	84.5	43.1	67.8	45.3	32.8	23.1
Canada	-24.1	11.8	32.2	41.0	-56.1	115.2	86.0
El Salvador	-17.3	22.8	34.0	43.2	6.5	10.0	4.6
Switzerland	42.8	78.2	28.6	17.5	32.6	16.8	17.2
Other	98.8	181.8	119.0	73.0	94.9	80.8	59.7

Source: Information supplied by the Ministry of Development, Industry and Trade (MIFIC).

2 TRADE AND INVESTMENT REGIMES

2.1 General Framework

2.1. There are three branches of power[1] in the Republic of Nicaragua: the executive, the legislature and the judiciary. Executive power is exercised by the President of the Republic, who is elected by universal suffrage for a five-year term. The President appoints a cabinet of 15 ministers, who do not have to be members of the National Assembly, and has the power to initiate and veto legislation, and to issue regulations pursuant to laws. The President is also responsible for negotiating, entering into, and signing international treaties, conventions or agreements; and directing the country's economy by deciding on economic and social policy. The most recent presidential election was held in November 2016 and the next is scheduled for 2021.

2.2. The legislature consists of the single-chamber National Assembly, which consists of 90 deputies (20 elected nationally and 70 by district), plus any presidential or vice-presidential candidates who gain over 1.1% of the national vote. Deputies are elected by proportional representation for five-year terms. The National Assembly is responsible for drafting and approving laws and decrees, and for reforming and repealing those currently in force. The Assembly does not have power to alter the texts of international agreements, but can only debate them and either approve or reject them in their entirety. Legislative approval gives such instruments legal force both inside and outside Nicaragua, provided that they have entered into force internationally by means of the deposit or exchange of ratifications, or fulfilment of the requirements or deadlines provided for in the international instrument in question.

2.3. The judiciary comprises the Supreme Court of Justice, which consists of 12 members, and lower courts (appeal courts, district and local courts). The National Assembly elects Supreme Court judges for seven-year terms from a list of candidates proposed by the Government.

2.4. Regional and municipal authorities are elected for five-year terms. There are 15 Regional Departments, two Autonomous Regional Councils of the Atlantic Coast, and 131 Municipal Councils. These subnational authorities are elected for five-year terms, are administratively and financially autonomous, and have power to impose various types of local taxes, in particular those levied on income, construction, municipal services, leisure activities and commercial licences.

2.5. The Constitution of the Republic of Nicaragua is the country's main law, and takes precedence over all other legislation. Article 182 states that the Constitution is the country's bedrock, and any law, treaty, order or provision that contravenes or alters its provisions is null and void.

2.6. The provisions of international agreements form part of the country's law once they have been ratified and published in Official Journal *La Gaceta*. Domestic legislative procedures must be followed in order for provisions requiring implementing regulations to become national law; any alteration must be made through legal amendments to the instruments in question. The provisions of WTO Agreements that are transposed into Nicaragua's domestic law take effect once the established legislative procedures have been completed, and enjoy the same protection and legal remedies as other national laws. A similar legal regime applies to the decisions and regulations of the Central American Common Market (CACM), although in certain circumstances approval by the domestic legislature is not required and a ministerial decision suffices.

2.2 Trade Policy Formulation and Objectives

2.7. The Ministry of Development, Industry and Trade (MIFIC) is tasked with formulating and implementing trade policy, and negotiating and administering international and regional agreements on trade and investment.[2] It is also responsible for implementing policies on investment, whether domestic or foreign, and for issues relating to standards, the National Quality Assurance System, consumer protection and intellectual property rights, the promotion and development of industry and technology, and export promotion.

[1] In addition to the electoral power exercised by the Supreme Electoral Council.
[2] Further information on MIFIC is available at: www.mific.gob.ni.

2.8. MIFIC coordinates the formulation and implementation of trade policy with the corresponding ministries (for example the Ministry of Agriculture and Forestry (MAG), the Ministry of Family, Community, Cooperative and Associative Economy (MEFCCA), the Ministry of Finance and Public Credit (MHCP), the Ministry of the Environment and Natural Resources (MARENA), and the Institute for Agricultural and Livestock Protection and Health (IPSA)); and, while the Ministry of Foreign Affairs represents Nicaragua at the WTO, MIFIC is responsible for international trade negotiations, including the negotiation of tariffs, in consultation with other ministries on topics within their areas of responsibility.

2.9. Responsibility for the promotion of export-oriented investment projects to develop the economy lies with the Investment and Export Promotion Agency (PRONicaragua), a public-private institution attached to the Office of the President of the Republic.[3] Its main objectives are to attract private investment to drive exports of goods and services, decentralize investment at national level and promote a business-friendly environment (Section 2.3).[4]

2.10. The National Commission for the Promotion of Exports (CNPE), chaired by the Minister for Development, Industry and Trade, has five representatives from the business sector and five from the public sector. Its role is to propose new policy measures that contribute to the development of exports.

2.11. The general objective of Nicaragua's trade policy continues to be to promote access to foreign markets and further the country's integration into the international economy by negotiating and administering international trade and investment agreements.[5] The National Human Development Plan 2018-21 includes continuing with work to strengthen the national quality assurance system and the intellectual property register, improving the Central American free trade zone, taking advantage of the national agreements in force, and signing new trade agreements. As regards investment promotion and facilitation, work will continue to boost Nicaraguan and foreign investment, cut red tape, modernize the legal framework, and strengthen the country's performance in terms of international indicators.[6]

2.12. The main sectoral objectives of the National Human Development Plan 2018-21 are: to ensure the supply of power by expanding infrastructure, introducing better technologies and involving regional electricity agencies; to sustainably increase production, productivity, quality and added value in the agricultural sector; to promote the development of new businesses and the establishment of partnership networks and networks of suppliers among SMEs; to implement an industrialization policy in order to compete on local and export markets by promoting innovative methods and technology to boost quality; to promote the establishment of industrial and agri-business parks; to foster good practices in the catching, processing and marketing of fishery and aquaculture resources; to develop sustainable, job-creating tourism; to make progress in extending broadband on the high-speed internet; to bolster the postal network; and to foster the development of transport infrastructure in terms of roads, ports, airports, railways, and border crossing points.[7]

2.3 Trade Agreements and Arrangements

2.3.1 WTO

2.13. Nicaragua became a contracting party to the General Agreement on Tariffs and Trade (GATT) on 28 May 1950. It participated fully in the Uruguay Round, ratifying the Marrakesh Agreement on 27 July 1995, and became a WTO Member on 3 September 1995. Nicaragua grants at least

[3] Law No. 915 published in *La Gaceta* of 16 October 2015. PRONicaragua is the legal successor to the Presidential Delegation for Investment Promotion and Foreign Trade Facilitation (PRONICARAGUA) established under Presidential Decree No. 12-2011, published in *La Gaceta* No. 70 of 12 April 2011, and to the Special Commission for Private Investment Promotion (PRO-NICARAGUA), established under Executive Decree No. 75-2002, published in *La Gaceta* No. 154 of 16 August 2002.
[4] Article 1 of Law No. 915.
[5] Information viewed at: https://www.mific.gob.ni/QuienesSomos.
[6] Information viewed at: https://www.bcn.gob.ni.
[7] Information viewed at: https://www.bcn.gob.ni.

most-favoured-nation (MFN) treatment to all its trade partners. This is the fourth Trade Policy Review of Nicaragua; the previous Review took place in 2012.

2.14. On 4 August 2015, Nicaragua became the first Latin American country to ratify the WTO Agreement on Trade Facilitation (TFA) and to deposit its instrument of acceptance. Nicaragua has notified the WTO of its Category A, B and C commitments under the TFA.[8]

2.15. On 25 January 2010, Nicaragua accepted the Protocol amending the Agreement on Trade-Related Aspects of Intellectual Property Rights in order to make permanent a decision on patents and public health. In 1999, Nicaragua also accepted the Fifth Protocol (financial services) to the General Agreement on Trade in Services.

2.16. On 20 October 2005, Nicaragua acceded to the Information Technology Agreement (ITA).[9] Nonetheless, Nicaragua is not participating in the expansion of the ITA agreed at the Nairobi Ministerial Conference of 2015.[10]

2.17. Nicaragua is not party to the WTO's Plurilateral Agreement on Government Procurement nor to the Agreement on Trade in Civil Aircraft.

2.18. Since its last Review, Nicaragua has not been a complainant or respondent in any case brought under the WTO dispute settlement mechanism, but it has participated as a third party in one case.[11]

2.19. During the review period, Nicaragua has submitted various notifications under different WTO Agreements (Table 2.1). Nonetheless, it has a number of pending notifications, mainly in the field of agriculture.[12]

Table 2.1 Main notifications made by Nicaragua to the WTO, 2012-20

Agreement	Description	Frequency	WTO documents (most recent if submitted periodically)
Agreement on Trade Facilitation (WT/L/911, replaced by WT/L/931)			
Article 15	Commitments designated under Category A	*Ad hoc*	WT/PCTF/N/NIC/1, 03/07/2014
Article 16	Deadlines for the implementation of Category B and C commitments		G/TFA/N/NIC/1, 27/07/2017 G/TFA/N/NIC/1/Add.1, 30/07/2018
Article 1, paragraph 4	Procedures for importation, exportation, and transit		G/TFA/N/NIC/3, 06/01/2020
Article 10, paragraph 4.3	Operation of the single window		
Article 10, paragraph 6.2	Use of customs brokers		
Article 12, paragraph 2.2	Contact point for the exchange of information		G/TFA/N/NIC/2, 20/11/2019
Agreement on Agriculture			
Articles 10 and 18.2; ES:1	Export subsidies	Annually	G/AG/N/NIC/53, 15/04/2019
Article 18.2; DS:1	Domestic support	Annually	G/AG/N/NIC/47, 29/08/2017
Article 18.2; MA:2	Tariff and other quota commitments	Annually	G/AG/N/NIC/51, 12/04/2019
Articles 5.7 and 18.2; MA:5	Special safeguard provisions	Annually	G/AG/N/NIC/49, 09/04/2019

[8] WTO documents G/TFA/N/NIC/1 and G/TFA/N/NIC/1/Add.1 of 27 July 2017 and 30 July 2018 respectively.
[9] WTO document WT/Let/512 of 28 February 2006.
[10] Information viewed at: https://www.wto.org/english/tratop_e/inftec_e/inftec_e.htm.
[11] Disputes DS434, DS435, DS441, DS458 and DS467: *Australia - Certain Measures Concerning Trademarks, Geographical Indications and Other Plain Packaging Requirements Applicable to Tobacco Products and Packaging*.
[12] See WTO document G/L/223/Rev.27 of 11 February 2020.

Agreement	Description	Frequency	WTO documents (most recent if submitted periodically)
General Agreement on Trade in Services			
Article III:4 and/or Article IV:2	Enquiry points/contact points	Once only (within two years of the entry into force of the Agreement).	S/ENQ/78/Rev.19, 29/08/2019
Article V:7(a)	Economic integration agreements	*Ad hoc*	S/C/N/680, 27/02/2013 S/C/N/717/Rev.1, 28/01/2014
Agreement on Implementation of Article VII of the GATT (customs valuation)			
Article 22.2	Changes in laws/regulations and administrative arrangements	*Ad hoc*	G/VAL/N/1/NIC/1, 15/10/2012
GATT 1994			
Article XVII:4(a)	State trading activities	Annually	G/STR/N/17/NIC, 20/03/2018
Article XXIV:7(a)	Formation of a free trade area	*Ad hoc*	WT/REG376/N/1, 01/11/2016
			WT/REG357/N/1, 21/11/2014
			WT/REG349/N/1/Rev.1, 28/01/2014
			WT/REG347/N/1, 17/09/2013
			WT/REG342/N/1, 06/06/2013
			WT/REG332/N/1, 27/02/2013
Agreement on Import Licensing Procedures			
Article 1.4(a) and/or Article 8.2(b)	Changes in laws and regulations and in their administration	*Ad hoc*	G/LIC/N/1/NIC/2, 23/03/2012
Article 7.3	Replies to questionnaire on import licensing procedures	Annually	G/LIC/N/3/NIC/10, 14/03/2019
Agreement on the Application of Sanitary and Phytosanitary Measures			
Article 7 and Annex B	Sanitary/phytosanitary regulations	*Ad hoc*	G/SPS/N/NIC/109, 28/08/2019
Agreement on Rules of Origin			
Article 5 and Annex II, paragraph 4	Changes to preferential rules of origin; new preferential rules of origin	*Ad hoc*	G/RO/N/114, 02/04/2014
			G/RO/N/93, 09/04/2013
Article 5 and Annex II, paragraph 4 - First time	Existing preferential rules of origin; judicial decisions and administrative rulings of general application relating to preferential rules of origin	Once only (within 90 days of the date of entry into force of the WTO Agreement for the Member concerned)	G/RO/N/161, 21/07/2017
Agreement on Technical Barriers to Trade			
Article 2.9.2	Technical regulations	*Ad hoc*	G/TBT/N/NIC/159, 11/04/2019
Decision on Notification Procedures for Quantitative Restrictions (G/L/59/Rev.1)			
	List of quantitative restrictions in force	Once only, before 30 September 2012 (within two years of 1 October 2012); *Ad hoc* (changes)	G/MA/QR/N/NIC/3, 01/11/2018

Source: WTO Secretariat.

2.3.2 Regional and Preferential Agreements

2.20. Since its last Trade Policy Review in 2012, Nicaragua, together with other Central American countries, has brought into force trade agreements with the Republic of Korea and the European Union, a new Central America-Mexico agreement, and partial scope agreements with Cuba and Ecuador. An agreement was also signed to govern relations with Central America after the United Kingdom leaves the European Union. Consequently, in addition to the CACM (with Costa Rica, Guatemala, El Salvador and Honduras), Nicaragua has free trade agreements and/or partial scope agreements in force with Chile, Colombia, Cuba, the Dominican Republic, Ecuador, the European Union, the Republic of Korea, Mexico, Panama, Chinese Taipei, the United States and Venezuela. The trade agreements applicable to Nicaragua have been notified to the WTO, with the exception of the agreement with the Republic of Korea.[13]

2.21. According to information from the Nicaraguan authorities, in 2019 exports to economies with which Nicaragua has preferential agreements in force accounted for 96.7% of all merchandise exports; imports of merchandise under that framework accounted for 74.5% of the total.

2.22. The new trade agreements signed by Nicaragua include provisions on market access for goods and services, as well as measures to promote investment. As regards access to markets for merchandise, the agreements provide for progressive tariff reduction (Table 2.2) and a number of provisions have been negotiated to eliminate non-tariff barriers. The agreements set out two arrangements for access to services markets, namely a "negative list" and a "positive list".

Table 2.2 Trade agreements negotiated by Nicaragua, 2012-20

	Free Trade Agreement between Central America[a] and Mexico	Association Agreement between Central America[b] and the EU	Free Trade Agreement between Central America[c] and the Republic of Korea	Partial Scope Agreement between Nicaragua and Cuba	Partial Scope Agreement between Nicaragua and Ecuador
Date of entry into force	1 Sept 2012	1 Aug 2013	1 Oct 2019	9 Oct 2014	19 Nov 2017
Coverage	Goods and services	Goods and services	Goods and services	Goods	Goods
End of tariff reduction period	2012	2027	2037	n.a.	n.a.
Tariff-free lines	99.6	95.7	95.3	96.3	2.3
Immediate reduction	99.6	47.9	51.2	96.3	2.3
Less than 10 years	0.0	7.4	13.0	0.0	0.0
10 years	0.0	36.3	24.7	0.0	0.0
More than 10 years	0.0	4.1	6.3	0.0	0.0
Lines where tariffs remain	0.4	4.0	4.7	3.7[d]	97.7
Tariff quotas	n.a.	0.3	n.a.	n.a.	n.a.

n.a. Not applicable.

a Costa Rica, El Salvador, Guatemala, Honduras, and Nicaragua.
b Costa Rica, El Salvador, Guatemala, Honduras, Nicaragua and Panama.
c Costa Rica, El Salvador, Honduras, Nicaragua and Panama.
d Includes 60 lines (0.8%) to which a lower tariff applies.

Source: Information supplied by MIFIC.

2.23. The Free Trade Agreement between Central America[14] and the Republic of Korea was ratified by the National Assembly of Nicaragua on 12 September 2018 and entered into force on 1 October 2019. The aim of the agreement, which covers goods as well as services, is to foster the expansion and diversification of trade between the Parties, eliminate barriers to trade, facilitate cross-border movement, promote conditions of fair competition, increase investment opportunities, and protect intellectual property rights. The provisions of the agreement apply on a bilateral basis between the Republic of Korea as one party and Costa Rica, El Salvador, Honduras, Nicaragua and Panama, considered individually, as the other party. In terms of market access, the agreement

[13] See the WTO Regional Trade Agreements Database. Viewed at: http://rtais.wto.org/UI/PublicMaintainRTAHome.aspx.
[14] Costa Rica, El Salvador, Honduras, Nicaragua and Panama.

includes preferential coverage of 96.0%. Trade liberalization will be achieved within no more than 19 years from the date of the agreement's entry into force.

2.24. The aim of the Association Agreement between the European Union and Central America is to improve political dialogue between the two regions, step up cooperation in various fields, and facilitate trade and investment flows. The agreement consolidates and expands the preferences granted under the Generalized System of Preferences (GSP). Nicaragua undertook to eliminate tariffs immediately with respect to the EU for 47.9% of tariff lines. Broadly speaking, Nicaragua will eliminate most tariffs over a period not exceeding 10 years (Table 2.2). All other goods are subject to a lengthier period of reduction (never more than 15 years) or will be excluded from the reduction schedule.[15]

2.25. The Free Trade Agreement between Central America and Mexico of 2012 replaced three previous bilateral agreements and consolidated them into a single text.[16] With regard to rules of origin, the new Free Trade Agreement between Central America and Mexico amended the preferential rules of origin in force under the previous agreement. Specifically, the new agreement allows for regional and extended cumulation of origin.[17]

2.26. Nicaragua is participating in the process of establishing a customs union, the Central American Common Market (CACM), established in 1960 under the General Treaty on Central American Economic Integration.[18] The other founder members of the CACM are Costa Rica, El Salvador, Guatemala and Honduras; Panama has participated since 6 May 2013.[19] Most of the preferential agreements that Nicaragua has signed are with Central American countries, and one of the most important is the Dominican Republic - Central America - United States Free Trade Agreement (CAFTA-DR).[20]

2.27. During the review period, Nicaragua continued to implement the Tariff Reduction Programme agreed under the CAFTA-DR The bulk of Nicaragua's scheduled tariff liberalization took place in the year that the agreement entered into force (2006). By 1 January of the 10th year of application of the agreement (2015), 96.5% of Nicaragua's tariff lines were free of duty, and, when the transition period ends in 2025, all Nicaragua's tariff lines will be duty-free except for one, white corn, which falls under category H (Exclusion) where the applicable tariff will be the MFN rate of 15%. Under the agreement, Nicaragua has opened a number of tariff-rate quotas (TRQs) that apply exclusively to US and Dominican Republic suppliers. In the case of imports from the United States, these cover cheese, milk powder, butter, ice cream, other dairy products, pork, yellow corn, white corn, rough rice, milled rice, and chicken leg quarters. For imports from the Dominican Republic, Nicaragua applies TRQs to chicken breasts, onions and shallots, and beans.[21]

2.3.3 Other Agreements and Arrangements

2.28. On 14 April 2009, Nicaragua applied to join the Latin American Integration Association (LAIA), which comprises Argentina, the Plurinational State of Bolivia, Brazil, Chile, Colombia, Cuba, Ecuador, Mexico, Paraguay, Peru, Uruguay, and the Bolivarian Republic of Venezuela. Nicaragua has reached agreements on Market Opening Lists (NAM) with all LAIA members except Paraguay, with which it is still waiting to complete negotiations. This has delayed the full incorporation of Nicaragua into the LAIA integration arrangements. Joining LAIA is an opportunity for Nicaragua to boost its exports under preferential conditions because it was classified in the preliminary phase as a country with a relatively lower level of economic development, allowing it to negotiate under non-reciprocal conditions with other member countries that are not relatively less developed economies.

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[15] For further information on this agreement, see WTO documents in the series WT/REG332.
[16] The signatories of the three free trade agreements were: Mexico and Costa Rica; Mexico and Nicaragua; and Mexico and the "Northern Triangle" (El Salvador, Guatemala and Honduras).
[17] For further information on this agreement, see WTO documents in the series WT/REG349.
[18] Further information on the CACM can be found in the factual presentations by the WTO Committee on Regional Trade Agreements: WTO documents WT/REG384.
[19] The General Treaty on Central American Economic Integration (TGIEC), adopted by Panama under the Protocol Incorporating the Republic of Panama into the Central American Economic Integration Subsystem.
[20] The CAFTA-DR was signed in 2004 and entered into force on 1 March 2006 for El Salvador and the United States; 1 April 2006 for Honduras and Nicaragua; 1 July 2006 for Guatemala; 1 March 2007 for the Dominican Republic; and 1 January 2009 for Costa Rica.
[21] WTO document WT/REG211/3 of 18 July 2016.

2.29. Nicaragua has concluded various agreements with LAIA countries, including the partial scope agreements signed with Colombia, Cuba, Ecuador and the Bolivarian Republic of Venezuela. Nicaragua also participates, within the LAIA framework, in the agreement between MERCOSUR and the CACM concluded in 1998, which seeks to foster trade, investment, and technology transfer, but does not include tariff preferences.

2.30. Nicaragua signed a partial scope agreement (AAP) with Colombia, under which the latter grants tariff preferences of between 12% and 100% on 25 tariff lines including fresh garlic, ginger, sorghum, peanuts, tomato concentrate, light tobacco, silicaceous sands, kaolin, chlorine, hydrochloric acid, organic curing products, calcium carbonate, mahogany and cedar, and electric accumulators.

2.31. The AAP with Cuba was signed on 13 March 2014 and entered into force on 9 October 2014. It aims to bolster alternative integration by means of solidarity, cooperation and economic, commercial and productive complementarity. The agreement provides for negative trade lists, and the entire tariff schedule is subject to free trade except for the products listed in Annexes 1A and 1B (Exceptions to free trade) and Annexes 2A and 2B (Reciprocal partial preferences).

2.32. The AAP with Ecuador entered into force on 19 November 2017 and aims to strengthen and invigorate trade flows, as well as deepen trade relations and ties of friendship. Ecuador grants Nicaragua immediate free trade in live fish, lobsters, natural honey, seed potatoes, garlic, beans, chewing gum and sweets, mixtures of vegetables, rum, cigars and wooden furniture, among other items. Nicaragua opened its market immediately to products of Ecuadorian origin such as herring, natural honey, rice for sowing, seeds, fish oil, tuna loins, confectionery, sweet biscuits, jams, medicinal products, pneumatic tyres, paper and paperboard, books, and flags and paving, among other items.

2.33. Nicaragua signed an AAP with the Bolivarian Republic of Venezuela on 15 August 1986, which was amended in September 1992. Under this agreement, the Bolivarian Republic of Venezuela grants Nicaragua preferences on 312 tariff lines, including bovine livestock, beef cuts and offal, bone meal, crustacean shells and carapaces, black beans, cashew nuts, and tuna fish.

2.34. Along with Antigua and Barbuda, Cuba, Dominica, Saint Vincent and the Grenadines, and the Bolivarian Republic of Venezuela, Nicaragua is a member of the Bolivarian Alliance for the Peoples of Our America (ALBA).[22] ALBA is an integration project governed by the principles of complementarity and cooperation among its members, who are the signatories to the People's Trade Agreement (ALBA-TCP).

2.35. Nicaragua benefits from several schemes under the GSP, including those of Canada, Japan, Norway, Russia and Switzerland.

2.36. Nicaragua is party to the International Coffee Agreement 2007, the International Sugar Agreement 1992, the International Cocoa Agreement 2010 and the Agreement Establishing the Common Fund for Commodities.

2.4 Investment Regime

2.37. In the review period, Nicaragua took measures to attract greater inflows of foreign direct investment (FDI), in particular through the adoption of various laws including the Law establishing the Investment and Export Promotion Agency (PRONicaragua) which in 2015, as already noted, replaced the Presidential Delegation for Investment Promotion and Foreign Trade Facilitation (PRONICARAGUA)[23]; the Law on Export Free Zones (Section 3.2.6)[24]; and the Law on Public-Private Partnerships governing the formulation, tendering, financing, implementation, operation and termination of investment projects for production infrastructure programmes (ports, airports, roads,

[22] On 23 August 2018 Ecuador withdrew from ALBA, and on 15 November 2019 the Plurinational State of Bolivia followed suit. Haiti is an observer.

[23] Law No. 915 published in *La Gaceta* No. 196 of 16 October 2015.

[24] Law No. 917 published in *La Gaceta* No. 196 of 16 October 2015.

etc.) or for social programmes (hospitals, schools, safety, etc.) in partnership with the Government of Nicaragua.[25]

2.38. The legal framework governing foreign investment in Nicaragua is defined in the country's Constitution. It requires the State to protect, foster, and promote economic investments with social responsibility to guarantee economic and social democracy. The Constitution also establishes equal rights and obligations in respect of foreign and national investments, guarantees private property rights and prohibits confiscation. The Foreign Investment Promotion Law (Law No. 344 of 2000) ensures national treatment for foreign investment and allows free currency convertibility; transfers abroad in relation to the capital invested; remittance of any profit, dividend or gain generated in the country; and payments arising from compensation in respect of expropriation. Foreign investors may also take out insurance pursuant to international agreements.[26]

2.39. Foreign investment may enter Nicaragua without any requirement to sign an investment contract; no restrictions or conditions are imposed on foreign capital entering the country. The amount of investment is not subject to limits or ceilings. There are no restrictions on foreigners owning property in Nicaragua. The law recognizes the right of investors to freely dispose of their property and, in the event of declaration of public utility, to receive appropriate compensation. Foreign investors enjoy the same investment incentives in Nicaragua as Nicaraguan investors, and they may own up to 100% of the shares or equity in a national enterprise. The law allows for accelerated depreciation of assets (subject to certain conditions), and free access for foreign investors to bank loans. Registration of foreign investors is not compulsory, however foreign investors investing more than USD 30,000 may be entered in the Foreign Investment Statistical Register[27] on a voluntary basis, for which they have to complete a form entitled "Notification for Registration of Foreign Investments".

2.40. National legislation recognizes the right to establish, acquire and freely dispose of practically any type of enterprise, goods or services, except where activities reserved to the State are concerned (for example electric power transmission, the water supply and sewage system, and airport services), or those that are subject to specific restrictions such as border zones and certain transport services.

2.41. MIFIC is tasked with enforcing the Foreign Investment Promotion Law (Law No. 344 of 2000). Acting through the Investment Directorate, MIFIC proposes policies and strategies that coordinate and stimulate investment in the country. The Directorate's functions include facilitating and simplifying procedures, helping to improve the legal framework, monitoring foreign investment flows, and administering the Foreign Investment Law and its regulations. The Directorate also participates in negotiations for bilateral and multilateral investment agreements.

2.42. Promoting and facilitating investment is the responsibility of PRONicaragua, a decentralized public-private institution attached to the Office of the President of the Republic. The aim of this agency is to work with the public and private sectors in directing the establishment of a national promotion system capable of attracting large direct investments from international firms. Its mission is to generate economic growth and create jobs in Nicaragua by attracting high-quality foreign direct investment; it also provides services free of charge to investors wishing to explore investment opportunities in the country. The services provided by PRONicaragua to qualified investors[28] include the following: supplying information on investment opportunities in Nicaragua; arranging visits to locations of interest to the investor; logistical support for the investor throughout the investment process; advice on identifying suppliers, finding local companies and setting up joint ventures; and assistance in identifying real estate property for investors' projects.[29]

2.43. In 2003, one-stop investment facilities (VUI) for the public that aimed to simplify business start-up procedures became operational.[30] The VUIs receive support from several of the public

[25] Law No. 935 published in *La Gaceta* No. 191 of 12 October 2016.
[26] Law No. 344 published in *La Gaceta* of 24 May 2000.
[27] At MIFIC.
[28] A "qualified investor" is one who meets the agency's criteria for the sector of interest and type of investment concerned. For example, PRONicaragua does not promote regulated sectors such as commercial banking.
[29] Information viewed at: http://pronicaragua.gob.ni.
[30] Further information on the VUIs can be found online at: https://www.mific.gob.ni.

institutions involved in setting up businesses, such as the Managua Public Mercantile Register for business registrations, the Directorate-General of Revenue (DGI) and the Municipality of Managua (ALMA) for taxpayer registrations, and MIFIC for foreign investment registrations. The Ministry of Transport and Infrastructure (MTI) has a public information centre (CAPAI) that acts as a one-stop shop for over 400 MTI procedures. CAPAI deals with the inbox for online enquiries, a direct telephone line specifically for information on procedural formalities and requirements, and online procedures for the construction and water and land transport sectors. The Centre for Export Formalities (CETREX) is a government office that aims to simplify, centralize and streamline export procedures. The aim of the one-stop free-zone services facility (VUSZF) is to simplify and facilitate procedures related to the launch and operation of firms with free-zone status, as well as procedures such firms must follow when trading internally and externally. Meanwhile, the responsibilities of the Nicaraguan Tourism Board (INTUR) include streamlining procedures for projects under the tourism incentives law and improving the system for citizens living abroad who apply for the Resident Pensioner or Rentier Regime.[31]

2.44. The Ministry of Finance and Public Credit (MHCP) regulates tax and fiscal policy, while tax administration and collection is the responsibility of the DGI and the Directorate-General of Customs Services (DGA). The main national taxes are: income tax (IR); value added tax (VAT); selective consumption tax (ISC); the single specific tax on fuels (IECC); special road maintenance fund tax (IEFOMAV); special tax on casinos, gaming machines and gaming tables; stamp duty (ITF); and the flat fee (simplified regime). There are also municipal taxes on income (IMI) and taxes on real estate (IBI).

2.45. Income tax (IR) is levied on net income originating in Nicaragua for an individual or corporation, whether or not resident in Nicaragua. Income or profits resulting from the exportation of products that are manufactured, processed, or purchased in the country are considered to be of Nicaraguan origin. While corporate IR is charged at a flat 30%, individuals face progressive rates, rising from 0 to 30%. All corporations and individuals who engage in income-taxable activities, are also subject to a definitive minimum IR payment (PMD) of 1.0%, 2.0% or 3.0% of their gross annual income, depending on the financial category to which they belong. The IR payable annually will be either 30% of net income or the PMD on gross income, whichever is higher. Taxpayers subject to IR on economic activity must make monthly IR payments on account to the value of 1.0%, 2.0% or 3.0%, as appropriate.

2.46. Foreign investment enjoys tax concessions granted for special regimes such as free zones (Section 3.3.6) and those covered by the Law on Temporary Admission (Section 3.3.7). There are also tax concessions for specific sectors with export potential, such as tourism, renewable energy, and forestry plantations (Section 3.3.1). In general, investors are not required to fulfil performance criteria, such as achieving predefined export levels or incorporating a minimum local content percentage.

2.47. In order to facilitate and promote foreign investment, Nicaragua has bilateral investment agreements with Argentina, Chile, the Czech Republic, Denmark, France, Germany, Italy, the Republic of Korea, the Netherlands, the Russian Federation, Spain, Sweden, Switzerland, and the United Kingdom.

2.48. Nicaragua has not signed any international double taxation agreements.

2.49. Nicaragua has been a member of the International Centre for Settlement of Investment Disputes (ICSID) since 1995; and, since 2003, it has been party to the New York Convention of 10 June 1958 and the Inter-American Convention on International Commercial Arbitration. It is also party to international investment agreements with the World Bank's Multilateral Investment Guarantee Agency (MIGA), signed in 1990, and with the Overseas Private Investment Corporation (OPIC, 2004). Nicaragua participates in the United Nations Commission on International Trade Law (UNCITRAL); it also has dispute settlement mechanisms under its free trade agreements.

[31] The Law Promoting Income Inflows from Resident Pensioners or Rentiers (Law No. 694), aimed at Nicaraguan or foreign pensioners or retirees with stable permanent incomes generated abroad of at least USD 1,000 and USD 1,250, plus USD 150 for each family dependent, grants the following incentives: exemption from import duties on a once-only basis up to USD 20,000 in respect of personal property (household effects); exemption every four years from import duties in respect of a vehicle for personal use or use by a dependent relative up to a c.i.f. price of USD 13,000; where the price is higher, the beneficiary is required to pay levies on the excess amount. Further information can be obtained at: www.intur.gob.ni.

3 TRADE POLICIES AND PRACTICES BY MEASURE

3.1 Measures Directly Affecting Imports

3.1.1 Customs Procedures and Requirements and Customs Valuation

3.1.1.1 Customs Procedures

3.1. Customs procedures in Nicaragua continue to be governed mainly by the Central American Uniform Customs Code (CAUCA IV) and its implementing regulations (RECAUCA IV)[1], and by national legislation. The Directorate-General of Customs Services (DGA), under the direction of the Ministry of Finance and Public Credit (MHCP), is responsible for administering customs services for purposes of foreign trade control and facilitation, as well as taxes levied by the State on internationally traded goods.[2]

3.2. In 2018, the Council of Ministers for Central American Economic Integration (COMIECO), of which the Ministry of Development, Industry and Trade (MIFIC) is an integral part, approved Resolution No. 409-2018 on the Central American Single Declaration (DUCA), which brings together the three main documents pertaining to trade in goods in the region. The DUCA, which entered into force on 7 May 2019, incorporates the Central American Single Customs Form (FAUCA), used for trade in goods originating in the region, within the region; the Overland International Customs Transit Declaration (DUT), used for the overland international transit of goods in Central America; and the Goods Declaration (DM), used for trade with third countries outside the region. There are three variants of the DUCA: DUCA-F, for trade in goods originating in the Central American region; DUCA-D, for imports and exports of goods with third countries outside the Central American region; and DUCA-T for the movement of goods under the overland international customs transit regime.[3]

3.3. Importers or exporters must register with the DGA by producing their Single Taxpayers Registration (RUC) certificate issued by MHCP's Directorate-General of Revenue (DGI).[4] Listing in these registers is performed electronically, followed by a process of verification of the information provided, without registration costs or differential treatment for foreigners. All economic operators must obtain fiscal clearance from the DGI to gain customs clearance for imports.[5] Following registration, fiscal clearance is verified electronically through the DGA's and DGI's interoperable computer systems.

3.4. Commercial imports are cleared on the basis of the following documents: the customs declaration for goods; the commercial invoice; the value declaration[6]; the transport documents; and, where appropriate, the certificate of origin, the phytosanitary certificate, and evidence of registration (for example, with the Ministry of Health). Imports from other members of the CACM are exempt from the requirement to produce a commercial invoice, a value declaration and a certificate of origin. Nicaragua is developing a pilot program for the electronic transmission of air cargo manifests.[7] The DUCA-T serves as a cargo manifest in the case of overland transport and is transmitted electronically to the customs IT system from the SIECA regional node.

3.5. In general, imports must be cleared through customs by a licensed customs broker; the intervention of a broker is unnecessary in the following cases, among others: clearance of passengers' baggage; importation of goods other than passengers' baggage with a value of less than CA$2,000 (Central American pesos)[8]; and imports by parcel and express delivery companies, with a value of not more than CA$1,000. Natural persons who request authorization to act as customs

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[1] Both instruments entered into force on 25 August 2008.

[2] Article 4 of Law No. 339, establishing the Directorate-General of Customs Services, published on 17 March 2000. Information viewed at: https://www.dga.gob.ni.

[3] Information viewed at: https://www.sieca.int/index.php/plataformas-electronicas/servicios-en-linea/declaracion-unica-centroamericana.

[4] Legal persons must have been previously enrolled as traders in the Public Register.

[5] Within the Automated System for Customs Data, the authorization of the importer corresponds to the period of validity of fiscal clearance, namely, up to 30 days. There is a charge of NIO 30 for the fiscal clearance document, paid by affixing a revenue stamp.

[6] The RECAUCA (Article 212) specifies the cases in which a declaration of value is not required.

[7] CT-113-2018 of 28 November 2018.

[8] The Central American peso (CA$) is the unit of account used by CACM member countries. The Central American Monetary Council has set its value as equivalent to USD 1.

brokers must have the nationality of one of the States that have signed the Third Protocol to the CAUCA IV; moreover, they must pass a psychometric test and a qualifying examination.[9] The cost of accreditation (indefinite) is CA$5 per brokerage and CA$5 per customs broker. Customs brokers must provide an annual (renewable) bank guarantee depending on the c.i.f. amount declared to the DGA in the previous year of operations (Table 3.1).[10]

Table 3.1 Bank guarantees required from customs brokers, 2020

(Annual)

Import declarations (total amount for previous year)	Amount of bank guarantee (CA$)
Up to CA$10,000,000	20,000
CA$10,000,001 - CA$20,000,000	30,000
CA$20,000,001 - CA$30,000,000	40,000
From CA$30,000,001	50,000

Source: Information provided by DGA authorities.

3.6. Nicaragua continues to use the Web-based ASYCUDA World system for the automation of customs clearance procedures.[11] ASYCUDA World users must pay CA$100 for the right to use the system (per entity) and CA$20 for each user tag (login). The electronic transmission of customs declarations is subject to the payment of CA$5 per declaration (CA$2.50 per additional declaration).

3.7. The DGA may subject imported goods to physical or documentary inspections, depending on the level of risk. The risk assessment system is based on fixed rules and on probabilistic and random models. The main selection criteria are based on policies related to, *inter alia*, health and public safety (arms, precursors), the environment and facilitation, and these criteria are reviewed continually. The risk assessment system is in operation at all the country's border control points. The selection channels are green (no inspection), amber (documentary inspection) and red (documentary and physical inspection). The breakdown of declarations by channel is shown in Table 3.2.

Table 3.2 Trend in customs declarations and breakdown by channel, 2013-19

	2013	2014	2015	2016	2017	2018	2019
Total declarations	230,874	233,462	248,349	254,446	258,632	209,472	207,974
Green channel (%)	73	71	71	70	71	55	57
Red channel (%)	19	27	27	28	27	21	39
Amber channel (%)	8	2	2	2	2	24	4

Source: Information provided by DGA authorities.

3.8. Whatever the origin of the goods, importers may request from the DGA, *inter alia*: advance tariff classification rulings; the application of customs valuation criteria; and the application of duty drawback, deferral, or other relief from customs duties. The mechanism for challenging the DGA's decisions is set out in Article 127 of the CAUCA and Articles 623 to 629 of the RECAUCA. An application for review may be lodged, within a period of 10 days, with the highest Customs Service authority; the latter must complete the administrative inquiry within a period of 20 days following receipt of the application. Within a period of 10 days following notification of the decision, an appeal may be made to the same authority, which will simply refer the proceedings to the Customs and Tax Administrative Tribunal (TATA) within three days. TATA must issue its ruling within a period of 30 days starting from the day following receipt of the appeal. The applicant or appellant must be notified of any decision taken during the proceedings; notification may be in electronic form. The decisions issued by TATA represent the exhaustion of administrative remedies and are subject to appeal through an *amparo* (protective) application or recourse to the administrative law courts.

3.9. According to the World Bank's Doing Business Indicator, the time required to import goods in Nicaragua fell from 23 days in 2012 to 72 hours in 2020. This is longer than the average for Latin America (55.6 hours) even though customs clearance is faster in Nicaragua. Nicaragua's import procedures are more cost-efficient than the average for Latin America (Table 3.3).

[9] CT-224-2009 of 16 November 2009.

[10] The c.i.f. amount of goods that are exempt by virtue of the Constitution is not taken into account in defining categories.

[11] The Automated System for Customs Data (ASYCUDA) was developed by UNCTAD as software designed to cover all aspects of customs administration.

Table 3.3 Time and cost to import, 2020

	Nicaragua	Latin America
Time to import		
Border compliance	72 hours	55.6 hours
Documentary compliance	16 hours	43.2 hours
Cost to import		
Border compliance	USD 400	USD 628.4
Documentary compliance	USD 86	USD 107.3

Source: World Bank Group (2020), *Doing Business 2020: Nicaragua*. Viewed at: http://www.doingbusiness.org/~/media/WBG/DoingBusiness/Documents/Profiles/Country/NIC.pdf.

Trade Facilitation

3.10. On 4 August 2015, Nicaragua became the first country in Latin America to ratify the WTO Trade Facilitation Agreement (TFA) and deposit its instrument of acceptance. Nicaragua has notified the WTO of its category A, B, and C commitments under the TFA.[12]

3.11. Nicaragua has implemented several initiatives in recent years to facilitate trade, including the electronic exchange of information contained in the DUCA-T and the DUCA-F in the CACM, and the Border Integration Programme (PIF).

3.12. The PIF aims to modernize infrastructure, equipment and information technology systems at border crossings to improve the efficiency of border controls, reduce wait times and improve competitiveness.[13] The executing agency for the PIF is MHCP's Office of General Programme and Project Coordination (CGPP), with support from other institutions (DGA, MIFIC, Ministry of Government Affairs, Ministry of Health, Institute for Agricultural and Livestock Protection and Health, National Commission for the Registration and Control of Toxic Substances, Nicaraguan Army and National Police). Nicaragua has also modernized the infrastructure for access to the community of San Pancho, on the border with Costa Rica.[14]

3.13. At regional level, a project is being conducted to implement a Central American digital trade platform for use in conducting intra-and extra-regional trade operations by means of customs, migration, health and single window information exchange systems. It is based on the needs (functionalities, services) of the Central American countries and the model they have adopted.

3.14. The country's single window for foreign trade (VUCEN) will facilitate foreign trade operations by simplifying formalities for pre-customs import and export permits, reducing the time required of, and costs incurred by, companies engaged in foreign trade. Implementation of the VUCE is expected by late 2020 or early 2021.

3.15. Nicaragua is a member of the World Customs Organization but is not a contracting party to the Revised Kyoto Convention on the Simplification and Harmonization of Customs Procedures.

3.1.1.2 Customs Valuation

3.16. Since the last Review of Nicaragua there have been no substantial changes in the procedures for determining the value of imported goods. The regulations on customs valuation include the WTOCustoms Valuation Agreement (CVA), the Central American Uniform Customs Code (CAUCA IV) and its regulations (RECAUCA IV).

3.17. In principle, imported goods are valued following the first CVA method, transaction value, that is, the price actually paid or payable for the goods when sold for export to the country of importation, adjusted in accordance with Article 8 of the CVA. When necessary, recourse to alternative methods follows the hierarchy set out in the CVA. Inversion of the valuation methods described in Articles 5 and 6 of that Agreement is not automatic; the importer's request must first

[12] WTO documents G/TFA/N/NIC/1 and G/TFA/N/NIC/1/Add.1, of 27 July 2017 and 30 July 2018, respectively.

[13] Nicaragua's border crossings are El Guasaule, Las Manos and El Espino, on the border with Honduras, and Peña Blanca on the border with Costa Rica.

[14] Modernization of the San Pancho border crossing will accommodate exports that now cross by way of Peña Blanca destined for Puerto Limón, cutting approximately 140 km from the journey.

be accepted by Customs. Nicaragua collects duties on the customs value of imported goods, calculated as the sum of all the costs up to the point of entry into its customs territory. If satisfactory documentary evidence relating to any of the transport, handling or insurance costs is lacking, an amount considered to be consistent with the tariffs normally applicable in trade is added.

3.18. According to the authorities, no minimum values are applied to any goods; the DGA maintains a price database, for the purpose of investigating values declared by importers. In the event of an unavoidable delay in the definitive determination of the customs value of the goods, RECAUCA IV provides for the release of the goods against security.[15] The security must be sufficient to cover the amount of the customs duties and other taxes, determined on the basis of values that satisfy the criterion of reasonable doubt.

3.1.2 Rules of Origin

3.19. Nicaragua does not use non-preferential rules of origin.[16]

3.20. Nicaragua applies preferential rules of origin as a member of the CACM and under other free trade agreements in force (Table 3.4). The criteria conferring origin may be general or specific. All the agreements allow changes in tariff classification and bilateral and regional cumulation. Goods that have not been wholly obtained or produced entirely in the territory of one of the signatory countries must satisfy certain substantial transformation criteria, mainly based on change of tariff classification. The preferential rules of origin also establish regional value content criteria, which are applied separately or in combination with the criterion of change in tariff classification. Preferential tariff treatment is conditional upon the presentation of a certificate of origin, even in the case of the CACM, for which the DUCA-F is used.

Table 3.4 Preferential rules of origin

	Value of regional content	Principal tolerances	Cross-cumulation
CAFTA-DR	30%, 35%, 45% or 50%, depending on the calculation method; other thresholds are applied to certain products.	10% of the value or weight of fibres or yarns in the case of textiles and made-up articles.	Cumulation with Mexico is permitted in respect of certain textile products used to produce articles of apparel under HS Chapter 62.
Chile	30%	8% of the value of all non-originating materials used in the production of a good that do not meet the tariff classification change requirement. 8% of the weight of the fibres and yarns compared to the weight of the good produced.	No
CACM[b]	30% of the value of the goods. 50% of the weight of the goods.	10% of the value or weight of fibres or yarns in the case of textiles and made-up articles.	No
Mexico	41.66% (net cost) or 50% (transaction value)	10% of the transaction value or weight of fibres or yarns in the case of textiles and made-up articles.	Cumulation with the United States is permitted for certain textile products used to produce articles of apparel under HS Chapter 62.
Republic of Korea	30% – 50% depending on the method of calculation or increase in value	10% of the f.o.b. value of all non-originating materials used in the production of a good that do not meet the tariff classification change requirement. 10% of the weight of the fibres and yarns compared to the weight of the good produced.	No

[15] Article 202 of the RECAUCA.
[16] WTO document G/RO/N/10 of 16 August 1996.

	Value of regional content	Principal tolerances	Cross-cumulation
Dominican Republic	None	7% of the value or weight of fibres or yarns in the case of textiles and made-up articles.	No
Chinese Taipei	35% - 45%	10% of the value of the goods (*de minimis* rule[c]).	No
European Union	25% - 50% of the ex-factory price	10% of the ex-factory price.	Cumulation is permitted with Bolivia, Colombia, Ecuador, Peru and Venezuela. At the request of a Central American or European Union country, materials originating from Mexico, South America or Caribbean countries are considered as originating in Central America or the European Union, respectively, when they are processed or incorporated into a product obtained there.

a Refers to the existence of provisions in accordance with which inputs from non-beneficiary countries that are not parties to the Agreement are deemed to be originating.
b Panama has been part of the CACM since the entry into force of the Protocol incorporating the country into the Central American Economic Integration System.
c *De minimis* refers to the permissible limits on the use of materials from non-beneficiary countries which otherwise would not be accepted.

Source: WTO Secretariat, based on Nicaragua's existing trade agreements.

3.1.3 Tariffs

3.21. Customs duties accounted for 2.5% of total receipts in 2019, compared to 3.9% in 2013. Value added tax (VAT) remains one of the pillars of the tax system, but its weight has diminished in recent years, falling from 36.5% of total receipts in 2013 to 30.4% in 2019 (Table 3.5).

Table 3.5 Revenue structure, 2013-19

(%)

	2013	2014	2015	2016	2017	2018	2019
Total receipts	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Tax revenue	92.4	93.0	93.1	92.9	92.9	92.6	92.4
Income tax	33.7	35.6	36.6	37.7	38.7	42.0	41.7
Value added tax (VAT)	36.5	36.7	35.6	34.5	34.6	31.4	30.4
Selective consumption tax (ISC)	18.0	16.8	16.8	16.6	15.9	15.6	17.0
Tariffs	3.9	3.6	3.7	3.8	3.6	2.8	2.5
Other revenue	8.0	7.3	7.2	7.4	7.3	8.2	8.4

Source: Ministry of Finance and Public Credit.

3.1.3.1 Tariff Structure

3.22. Nicaragua's tariff is based on the Central American Tariff System (SAC) and the corresponding Import Duties (DAI). The SAC is currently based on the 2017 version of the Harmonized System (HS). The range of applied duties, all *ad valorem*, includes four basic rates: 0%, 5%, 10% and 15% (98.8% of all lines).[17] CACM member countries can apply different rates, which must be approved by the Council of Ministers for Economic Integration.

3.23. Nicaragua's tariff contains 7,768 12-digit tariff lines under HS 2017 (compared to 7,359 under HS 2012). Of these tariff lines, 46.5% are duty-free (compared to 46.4% in 2012). The average tariff on lines with greater-than-zero rates rose from 11.6% in 2012 to 11.7% in 2020 (Table 3.6). Nicaragua does not apply seasonal or variable tariffs. Tariff quotas increased from 0.1% of all tariff lines in 2012 to 0.3% in 2020 and apply both bilaterally and multilaterally (Section 3.1.5).

[17] Other rates are: 20%, 30%, 35%, 40%, 45%, 55%, 60% and 164% (1.2% of all tariff lines).

Table 3.6 Structure of applied MFN tariffs, 2012 and 2020 (%)

		2012 (HS12)	2020 (HS17)
1.	Total number of lines	7,359	7,768
2.	Non-*ad valorem* tariffs (% of tariff lines)	0.0	0.0
3.	Non-*ad valorem* tariffs with no *ad valorem* equivalents (% of tariff lines)	0.0	0.0
4.	Tariff quotas (% of tariff lines)	0.1	0.3
5.	Duty-free tariff lines (% of tariff lines)	46.4	46.5
6.	Average of lines exceeding zero (%)	11.6	11.7
7.	Simple average	6.2	6.2
8.	Agricultural products (WTO definition)	11.8	11.8
9.	Non-agricultural products (including petroleum, WTO definition)	5.2	5.2
10.	Domestic tariff peaks (% of tariff lines)[a]	1.3	1.3
11.	International tariff peaks (% of tariff lines)[b]	1.3	1.3
12.	Overall standard deviation of applied rates	8.1	8.1
13.	Bound tariff lines (% of tariff lines)	100.0	100.0

a Domestic tariff peaks are defined as rates that exceed three times the overall simple average applied rate.
b International tariff peaks are defined as rates that exceed 15%.

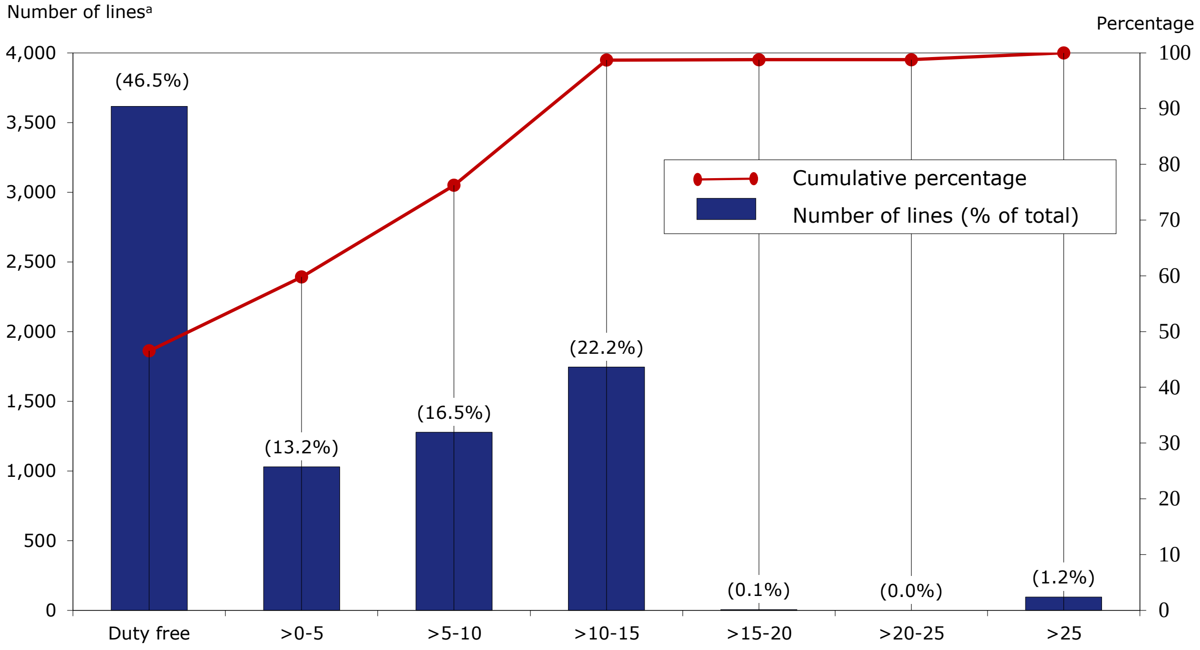
Source: Calculations by the WTO Secretariat based on data provided by the authorities.

3.24. The simple average of Nicaragua's applied MFN tariffs did not change during the period under review, remaining at 6.2%. The average tariff on agricultural products (WTO definition) is 11.8% and remains substantially higher than the average applied tariff on non-agricultural products (5.2%). The products with the highest average tariff are live animals and animal products, with a tariff of up to 164%[18], followed by dairy products, cereals and prepared foodstuffs (60.0%), and sugar and confectionery (55.0%) (Table A3.1).

3.25. The distribution of tariffs by rate did not change substantially during the period under review. The coefficient of variation remained 1.3 (Table A3.1), which indicates substantial tariff rate dispersion, with rates that range from 0 to 164%. Under the ISIC (Revision 2) definition, agriculture and fisheries remains the most highly protected sector, with an average tariff of 8.3%, followed by manufacturing (6.1%) and mining (1.8%). In 2020, 60.1% of tariff lines were subject to rates ranging from 0% to 5%; only 1.2% of all lines are higher than 25% (Chart 3.1).

[18] Fresh, chilled and frozen chicken legs and thighs (HS 0207.13.93.00.00, 0207.13.94.00.00, 0207.14.93.00.00 and 0207.14.94.00.00).

Chart 3.1 Distribution of MFN tariff rates by frequency, 2020



a The total number of lines is 7,768.

Source: Calculations by the WTO Secretariat based on data provided by the authorities.

3.1.3.2 Tariff Bindings

3.26. In the Uruguay Round, Nicaragua bound all its tariffs at eight rates ranging between 0% and 200%. About 89% of tariff lines are bound at a maximum rate of 40%, after a progressive reduction starting from a maximum rate of 60%, completed at the beginning of 2004; the exceptions to the bound ceiling of 40% can be found in Nicaragua's 2006 Review.[19] In its schedule of tariff concessions, Nicaragua left blank the column corresponding to other duties and charges, which is equivalent to binding at a rate of 0%.

3.27. Comparing the applied MFN tariff in 2020 with the bound tariff, and taking into account only the lines that are strictly comparable in view of the change in nomenclature, there is one case in which the MFN applied tariff of Nicaragua exceeds the bound rate: HS 2017 8486.20.91.00.00, where the MFN tariff of 10% exceeds the bound tariff of 0%.[20]

3.1.3.3 Preferential Tariffs

3.28. Nicaragua grants preferential treatment to imports originating in the countries with which it has preferential trade agreements (Table 3.7). Most imports originating in the CACM enter duty-free, except for sugar and coffee. Nicaragua also extends preferential treatment to imports from countries with which it has signed plurilateral and bilateral agreements.

3.29. The average preferential tariffs in the agreements negotiated by Nicaragua are all well below the average MFN rate. Preferential tariffs range from 0.1% to 6.1% and are always lower for non-agricultural products. The tariff preferences granted under some of the agreements cover nearly 100% of the tariff universe (Table 3.7).

[19] WTO document WT/TPR/S/167/Rev.1 of 26 September 2006.

[20] The line 8486.20.91.00.00 in HS 2017 is comparable to the line 8486.20.00.00 in HS 2012 given Nicaragua's participation in the Information Technology Agreement (ITA). Some tariff lines were simplified at the six-digit level, including the new subheading 8486.20 in HS 2007 with a bound tariff rate of 0%. WTO document JOB/MA/108 of 9 July 2013.

Table 3.7 Summary analysis of the preferential tariff, 2020

	Total		Agricultural products (WTO category)		Non-agricultural products (WTO category)	
	Average (%)	Zero-tariff lines (%)	Average (%)	Zero-tariff lines (%)	Average (%)	Zero-tariff lines (%)
MFN	6.2	46.5	11.8	23.6	5.2	50.9
CAFTA	0.1	99.3	0.9	95.8	0.0	100.0
CAFTA-DR	0.4	98.1	2.2	89.3	0.0	100.0
Chile	0.7	85.9	3.3	78.4	0.2	87.3
Cuba	0.7	96.3	3.7	82.5	0.1	98.9
Ecuador	6.1	48.0	11.7	24.3	5.0	52.5
Mexico	0.1	99.5	0.9	96.8	0.0	100.0
Panama	1.2	92.7	3.6	84.5	0.7	94.3
Republic of Korea	4.7	51.5	9.7	32.8	3.7	55.1
Dominican Republic	1.2	92.8	3.1	88.0	0.8	93.9
Chinese Taipei	1.0	89.7	2.5	73.6	0.7	92.8
European Union	2.2	55.1	7.4	36.9	1.1	58.6

Source: Calculations by the WTO Secretariat based on data provided by the authorities.

3.1.3.4 Tariff Concessions

3.30. Nicaragua grants tariff concessions under several import regimes, as stipulated in Article 288 of the text amending the Nicaraguan Tax Law (*Ley de Concertación Tributaria*).[21] Duty-free imports include: transport equipment, raw materials, inputs and spare parts used to provide public transport services for the Nicaraguan Army, the National Police and transport cooperatives; machinery, equipment and spare parts therefor, asphalt, cement, paving stones, vehicles and spare parts therefor used in the construction and maintenance of highways, roads, streets and in public cleaning for the Central Government and its subordinate enterprises, municipal governments and regional governments; the Nicaraguan fire brigades and Red Cross; as well as missions, international organizations and international cooperation agencies and their representatives; programmes and projects financed through international cooperation and implemented by non-profit organizations registered in the relevant bodies; and public programmes and projects financed with international cooperation under agreements signed by the Nicaraguan government. There is an exception in the case of nationals providing services in such representations and organizations.

3.1.4 Other Charges Affecting Imports

3.31. In addition to customs tariffs, Nicaragua applies internal taxes to imports as well as domestic production, including VAT, selective consumption tax (ISC), a customs security service fee and a goods import service fee (TSIM).

3.32. Nicaragua applies VAT of 15% on the supply of goods and services, including on their importation; exports are subject to 0% VAT. If the goods and services are sold on the local market, the taxable base for the VAT is the price indicated on the invoice plus any additional amounts for other items, with the exception of tips for services provided and the VAT itself. The taxable base for imports is their customs value plus duties and any other taxes (including the ISC, where appropriate), again excepting the VAT itself.

3.33. The following products, *inter alia*, are exempt from VAT: (i) books, pamphlets, magazines, school and scientific materials, newspapers and other periodicals, as well as the inputs and raw materials needed to produce them; (ii) medicines, vaccines and serums for human use, orthotic and prosthetic appliances; glucose-measuring equipment, such as lancets, measuring devices and kits and test strips, oxygen for clinical or hospital use, chemical reagents for clinical or hospital examinations, wheelchairs and other devices designed for persons with disabilities, as well as the machinery, equipment, spare parts, inputs and raw materials needed to produce them; (iii) surgical, optometric, odontological and diagnostic medical equipment and instruments for human medicine, including the strips used in electronic devices to monitor blood glucose levels; (iv) agricultural goods not processed or packaged: rice, maize, wheat, black and red beans, tomatoes, white and yellow onions, sweet peppers, cabbage, potatoes, bananas, plantains, sorghum, soya, sugar cane and palm

[21] Law No. 987 amending Law No. 822.

kernels; (v) rice with quality of 80/20 or less, soya and palm oil; edible salt, cane sugar, excluding specialty sugars, and ground coffee in containers of 115 grams or less (vi) hen eggs, tortillas, maize, pinol and pinolillo, wheat flour, ordinary bread and traditional buns, excluding pastries, live yeast exclusively for making ordinary bread and traditional buns, maize flour and soya flour; (vii) modified milk, infant formula, liquid whole milk; food preparations for infants based on milk and traditional cheese; (viii) live animals, excluding pets and pure bred horses; (ix) fresh fish; (x) the following meats provided fresh, chilled or frozen, provided that they have not been processed, made into sausages or packaged: (a) beef, provided as different cuts and offal, including ordinary ground beef but excluding fillets, loins, ribs, other special cuts and tongue; (b) pork, provided as different cuts and offal but excluding fillets, loins, chops, ribs and bacon; and (c) chicken meat, provided as different pieces and offal, including whole chickens but excluding breasts with or without wings and fillets; (xi) butane gas, propane gas or a mixture of both in containers of up to 25 pounds; (xii) crude or partially refined or reconstituted oil and oil derivatives, which are subject to a single ("lumped") specific tax on fuels (IECC) and a special tax to finance the road maintenance fund (IEFOMAV); (xiii) used moveable property; (xiv) real estate transfers; (xv) goods purchased by companies operating under the free port system in accordance with the applicable law and customs legislation; (xvi) purchases made at international or Central American fairs that promote the development of, and relate directly to, the activities of the agricultural, micro, small and medium-sized enterprise sectors; (xvii) notes and coins in national circulation, national and authorized lottery games, partnership shares, revenue stationery issued or authorized by the MHCP, as well as other securities, excluding certificates of deposit that carry ownership of property that if disposed of is subject to VAT; and (xviii) solar panels and deep-cycle solar batteries used for renewable electric power generation and energy-saving lamps and bulbs.

3.34. With respect to imports, the goods subject to general exemption from VAT represent about 4.14% of Nicaragua's tariff lines. The Law on Incentives for the Tourism Industry and the Law on Fiscal and Business Equity contain provisions on specific VAT exemptions.

3.35. The following services are exempt from VAT: (i) medical and dental care, excluding cosmetic and aesthetic treatments not arising from an illness, disorder or accident the after-effects of which place a person's physical or mental health at risk; (ii) premiums paid for agricultural insurance and legally required automobile insurance[22]; (iii) not-for-profit entertainment or sporting events; (iv) religious events promoted by churches, associations and religious faiths; (v) internal, air, land, lake, river and maritime transport; (vi) transport of cargo for export by air, land, lake, river and sea; (vii) instruction provided by entities and organizations the primary purpose of which is education; (viii) supply of electric power used for agricultural irrigation activities; (ix) supply of drinking water through a public system; (x) services connected with banking and micro-finance; (xi interest, including interest on financial leasing; (xii) commissions for transactions on stock and agricultural exchanges duly authorized to operate in the country; (xiii) services provided to the transferor under commercial financing contracts for the sale of a client's receivables (factoring); (xiv) leasing of buildings intended for housing unless they are furnished; and (xv) leasing of land, machinery or equipment for use in agriculture, forestry or aquaculture.

3.36. According to the authorities, most exemptions from VAT are granted for social purposes, or to promote the development of small and medium-sized enterprises. The available estimates for 2013-19 ascribe an annual fiscal cost of between 0.6% and 0.2% of GDP to VAT not collected on imports, and between 6.6% and 7.3% of GDP to VAT not collected on the domestic market.

3.37. Nicaragua levies a selective consumption tax (ISC) on a series of domestically produced and imported goods, encompassing 1,727 tariff lines (22.3% of the tariff universe). According to the information provided by the authorities, the ISC is levied at 22 rates ranging from 2% to 100%, plus a non-*ad valorem* rate on cigarettes and other tobacco products.[23] Domestic manufacturers and importers of eligible goods are subject to the tax. The tax base for the ISC is the customs value plus the amount of any additional taxes (tariff or non-tariff) collected at the time of importation or entry, excluding VAT. In the case of alcoholic beverages, wines and beers[24], juices, soft drinks, aerated

[22] Law No. 431, Law on the Traffic Regime and Traffic Offences, as amended, published in *La Gaceta* No. 86 of 27 May 2014.

[23] The ISC rates on motor vehicles are: 10% (up to 1,600 cc); 15% (from 1,601 to 2,600 cc); 20% (from 2,601 to 3,000 cc); 30% (from 3,001 to 4,000 cc); and 35% (over 4,001 cc). Starting in January 2020, the ISC rate for cigarettes and other tobacco products is NIO 2,500 per thousand or fraction thereof.

[24] In the case of alcoholic beverages, wines and beers, an additional non-*ad valorem* tax of NIO 50 per litre of alcohol is applied to both imports and domestic production.

waters, aerated waters containing added sugar or flavouring and energy drinks, the tax base is the retail price. The tax base for domestic products is the sales price charged by the manufacturer or producer. The ISC on petroleum products is a single ("lumped") tax which replaces all other taxes and is collected at the time of sale to the retailer.[25]

3.38. Final imports of goods for consumption are also subject to a customs charge: the import service fee (TSIM), of USD 0.5 per tonne or fraction thereof.[26] According to the authorities, the absence of a ceiling on the amount of TSIM that traders have to pay seems hard to reconcile with the real cost of the services provided by the DGA.

3.1.5 Import Prohibitions, Restrictions and Licensing

3.39. Nicaragua bans imports of certain products with the aim of protecting the environment and human health, protecting species, and for security reasons, in conformity with its domestic legislation or international commitments.

3.40. Nicaragua has notified the WTO Committee on Import Licensing of the licensing system in use for the administration of its import tariff quotas; its latest notification does not mention any other cases in which import licences are required.[27] However, imports of some categories of products are subject to a licensing/prior authorization regime applied for the purpose of protecting the public and/or national interest, or for health or public security reasons. In this connection, special permits are required to import chemicals (raw materials) for industrial use; synthetic pesticides (National Commission for the Registration and Control of Toxic Substances); animal feed, pesticides and fertilizers (Ministry of Agriculture); firearms, explosives and other related materials (National Police); foodstuffs, medicines and controlled substances (Ministry of Health); and X-ray equipment (National Atomic Energy Commission). The importation of citrus planting material that could harbour the bacterium *Candidatus* Liberibacter spp. has to be approved by the official responsible for quarantine control at the border post where the material is cleared through customs.

3.41. Telecommunications equipment entering Nicaragua must be cleared through customs solely and exclusively in the customs warehouses authorized by the DGA in the city of Managua, for prior inspection and approval by the Nicaraguan Institute of Telecommunications and Postal Services (TELCOR). The list of the items in question includes 152 groups of equipment and accessories.

3.42. Nicaragua also uses a non-automatic import licensing system for the management of tariff quotas.

3.1.6 Anti-Dumping, Countervailing, and Safeguard Measures

3.43. Since 2012, there has been no change to the legislation in this area. The legal framework governing trade defence mechanisms includes, at the multilateral level, the provisions of the relevant WTO Agreements and of the GATT 1994, and at the CACM level, the Regulations on Unfair Trade Practices and on Safeguard Measures.

3.44. Nicaragua did not impose any anti-dumping or countervailing measures or initiate any investigations for this purpose during the review period. No trading partner is exempt from the application of anti-dumping or countervailing measures under the preferential trade agreements signed by Nicaragua.

3.45. Nicaragua has not imposed safeguard measures on imports from third countries and no investigations pertaining to such measures have been initiated since the last Review.

3.46. Nicaragua exempts the other members of the CACM from the application of safeguard measures.[28] Moreover, subject to certain conditions, Nicaragua exempts most of its other preferential trading partners from safeguard measures applied within the context of the

[25] Single ("lumped") specific tax on fuels (IECC)on the transfer, importation or entry of petroleum derivatives. The tax base is the litre. Premium and regular gasoline and diesel are also subject to the IEFOMAV.

[26] Decree No. 192 of 14 May 1986.

[27] WTO document G/LIC/N/1/NIC/2 of 23 March 2012.

[28] Article 3 of the Central American Regulations on Safeguard Measures.

WTO provisions. In general, the requirements are that the preferential trading partner's imports not be "substantial" and not make a significant contribution to the injury.

3.47. Nicaragua did not make any use of the special safeguard provisions in Article 5 of the Agreement on Agriculture during the period 2012-20.[29] Under these provisions, Nicaragua can impose additional duties on nine 4- or 8-digit HS headings (meat and dairy products); some of these headings are subject to tariff quotas (Section 3.1.5).

3.48. MIFIC administers trade defence mechanisms (anti-dumping, countervailing and safeguard measures) through the Directorate-General of Foreign Trade, which is the investigating authority.

3.2 Measures Directly Affecting Exports

3.2.1 Customs Procedures and Requirements

3.49. Exports are subject to customs clearance procedures similar to those applying to imports (Section 3.1.1.1). The Exporters Register is maintained by the Centre for Export Formalities (CETREX). The aim of CEREX as a single export window, according to Decree No. 30-94, which established it, is to centralize the execution of specific functions performed by the public entities concerned with export formalities.[30] Export documents connected with functions performed by CETREX can be requested at local CETREX offices, or online via the Integrated Export Formalities System (SiTrade). The use of a customs broker to handle these formalities is optional; in this case, a notarized power of attorney from the exporter must be submitted to CETREX.

3.50. The documentation required for exports is the goods declaration, the commercial invoice, the transport documents, and where appropriate, any special certificates and permits. CETREX applies a range of fees for the services provided, depending on the f.o.b. value of the goods, the minimum being NIO 150 and the maximum NIO 1,275. These fees include the cost of issuing documents: the single export form (FUE) and the DUCA-F.[31]

3.51. According to the World Bank's most recent ease of doing business ranking, the time needed to export goods is 72 hours (compared to an average of 55.3 hours for Latin America). Nicaragua's export procedures are more cost-efficient than the average for Latin America (Table 3.8).

Table 3.8 Time and cost to export, 2020

	Nicaragua	Latin America
Time required to export		
Border compliance	72 hours	55.3 hours
Documentary compliance	48 hours	35.7 hours
Cost to export		
Border compliance	USD 240	USD 516
Documentary compliance	USD 47	USD 100.3

Source: World Bank Group (2020), *Doing Business 2020: Nicaragua*. Viewed at: http://www.doingbusiness.org/~/media/WBG/DoingBusiness/Documents/Profiles/Country/NIC.pdf.

3.52. Beginning in the second semester of 2020, the authorities expect to implement the Single Window for Foreign Trade (VUCEN), which will help to streamline formalities and reduce costs and delays for companies engaged in foreign trade operations by means of an electronic platform for the centralized administration of import and export permits (Section 3.1.1.1).[32]

[29] WTO documents G/AG/N/1/NIC/35 of 24 May 2013; G/AG/N/1/NIC/37 of 28 March 2014; G/AG/N/1/NIC/40 of 23 April 2015; G/AG/N/1/NIC/45 of 9 February 2017; G/AG/N/1/NIC/48 of 9 April 2019; and G/AG/N/1/NIC/49 of 9 April 2019.

[30] The registration requirements are listed on the CETREX website. Viewed at: http://www.cetrex.gob.ni/website/servicios/inscripcion.jsp.

[31] The DUCA-F serves as certificate of origin, commercial invoice and customs declaration for exports to CACM countries.

[32] Transparency notification under the Trade Facilitation Agreement, G/TFA/N/NIC/3.

3.2.2 Goods in Transit

3.53. International land transit within the CACM and between its member countries and Panama is governed by Resolution No. 65-2001 (COMRIEDRE) of 16 March 2001, which establishes a full freedom-of-transit regime, with national treatment in contracting for international land freight transport. SIECA has maintained a regional database on carriers and means of transport authorized for international customs transit by land. The lack or suspension of registration is grounds for the disqualification of the carrier and/or means of transport. Nicaragua electronically exchanges data from its customs information system with the system for regional control of overland transit administered by SIECA.

3.54. The requirements for international customs transit by land include completion, printing and electronic transmission of a "Central American single declaration for overland international customs transit" (DUCA-T), plus the customs seal, and carry a total cost of CA$ 25. In addition to the DUCA-T, goods not originating in States parties to the Central American Economic Integration Treaty must be accompanied by the export declaration, the commercial invoice, the transport document and the cargo manifest; for Central American goods the DUCA-F is required.

3.2.3 Taxes, Charges and Levies

3.55. Nicaragua does not apply duties, taxes or minimum prices to exports. Exports are subject to 0% VAT, which enables exporters to obtain a refund of VAT paid on inputs and services incorporated in their production.

3.2.4 Export Prohibitions, Restrictions, and Licensing

3.56. Nicaragua bans exports of: roundwood of forest species, timber and sawn wood[33]; lobsters during their reproductive phase or when moulting or spawning (with eggs) or with a sperm receptacle; Caribbean spiny lobsters (*panulirus argus*), which require a classification of at least five ounces of tail to be marketed; Pacific lobsters (*panurilus gracilis*), which require a classification of at least three ounces of tail to be marketed; estuary shrimps in the larval or juvenile phase; and sawfish and bull shark (*carcharhinus leucas*). In accordance with its international environmental and public health commitments, the Ministry of the Environment and Natural Resources (MARENA) can authorize exports of toxic waste when there is no adequate procedure in Nicaragua to render it harmless or destroy it, subject to prior express consent from the receiving country to destroy the waste on its territory.[34]

3.57. Green coffee exporters must, as part of the process, register their sales contracts in advance and submit a coffee quality export certificate (issued by the National Coffee Council (CONACAFE)), together with a certificate of origin from the International Coffee Organization (ICO). CETREX maintains an online database which can be used to make searches for export requirements by product, and which shows the documents required.[35] According to the notification made by the authorities to the WTO, Nicaragua does not issue export licences within the context of free trade agreements that stipulate bilateral tariff quotas.[36]

3.2.5 Export Support and Promotion

3.58. During the period under review, Nicaragua did not provide notification as to having granted, or not, any of the subsidies permitted under Annex VII to the WTO Agreement on Subsidies and Countervailing Measures.[37]

[33] With the exception of wood from plantations and pine (*Pinus* sp.) trees and in special cases, such as after hurricanes.
[34] Article 133, Law No. 217 of 6 June 1996, as amended by Law No. 647 of 3 April 2008.
[35] Information viewed at: https://www.cetrex.gob.ni/website/institucion/reqexpproducto.jsp.
[36] WTO document G/LIC/N/3/NIC/2 of 19 July 2010.
[37] The last notification was in 2012, WTO document G/SCM/N/220/NIC of 13 June 2012.

3.59. Nicaragua has notified the WTO that it did not grant any export subsidies within the meaning of the Agreement on Agriculture during the period 2012-19.[38]

3.60. Starting in 2013, in accordance with Law No. 822 (Nicaraguan Tax Law), as amended[39], producers and exporters of goods originating in Nicaragua enjoy a tax credit of 1.5% of the f.o.b. value of their exports. This credit is applied to their monthly advances or annual income tax during the period in which the goods are exported, provided that the exporter transfers to the producer or manufacturer, in cash or in kind, the amount corresponding to its value added.

3.2.6 Export Free Zones

3.61. The legal framework for free zones was modified during the review period; it is now covered by the Law on Export Free Zones (Law No. 917) of 2015 and its implementing regulations (Executive Decree No. 12) of 2016.[40] This framework replaced the Law on Export Processing Zones, Decree No. 46-91 of 22 November 1991, and Decree No. 50-2005, Implementing Regulations for the Decree on Export Processing Zones. According to the authorities, the reform arose from a need for updated regulations.

3.62. The main purpose of free zones is to promote investment and exports through the establishment and operation of free zones for the processing and production of industrial and agro-industrial goods; logistical free zones; free zones for services; free zones for outsourcing; and others dedicated to the production and export of goods and/or services under an exceptional fiscal and customs regime. The activities of free zones are to be exclusively for the purpose of exportation.[41] In some cases, subject to prior authorization by MIFIC, a portion of such products may be allowed to enter national customs territory for domestic consumption.

3.63. Free zones are monitored by the DGA, subjected to special customs control, and regulated by the National Free Zones Commission (CNZF). A single window for free zone services within the CNZF facilitates formalities for participating companies *vis-à-vis* such Nicaraguan government agencies as the DGA, DGI, DGMI, MARENA and MITRAB. Among other services, it also provides advice on legal and labour matters.

3.64. "Operator" companies approved by the CNZF enjoy the following fiscal benefits[42]: 100% exemption from tax on the income generated by operations in the zone for 15 years from the start of their operations, renewable for an equal period; total exemption from the payment of import taxes on machinery, equipment, tools, spare parts and other implements needed to operate the zone; exemption from the payment of taxes chargeable on enterprise establishment, transformation, merger and restructuring, and also from stamp duty; total exemption from the payment of taxes on the transfer of properties attached to the zone; total exemption from indirect taxes on sales or selective consumption taxes; and total exemption from municipal taxes.

3.65. In turn, the "user" companies of a free zone enjoy the following fiscal benefits[43]:: 100% exemption from tax on the income generated by their activities in the zone during the first 10 years of operation, renewable for an equal period, and 60% thereafter[44]; exemption from any tax on the disposal of real estate, including the capital gains tax, where applicable, provided that the company is terminating operations in the zone and that the property is still covered by the free zone regime;

[38] WTO documents G/AG/N/NIC/33 of 24 May 2013; G/AG/N/NIC/39 of 28 March 2014; G/AG/N/NIC/42 of 23 April 2015; G/AG/N/NIC/44 of 9 February 2017; G/AG/N/NIC/52 of 15 April 2019; and G/AG/N/NIC/53 of 15 April 2019.

[39] Law No. 822, Nicaraguan Tax Law, published in *La Gaceta* No. 241 of 17 December 2012, and amendments thereto.

[40] Law No. 917 approved on 8 October 2015 and published in *La Gaceta* No. 196 of 16 October 2015. The implementing regulations for that law were approved by Executive Decree No. 12-2016 of 28 June 2016 and published in *La Gaceta* No. 153 of 16 August 2016.

[41] Article 3 of Law No. 917.

[42] Article 16 of Law No. 917.

[43] Article 20 of Law No. 917.

[44] This exemption does not include taxes on personal income, salaries, wages or emoluments paid to Nicaraguan or foreign personnel working for the company established in the zone. It does include payments to foreign non-residents as interest on loans, commissions, honoraria and remittances for legal services in Nicaragua or abroad, as well as those for promotion, marketing, advisory assistance and related services, payments for which such companies need not have made withholdings.

exemption from the payment of taxes chargeable on enterprise establishment, transformation, merger and restructuring, and also from stamp duty; exemption from all import-related customs and consumption taxes and duties[45]; exemption from customs taxes on transport equipment, including cargo, passenger or service vehicles, for normal use by the company in the zone[46]; total exemption from indirect taxes, sales tax and selective consumption tax; total exemption from municipal taxes; total exemption from export taxes on products produced in the zone; and exemption from fiscal and municipal taxes on local purchases.

3.66. The Free Zones Corporation (CZF) is a state company that administers and creates new zones in any part of Nicaragua; its purpose is to promote, develop, operate, guide and administer public free zones on Nicaraguan territory.[47] The CZF enjoys the same fiscal benefits as the operator companies of private free zones.[48]

3.67. At the end of 2019, 49 active industrial parks and 219 user companies (174 in 2013) were operating under the free zone regime. Occupying an industrial area of 1,816,680 m^2 (1,339,760 m^2 in 2013), they directly generated 121,913 jobs (109,310 in 2013) and USD 905.41 million in value added. By July 2020, the benefiting population had reached approximately 2.2 million (Table 3.9).

3.68. In 2019, 42.2% of the user companies were located in Managua, about one third of which (74) operated in textiles and clothing; 16.7% in the tobacco industry; 14.9% in outsourced services; and 11.3% in agribusiness. Most of these user companies are from the United States (69), followed by South Korea (37) and Nicaragua (32). The United States is also the main recipient of exports from Nicaragua's free zones (accounting for about three quarters), and the origin of nearly one third of Nicaragua's imports.

3.69. During the period under review, the performance of free zone exports, mainly in the textile industry, was highly dynamic (Section 1.3.1). In 2019, free zone exports accounted for 49.3% of all exported Nicaraguan goods (45.3% in 2012).

Table 3.9 Main indicators of the free zone regime, 2013-20[a]

	2013	2014	2015	2016	2017	2018	2019	2020[b]
Industrial parks (unit)	49	49	50	52	52	52	49	49
User companies (unit)	174	174	207	212	225	224	219	219
Direct jobs (thousand)	109.3	109.3	110.3	115.1	118.6	125.6	121.9	108.4
Population benefitted (thousand)	2,186	2,186	2,206	2,302	2,372	2,511	2,438	2,168
Industrial area (thousand m^2)	1,340	1,402	1,410	1,442	1,523	1,771	1,816	1,839
Value added (USD million)	716.2	716.2	757.0	803.2	815.0	894.7	905.4	416.8

a Year-end figures.
b January-July 2020.

Source: National Free Zones Commission.

3.2.7 Inward Processing Regime

3.70. The inward processing regime (RPA) is governed primarily by the Law on Temporary Admission for Inward Processing and Export Facilitation (Law No. 382) and its implementing regulations (Executive Decree No. 80), both of 2001.[49] The temporary admission procedure allows

[45] Applicable to the importation of raw materials, materials, equipment, machinery, matrices, parts or spare parts, samples, moulds and accessories to be used in equipping the company for operation in the zone; and, in addition, taxes applicable to the equipment needed to install and operate cafeterias, health services, medical assistance, childcare centres, recreational facilities and goods of any other kind that contribute to meeting the needs of company personnel working in the zone.

[46] If these vehicles are sold to buyers outside the zone, the customs taxes will be charged, with reductions that apply owing to the time in use, similar to such sales made by diplomatic missions and international agencies.

[47] Article 9 of Law No. 917.

[48] The CZF is administered by a board of directors acting as a collegial body, composed of members of the CZF, MIFIC and MHCP.

[49] Law No. 382, published in *La Gaceta* No. 70 of 16 April 2001. The implementing regulations for this law were approved by Executive Decree No. 80-2001, published in *La Gaceta* No. 177 of 19 September 2001. In addition, Law No. 817 amending Article 30 of the Law on Temporary Admission for Inward Processing and Export Facilitation, published in *La Gaceta* No. 226 of 26 November 2012.

both the entry of goods into Nicaraguan customs territory and the local purchase of goods or raw materials free from any duty or tax (VAT, ISC, DAI), provided the goods are re-exported after undergoing processing, repair or alteration. User companies in export free zones are not eligible for the temporary admission procedure.

3.71. To benefit from the RPA, a company must present its project to the Technical Secretariat of the National Commission for the Promotion of Exports (CNPE). Based on the Secretariat's evaluation of the application, the CNPE considers it for approval (Section 3.2.8). Suspended taxes must be paid when the manufactured products are destined for the domestic market or for export. To be eligible for the benefits under this regime, companies must directly or indirectly export at least 25% of their total sales, for a value of at least USD 50,000 per year.

3.72. The goods eligible for RPA treatment include intermediate goods and raw materials, inputs, semi-processed products, containers, packaging, and any type of good used in the final products for export; as well as samples, models and templates required for production and staff training[50]; capital goods used directly in production, which may stay in national territory for a non-renewable period of up to five years; and material and equipment that are essential parts in production facilities.

3.73. When goods enter the country under the temporary admission procedure, the beneficiary must post a guarantee with the DGA ensuring the payment of suspended duties and taxes. The guarantee is returned at the time of export or re-export.

3.74. The Law on Fishing and Aquaculture (Law No. 489) of 2004, as amended by Law No. 797, establishes the right to suspension of taxes on diesel fuel used for fishing activities and industrial aquaculture when this input is used to generate products for the domestic and export markets.[51] To qualify for this benefit, interested parties must adhere to Law No. 489 and apply to the CNPE for the suspension of taxes. This law also establishes the right to prior suspension of taxes on diesel fuel and gasoline used for fishing activities and artisanal aquaculture to generate export products. Interested parties need to apply to the CNPE for the suspension of taxes.

3.2.8 Export Promotion, Financing, Insurance and Guarantees

3.75. The CNPE is the highest policy-making and administrative body for the RPA and for the development of proposals to improve the promotion and facilitation of exports.[52] In addition to administering the RPA (Section 3.2.7), its functions include the formulation of general policy for CETREX. The CNPE comprises several ministries (MIFIC as chair, MHCP, MAG and MARENA), as well as PRONicaragua and five representatives from private sector exporters' associations.[53]

3.76. One of the tasks of the Association of Producers and Exporters of Nicaragua (APEN), a non-profit organization, is to support Nicaraguan producers with a view to making them stronger and promoting their internationalization. The services offered by APEN include the facilitation of business meetings; training; commercial intelligence; and assistance with export formalities. APEN receives no budget resources from the State.

3.77. The Bank for the Promotion of Production (BFP, also known as Produzcamos) is Nicaragua's development bank.[54] In accordance with the Law establishing the BFP, its main objective is to promote production for the benefit of micro, small and medium-sized producers in the agricultural and industrial sectors. The BFP manages resources that come from the Treasury, financial

[50] These articles can remain in national territory for up to six months, and the DGA can extend this period for another six months, subject to prior favourable decision by the CNPE.

[51] Law No. 489, published in *La Gaceta* No. 251 of 27 December 2004; and implementing regulations for Law No. 489, approved by Executive Decree No. 9-2005, published in *La Gaceta* No. 40 of 25 February 2005. Law No. 797, Law amending Article 111 of Law No. 489, Law on Fishing and Aquaculture, and Article 126 of Law No. 453, Fiscal Equity Law, published in *La Gaceta* No. 121 of 28 June 2012.

[52] Decree No. 37-91 of 26 August 1991.

[53] Law No. 382, published in *La Gaceta* No. 70 of 16 April 2001. Law No. 817, Law amending Article 30 of Law No. 382, Law on Temporary Admission for Inward Processing and Export Facilitation, published in *La Gaceta* No. 226 of 26 November 2012.

[54] Law No. 640, Law establishing the Bank for the Promotion of Production, approved on 6 November 2007 and published in *La Gaceta* No. 223 of 20 November 2007. Law No. 684, Law amending the Law establishing the Bank for the Promotion of Production, approved on 27 May 2014 and published in *La Gaceta* No. 123 of 3 July 2014.

institutions and international cooperation bodies, and can carry out the same banking operations as banks operating in the national financial system, with the exception of taking deposits from the public.[55] According to its institutional strategy, the BFP channels financial resources through first- and second-tier portfolios and trust funds. Its operations are concentrated in the following sectors: agriculture and livestock; export markets; urban development, construction and housing; tourism and hotel development; governmental and private projects; and industry, infrastructure and technology. At 31 December 2019, the BFP had a total in its own portfolio of 19,453 beneficiaries, 3.3% of which were directly engaged in the export sector. In addition, the BFP's gross portfolio balance reached USD 83.2 million. Out of that total, 75% of the first-tier portfolio and 16.7% of the second-tier portfolio went to the agricultural sector; 18% to the commercial sector through direct lending and 39% to housing development and financing through the second-tier portfolio.

3.3 Measures Affecting Production and Trade

3.3.1 Incentives

3.78. In addition to export incentives, Nicaragua maintains some sectoral incentives for tourism, forestry and the generation, transmission, distribution and marketing of electricity for public use.

3.79. The Law on Incentives for the Tourism Industry of the Republic of Nicaragua (Law No. 306), passed in 1999, grants exemptions to natural and legal persons that invest between USD 30,000 and USD 500,000 directly in the development of tourism activities or, if they do not reach the minimum investment amount, fulfil the criteria for their economic activity. The largest incentives are available to infrastructure projects. Eligible tourism activities include: hotel industry services; duly authorized investments in protected areas of touristic, ecological or cultural interest; air and water transport and public land transport for tourists; food, drink and entertainment services; the filming of movies and artistic, sporting and other events that benefit tourism; the renting of land vehicles, aircraft and watercraft to tourists; related tourism activities and equipment; and investment (direct or indirect) in the development of tourism activities and Nicaraguan handicrafts.[56]

3.80. The Law on the Conservation, Promotion and Sustainable Development of the Forestry Sector (Law No. 462) provides tax incentives for forestry plantations for a period of 10 years. These incentives include exemption from the payment of income tax and real estate taxes in the case of forestry plantations and areas under forestry management; exemption from tariffs for second- and third-level processing firms that import machinery, equipment and accessories; and a 50% reduction in municipal taxes on land sales and on capital gains taxes. All procurement procedures by state institutions must give priority to the procurement of goods made of wood bearing the proper forestry certificate issued by the National Forestry Institute (INAFOR), which may have a price difference of up to 5% in procurement bidding or competitions.[57]

3.81. The Law on the Electricity Industry (Law No. 272) provides a three-year exemption from all import duties on machinery, equipment, materials and inputs intended exclusively for the generation, transmission, distribution and marketing of electricity for public use. In addition, the fuels used to generate electric power are exempted indefinitely from any duty.[58] The Law on the Promotion of Renewable Electricity Generation (Law No. 532) provides that new projects and expansion projects undertaken by private, public or mixed-ownership entities will benefit from the following incentives: (i) exemption from the payment of tariffs and VAT on machinery, equipment, materials and inputs; (ii) exemption from the payment of income tax for up to seven years after the project has started commercial operations; (iii) exemption from current municipal taxes on real estate property, sales and registrations during the project construction, for 10 years, applied gradually (75% exemption in the first three years, 50% in the next five years, and 25% in the final two years); (iv) exemption from stamp duty for 10 years, and exemption from all taxes that may apply to the exploitation of natural resources for five years after the start of operations.[59] The Law

[55] The BFP's authorized capital is administered by the following state institutions: the Rural Development Institute (IDR), the Nicaraguan Agricultural Technology Institute (INTA), the Ministry of Agriculture and Forestry, the Nicaraguan Institute for Small and Medium-Sized Enterprises, and the Rural Credit Fund (FCR).

[56] Law No. 306, published in *La Gaceta* No. 117 of 21 June 1999.

[57] Law No. 462, passed on 26 June 2003 and published in *La Gaceta* No. 168 of 4 September 2003. Decree regulating the procedure for the approval and implementation of tax incentives, Presidential Decree No. 03-2019, published in *La Gaceta* No. 13 of 22 January 2019.

[58] Law No. 272, passed on 18 March 1998 and published in *La Gaceta* No. 74 of 23 April 1998.

[59] Law No. 532, passed on 13 April 2005 and published in *La Gaceta* No. 102 of 27 May 2005.

on the Exploration and Exploitation of Geothermal Resources (Law No. 443), as amended by the Law amending and supplementing Law No. 443 (Law No. 656), provides that, for projects involving geothermal exploration or exploitation, the incentives may be extended for 10 years from the date on which the plant concerned starts operations.[60]

3.3.2 Standards and other Technical Requirements

3.82. The institutional and legal framework for standards and other technical requirements has changed little since the previous Review. MIFIC coordinates the National Quality Assurance System (SNC) and chairs the National Commission on Technical Standardization and Quality (CNNC), which is the coordinating body and the highest national authority for voluntary and mandatory standardization. The Commission has 17 members who represent the private sector, the scientific and technical sector, consumers and public institutions.

3.83. The Information and Notification Office (OIN), under MIFIC's Directorate of Standardization and Metrology (DNM), is the enquiry point provided for in the Agreement on Technical Barriers to Trade (TBT Agreement) and is also responsible for implementing the provisions of that Agreement related to notification procedures.[61]

3.84. The National Accreditation Office (ONA), attached to MIFIC, is a non-profit public entity that administers the National Accreditation System for conformity assessment bodies. Currently, the accredited bodies in Nicaragua comprise 14 testing laboratories, four calibration laboratories and one inspection body. ONA has also signed three mutual recognition agreements with the Inter-American Accreditation Cooperation (IAAC) and the International Laboratory Accreditation Cooperation (ILAC), which cover test laboratories, calibration laboratories and inspection bodies.

3.85. In 2015, Nicaragua opened the new physical facilities of the National Metrology Laboratory (LANAMET) and the Food Technology Laboratory (LABAL).[62] LANAMET is responsible for ensuring and maintaining the traceability of national measurement standards and acts as a reference laboratory for industrial and legal metrology and for test laboratories and calibration laboratories. LANAMET protects national standards for physical quantities of mass, volume, pressure, temperature, force, power and length. LABAL provides food-analysis services.[63] Controls on conformity with technical regulations are carried out by the respective competent authority at the point of entry into Nicaragua or at points of sale, as appropriate, through on-site inspections and sampling.

3.86. The DNM coordinates the development of Nicaraguan technical standards (NTN), which are voluntary, and Nicaraguan Mandatory Technical Standards (NTONs, referred to as technical regulations by the WTO) through various technical committees, the most significant of which are for veterinary medicines, milk and dairy products, meat and meat products, fish and fisheries products, conformity assessment, food additives, building material and microbiological criteria. The technical committees work in the different areas of standardization (NTN and NTON), according to their sphere of competence. They are made up of professional and technical staff from the public and private bodies and entities in the sectors with an interest in standardization/regulations and are entrusted with the drafting and review of proposals for both mandatory and voluntary technical standards.[64]

3.87. A list of Nicaragua's mandatory technical regulations is available on the DNM's website.[65] In December 2019, there were 289 NTONs in force. Of those, 104 were in the food sector, 31 were related to the environment, 43 to agriculture and health protection, 24 to hydrocarbons, and the rest covered a range of areas such as pesticides, pharmaceutical products and transport.

[60] Law No. 443, passed on 24 October 2002 and published in *La Gaceta* No. 222 of 21 November 2002; and Law No. 656, passed on 4 June 2008 and published in *La Gaceta* No. 217 of 13 November 2008.
[61] WTO document G/TBT/2/Add.82 of 25 October 2004.
[62] Both laboratories were financed from cooperation funds and own funds.
[63] Information viewed at: https://www.mific.gob.ni/Comercio-Interior/Oficina-Nacional-de-Acreditaci%C3%B3n/Organismos-Evaluadores-de-la-Conformidad-Acreditados.
[64] Each committee is chaired by the representative of the public entity that is competent in its field.
[65] Information viewed at: https://www.mific.gob.ni/DIPRODEC/Inspección-y-Verificación/Inspección-de-Normas-Técnicas.

3.88. Between 2012 and 2019, Nicaragua adopted 153 NTNs and 90 NTONs, including technical regulations harmonized at the CACM level, with some of the measures dealing with conformity assessment procedures. During the same period, Nicaragua notified the WTO Committee on Technical Barriers to Trade of 62 draft technical regulations relating to international trade measures. By December 2019, around 90% of NTNs and 15% of NTONs were based on international standards.

3.89. Standardization, accreditation and metrology activities are governed by the Law on Technical Standardization and Quality (Law No. 219) and its implementing regulations[66], and the Metrology Law (Law No. 225) and its implementing regulations.[67] Nicaragua also applies the provisions laid down by COMIECO within the framework of the CACM for the preparation of Central American Technical Regulations.

3.90. The purpose of Law No. 219 is to order and integrate the activities of the public, private, scientific and technical sectors and consumer activities in order to prepare, adopt, adapt and review technical standards. The Law establishes a uniform procedure for developing technical standards, similar to the procedure used internationally. It also created the CNNC. Under this Law, all products, processes, methods, installations, services and activities for which the use or consumption is affected by NTONs must comply with the relevant standards, and those producing or offering them in the national territory must ensure compliance with those standards by means of the appropriate certification. Where a product subject to compliance with a particular NTON fails to meet all the corresponding specifications, its marketing or supply is prohibited forthwith. The Law allows imported products to comply with a standard in force in the country of origin or an international standard in place of the NTON, provided such compliance is certified before and during marketing.

3.91. The procedure for preparing technical regulations in Nicaragua is laid down in the Regulations for the Preparation and Approval of Nicaraguan Mandatory and Voluntary Technical Standards, which were approved at the Second Regular Meeting (002-98) of the National Commission for Technical Standardization and Quality (CNNC) and are summarized in Box 3.1.

Box 3.1 Procedure for the preparation and approval of technical regulations

1. The public institutions competent in the field will, in accordance with their functions and in their capacity as chair of the appropriate Technical Standardization Committees, be responsible for formulating and presenting preliminary drafts that fall within their competence, as well as for issuing the definitive standards and for monitoring compliance.

2. The NTONs to be prepared must be included in the annual National Standardization Plan approved by the CNNC. The interested entities must submit the subject for standardization to the Executive Secretariat of the CNNC at the latest by 30 November of the year prior to the introduction of the programme under the Plan. However, the proposal may come from any interested party, but must be considered by the competent national authority.

3. In order to prepare preliminary draft standards, a search must be made for other related standards, both Nicaraguan and international. If no such standards exist, reference may be made to the provisions contained in regional or foreign standards or guidelines or in other technical specifications, provided that they constitute an effective means of achieving the objectives established in the WTO TBT Agreement.

4. The chair of the corresponding Technical Committee presents the preliminary draft standard to the Technical Committee for its approval and attaches the Regulatory Impact Statement (MIR). This statement must contain a succinct explanation of the purpose of the standard, of the measures proposed, and of the alternatives considered and the reasons for rejecting them; a comparison of the measures with any past regulations that it has; and a general description of the advantages and disadvantages of the standard and the technical feasibility of verifying it.

5. The Technical Committee examines the technical content of the preliminary draft and its regulatory impact and makes any relevant comments on the draft prior to its approval. The draft must be approved by consensus or, failing that, by a majority of votes.

6. Once the document is approved by the Technical Committee, it is submitted for national and international public consultation.

[66] Law No. 219, published in *La Gaceta* of 2 July 1996. Regulations implementing the Law on Technical Standardization and Quality, Decree No. 71-97, published in *La Gaceta* No. 241 of 18 December 1997.

[67] Law No. 225, published in *La Gaceta* of 18 July 1996. Regulations implementing the Metrology Law, Decree No. 65-97, published in *La Gaceta* No. 227 of 27 November 1997.

7. The consultation period lasts 60 calendar days. During this period, any interested party may comment on the draft standard. The Technical Committee that prepared the standard is responsible for replying to the comments received as a result of the public consultation on the standard.

8. At the end of the public consultation, the Technical Committee studies the comments received and, where justified, amends the draft accordingly.

9. Once this has been done, the chair of the Committee submits the final document for approval and, if it is found to be satisfactory, forwards it to the CNNC for approval as a definitive standard.

10. If approved, the corresponding Ministry will order that it be published in full in the *Gaceta Oficial* as an NTON.

11. The date of entry into force indicated in the standards may not be less than 60 calendar days after their date of publication. Sanitary, zoosanitary and phytosanitary standards form an exception to this rule.

Source: Regulations for the Preparation and Approval of Nicaraguan Mandatory and Voluntary Technical Standards.

3.92. In the event of a national emergency, the competent public institution may prepare and issue an emergency NTON jointly with MIFIC and the other ministries involved, without going through the ordinary drafting procedure, and order its publication in the Official Journal, *La Gaceta*. Emergency NTONs may not remain in force for more than six months after publication. If the emergency continues for more than six months, the NTON may be extended for a further six months, in which case a Regulatory Impact Statement indicating the need for an extension must be submitted. MIFIC must justify the extension in coordination with the government entity that participated in preparing the standard.

3.93. The amendment of an NTON follows the same procedure as that followed during its preparation, unless the specifications are obsolete or inapplicable or the purpose of the NTON is to deregulate provisions contained in the standard, in which case, on its own initiative or at the request of the CNNC, the public institution that issued the standard may amend or cancel it without following the same procedure as that used for its preparation.

3.94. The Code of Good Practice annexed to the TBT Agreement has been accepted by the DNM, the Nicaraguan Institute of Water Supply and Sewage Systems (INAA) and the Nicaraguan Energy Institute (INE).[68] The authorities have pointed out that no mutual recognition agreement concerning technical regulations or analytical procedures has been concluded between the competent entities in Nicaragua and their foreign counterparts. Within the context of Central American integration, mutual recognition exists only in the field of registration. Technical regulations harmonized at the CACM level (foodstuffs, medicines, hygiene products and cosmetics)[69] are applied by the member countries.

3.95. Nicaragua participates in the activities of the International Organization for Standardization, the Pan American Standards Commission, the IAAC, ILAC and the Inter-American Metrology System.

3.96. Within the context of the CACM, the request for the preparation of new technical regulations and conformity assessment procedures or for the revision of those already in force must be submitted by a member State.[70] Requests accepted by the Directors of Economic Integration are forwarded to working subgroups, composed of technical representatives of the member countries, for examination and the preparation of draft regulations. In principle, the WTO public consultation period is 60 calendar days from publication of the notification by the WTO.[71] The internal consultation must be carried out in accordance with each member's own legislation, but the comments received must be examined before the end of the WTO public consultation period. The draft technical regulation or conformity assessment procedure prepared in the working subgroup is submitted to

[68] WTO documents G/TBT/CS/N/133 and G/TBT/CS/N/134 of 1 November 2001, and G/TBT/CS/N/157 of 12 October 2004.

[69] Other products may be subject to inspection at the border between two Central American countries.

[70] Resolution No. 162-2006 (COMIECO-XXXVI) of 16 June 2006.

[71] Before the 60 days in question have expired, a third country may request an extension of no more than 30 calendar days to the public consultation period.

COMIECO for approval. Each member country must publish and incorporate the approved text in accordance with its national legislation.

3.97. The Law on the Protection of Consumer and User Rights stipulates that goods and services sold in Nicaragua must comply with conditions concerning quantity, quality, security and safety, in accordance with mandatory technical standards concerning products, quality, labels, weights and measures and other requirements within the domestic and international regulatory framework for goods and services sold in Nicaragua.[72]

3.3.3 Sanitary and Phytosanitary Requirements

3.98. Major changes have been made to sanitary and phytosanitary requirements since the previous Review. In 2014, the Institute for Agricultural and Livestock Protection and Health (IPSA) was established by Law No. 862.[73] IPSA replaced the Directorate-General of Agricultural and Livestock Protection and Health (DGPSA) of the Ministry of Agriculture and Forestry as the institution responsible for implementing sanitary and phytosanitary measures related to the production, import and export of plant material, plants, and agricultural, aquaculture and fisheries products and by-products.[74]

3.99. IPSA is responsible for strengthening prevention, diagnosis, research and epidemiological surveillance; agricultural quarantine; the registration and control of agricultural, aquaculture, fisheries, forestry and agro-forestry inputs; the registration of importers of consignments and goods of animal origin; and sanitary inspections in establishments processing agricultural, aquaculture and fisheries products and by-products of animal and plant origin. IPSA is also responsible for promoting pest and disease management, control and eradication programmes and campaigns; emergency agricultural health arrangements; the accreditation of professionals and businesses for sanitary and phytosanitary programmes and other domestic and international harmonization and coordination mechanisms. IPSA will create the register for radioactive veterinary products of biochemical origin and animal feed, as well as agricultural inputs not listed in the National Register of Pesticides, Toxic Substances, Hazardous Substances and Other Similar Substances.[75]

3.100. In 2016, Law No. 941 created the National Commission for the Registration and Control of Toxic Substances (CNRCST).[76] The CNRCST is responsible for "regulating, implementing, facilitating, developing and coordinating policies, actions and activities related to the import, export, production, marketing, distribution, use and consumption of everything relating to toxic substances".[77]

3.101. MIFIC is the authority responsible for submitting notifications to the WTO Committee on Sanitary and Phytosanitary Measures (SPS) through the Directorate of Standardization and Metrology's Information and Notification Office. The Ministry of Health (MINSA) is responsible for sanitary measures applied to imports of processed foods. MARENA, through its Directorate-General of Natural Heritage and Biodiversity, is the competent authority for biodiversity conservation.

3.102. The purpose of the Basic Law on Animal Health and Plant Health (Law No. 291 of 1998) is to establish key provisions to protect the health and conservation of animals, plants and animal and plant products and by-products from the harmful effects of pests and diseases with a strong economic, quarantine and social impact, while protecting sustainable agricultural activity, human health, natural resources, biodiversity and the environment.

[72] Information viewed at: http://legislacion.asamblea.gob.ni/normaweb.nsf/b92aaea87dac762406257265005d21f7/b6ee59fb75e2e20b06257bb900763f0b?OpenDocument.

[73] Law creating the Institute for Agricultural and Livestock Protection and Health (Law No. 862), published in *La Gaceta* No. 91 of 20 May 2014. There are, as yet, no implementing regulations for this Law.

[74] Article 1 of Law No. 862.

[75] Title VI, Single Chapter of the Basic Law on the Regulation and Control of Pesticides, Toxic Substances, Hazardous Substances and Other Similar Substances (Law No. 274 of 5 November 1997).

[76] Law creating the National Commission for the Registration and Control of Toxic Substances (CNRCST) (Law No. 941), published in *La Gaceta* No. 230 of 6 December 2016. Created by Decree No. 04-2014, which was published in *La Gaceta* No. 27 of 11 February 2014, the CNRCST succeeded the National Commission for the Registration and Control of Toxic Substances without interruption.

[77] Article 2 of Law No. 941.

3.103. In 2012, the Law on the Conservation and the Sustainable Use of Biodiversity (Law No. 807) was adopted to "regulate the conservation and sustainable use of biodiversity in Nicaragua, ensuring equitable participation in and sharing of the benefits of biodiversity, with special emphasis on indigenous communities and communities of African descent, and upholding and recognizing the local communities' intellectual property rights and traditional and customary forms of use".[78]

3.104. Nicaragua also applies the Central American Regulations on Sanitary and Phytosanitary Measures and Procedures as part of the trade facilitation process in the region. COMIECO's resolutions include: COMIECO Resolution No. 175-2006, which contains a list of products and by-products of plant origin which, by their very nature, are exempt from import authorization and phytosanitary export certificates and may be inspected within the territory of the member countries of the customs union; Resolution No. 219-2007 (COMIECO-XLVII), which sets out the procedure for authorizing the international and regional transit of consignments of agricultural goods; Resolution No. 338-2014 (COMIECO-EX), which is the sanitary and phytosanitary directive for the facilitation of trade in Central American consignments and goods, listing products and by-products of plant and animal origin. These products may be subjected to random inspection at the point of entry into CACM territory only if their nature needs to be verified physically. The CACM member countries mutually recognize each other's sanitary registers of food for human consumption.

3.105. During the period under review, Nicaragua harmonized sanitary export certificates for goods of animal origin with Mexico, Chile and Central America. Currently, the requirements for importing live bovine animals for reproduction, as well as some sanitary requirements for importing live animals and aquaculture-sourced products, are aligned with those of Panama, Honduras, Mexico, Ecuador, El Salvador, Costa Rica and Guatemala. Certain requirements, mainly for products of animal origin, may change on account of some countries having a different health status.

3.106. Nicaragua is a member of the Codex Alimentarius and the World Organisation for Animal Health (OIE) and a contracting party to the International Plant Protection Convention (IPPC). Nicaragua took over the General Secretariat of the OIE Regional Commission for the Americas in 2019. On 22 May 2018, Nicaragua was certified as having a negligible risk for bovine spongiform encephalopathy (BSE).[79] According to the authorities, in determining sanitary or phytosanitary requirements as a condition for permitting imports, risks are assessed on the basis of the health status of the exporting country and the goods to be imported, in accordance with OIE, Codex Alimentarius and IPPC recommendations.

3.107. Between 2012 and 2019, Nicaragua notified the WTO of 67 sanitary and phytosanitary measures and draft measures, of which around 20% relate to standards issued by one of the three standardization organizations explicitly mentioned in the SPS Agreement. The great majority of notifications allow a period of 60 days for making comments. In general, the drafting and review of SPS measures follow a procedure similar to that used for NTONs (Section 3.3.2). However, SPS measures may also be issued as Ministerial Decisions drawn up by the competent authorities, in which case the measures are not subject to a centralized review procedure.

3.108. Importers of agricultural inputs (veterinary drugs and related products, products used in animal feed and agricultural products and inputs, botanical and microbiological pesticides, bioinputs, biosolids and related substances) are subject to registration requirements with IPSA. Registration for agricultural establishments is possible online and is issued once the requirements have been met.

3.109. Moreover, Nicaragua does not permit imports of food, plants, animals or derived products unless IPSA or MINSA, whichever is competent, has issued a sanitary/phytosanitary import permit or, in the case of food, a free sale certificate. To obtain those documents, it is necessary to submit a phytosanitary and health certificate and a certificate of origin, based on the risk associated with the products and the origin of the products. IPSA maintains a database which can be used to make searches for the sanitary and phytosanitary requirements with which products and by-products of animal or plant origin must comply. Pharmaceutical products, medical devices, machinery, equipment, spare parts, inputs and raw materials used in the preparation of pharmaceutical products are subject to registration requirements and to import authorization by MINSA. Importers must also comply with registration and sanitary licensing requirements.

[78] Article 1 of Law No. 807, published in *La Gaceta* No. 200 of 19 October 2012.
[79] According to Article 11.4.3 of the OIE Terrestrial Animal Health Code.

3.110. At present, IPSA and the CNRCST regulate and control agricultural and livestock inputs, as well as the entire input marketing chain at the domestic level, including importers, distributors, marketers and formulators. Various software applications exist for monitoring IPSA-regulated products, which is done by a group of specialists trained for that purpose. Foreign establishments that manufacture medicines and feed for animals are regulated and monitored.

3.111. No Member has turned to the WTO's formal dispute settlement procedure in relation to matters concerning the SPS measures applied by Nicaragua.

3.3.4 Competition Policy and Price Controls

3.3.4.1 Competition Policy

3.112. The institutional and legal framework for competition policy has changed little since the previous Review. The National Institute for the Promotion of Competition (PROCOMPETENCIA), a technical public-law administrative tribunal with administrative and budgetary autonomy, has been operational since June 2009. PROCOMPETENCIA may act *ex officio*, or on receipt of a complaint lodged by any economic operator or legally constituted organization with a legitimate interest. In cases of unfair competition it acts only on receiving a complaint. PROCOMPETENCIA may make *ex officio* assessments of competition in whole sectors and is authorized to seek information of all kinds, provided that constitutional guarantees are respected. PROCOMPETENCIA also seeks to protect the interests of Nicaraguan consumers.

3.113. The Law on the Promotion of Competition (Law No. 601) and its implementing regulations entered into force on 25 June 2007.[80] Both texts regulate anti-competitive agreements, abuse of dominant position and concentrations (mergers and acquisitions). The practices of public entities are covered by the legislation. With respect to public aid, however, the competition authority may only give opinions on the formulation of sectoral laws and make policy proposals. Generally speaking, Nicaragua prohibits any agreement or concerted practice between economic operators designed to restrict competition, including where an economic operator is denied market access or forced out of the market. Law No. 601 contains an illustrative list of prohibited behaviours and practices, which are summarized in the previous report.[81]

3.114. In 2014, the Law on the Partial Reform of the Political Constitution of the Republic of Nicaragua (Law No. 854) amended Article 99 of the Constitution to incorporate the culture of free competition. As a result of the constitutional reform, Article 99 states: "The State shall promote and safeguard the culture of free and healthy competition among economic operators in order to protect the rights of consumers and users, in accordance with the relevant laws."[82]

3.115. In all proceedings concerning the application of the Law on the Promotion of Competition, the burden of proof rests with the complainant. After a period for lodging claims and producing evidence (130 days in total), the case file is forwarded to the president of PROCOMPETENCIA for a reasoned ruling, which must be handed down within a period of 60 days, which can be extended once for a further 30 days. The Law provides for an application for review to the president of PROCOMPETENCIA and an appeal to its Executive Council. The ruling on the appeal exhausts administrative proceedings, the next step being an *amparo* application to the Supreme Court of Justice. PROCOMPETENCIA does not determine damages. The economic operators affected (including third parties) can bring an action for damages in the courts.

3.116. Nicaragua's competition regime follows the doctrine of effects on the domestic market, which is common in many jurisdictions. Export-oriented anti-competitive practices (including cartels) that have no effect on the Nicaraguan market are excluded from its scope. Insofar as they do not involve anti-competitive practices, the exercise of intellectual property rights (IPR) and acts aimed at

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[80] Law No. 601, published in *La Gaceta* No. 206 of 24 October 2006. Law No. 601 has been amended by: Law No. 668, published in *La Gaceta* No. 174 of 9 September 2008; Law No. 773 of 24 October 2011, published in *La Gaceta* No. 200 of 24 October 2011; Law No. 868, published in *La Gaceta* No. 106 of 10 June 2014; and Decree No. 79-2006 of 21 December 2006. The regulations implementing Law No. 601 were published through Decree No. 79-2006, published in *La Gaceta* No. 10 of 15 January 2007. The regulations have been amended by Decree No. 21-2014, published in *La Gaceta* No. 82 of 7 May 2014.

[81] See Table III.10, WTO (2013), *Trade Policy Review of Nicaragua 2012*, Geneva.

[82] Law No. 854, published in *La Gaceta* No. 26 of 10 February 2014.

improving production and/or marketing efficiency are exempted. Actions undertaken by the State for the purpose of safeguarding the health and the food and nutritional security of the Nicaraguan population also fall outside the scope of the Law. Moreover, anti-competitive practices that have their origin in regulations issued by regulatory entities must be resolved by those entities, after obtaining PROCOMPETENCIA's opinion. The publication of that opinion must act as a moral sanction, since the legislation does not provide for any remedy if this opinion is not taken satisfactorily into consideration.

3.117. Concentrations are subject to prior notification where they result in a share equal to or greater than 25% of the "relevant market" or where they exceed the threshold of 642,857 minimum wages with respect to the combined gross incomes of the economic operators in the concentration.[83] PROCOMPETENCIA must examine the proposed concentration within 30 working days to determine whether it would significantly limit competition. If an investigation is deemed necessary, its maximum duration shall be 180 days. Concentrations may not be rejected if there is potential for significant gains in efficiency and direct benefits for the consumer, provided it can be shown that these gains cannot be achieved by other means and that the concentration will not result in a reduction in supply on the market.

3.118. Concentrations are classified as follows:

- Vertical: where participating economic operators are part of the various stages of the production process, from the manufacture and processing of raw materials to the distribution and marketing stages[84];

- Horizontal: where the economic operators with the same production or marketing levels seek to merge[85];

- Cluster concentrations: where economic operators participating in unrelated markets seek to merge to expand the scope of their activity.

3.119. The first economic operator to report to PROCOMPETENCIA anti-competitive behaviour of which PROCOMPETENCIA was not previously aware will be exempted from any pecuniary sanction imposed on the other participants in that activity. The Nicaraguan regime does not include a programme of leniency for a possible second participant that cooperates with PROCOMPETENCIA in the investigation of the behaviour in question. In addition to economic sanctions[86], PROCOMPETENCIA may penalize economic operators for unfounded complaints intended to limit competition. The maximum penalty is that which would have been imposed if the offence had been proved. PROCOMPETENCIA may also impose penalties equal to 15 minimum wages per day that an economic operator delays complying with a requirement to provide information. Furthermore, natural persons who participate directly as secondary parties or accessories after the fact may receive a fine of between 15 and 100 minimum wages. The Law on the Promotion of Competition does not provide for criminal sanctions.

3.120. Between 2013 and 2019, around 51% of the cases addressed by PROCOMPETENCIA were related to economic concentrations, 40% to unfair behaviour, 6% to vertical practices and 3% to horizontal practices (Table 3.10). During this period, PROCOMPETENCIA made transfers, amounting to USD 746,850, to different markets due to aspects concerning economic concentrations. The funds were allocated to training, campaigns that benefit society (environmental, donations to hospitals, etc.) and support for consumers and micro, small and medium-sized enterprises (MSMEs).

[83] In either case, the notification cost depends on the value of the assets in the concentration: USD 20,000 for assets of up to USD 20 million, USD 35,000 for assets with a value between USD 2 million and USD 35 million, and USD 45,000 for assets with a value greater than USD 35 million.

[84] In these cases, the economic operator that is absorbed or controlled is a customer or supplier of the other. Such concentrations can occur in the goods and/or services sectors.

[85] This refers to a company acquiring a competitor to strengthen its position in its market, which can have both positive and negative effects on competition.

[86] See Table III.10, WTO (2013), *Trade Policy Review of Nicaragua 2012*, Geneva.

Table 3.10 PROCOMPETENCIA cases, 2013-19

	2013	2014	2015	2016	2017	2018	2019
Total complaints/applications	3	7	9	10	15	14	9
Concentration notifications	1	3	4	7	9	1	8
Processes and investigations initiated	2	4	5	3	6	13	9
Unfair competition	1	0	0	2	2	3	1
Horizontal practices	0	0	1	10	0	0	0
Vertical practices	1	0	0	2	2	3	0
Economic concentrations	1	3	4	7	9	1	8
Total amount of fines and pecuniary sanctions (USD)	0	0	0	8,716	0	0	110,142
Appeals for review	1	0	0	3	2	0	2
Appeals	1	0	0	1	0	0	2

Source: Data provided by PROCOMPETENCIA.

3.121. PROCOMPETENCIA has signed cooperation agreements with the competition authorities of Central America, Colombia, Spain, Mexico, Panama and Peru. These are goodwill agreements, with certain restrictions where confidential information is concerned.

3.3.4.2 Price Controls

3.122. Nicaragua continues to regulate airport services and the services provided by the National Port Authority, as well as the tariffs for electricity (transmission and public consumption)[87], bottled liquefied petroleum gas (LPG), sanitary sewerage services and drinking water for public consumption. Profit margins on pharmaceutical products for human consumption are also regulated.

3.123. The Nicaraguan Energy Institute (INE) sets the maximum price for LPG sold in 4.53 kg, 11.34 kg and 45.36 kg cylinder bottles for domestic use, according to variations in international LPG prices and the crawling exchange rate. The price adjustments are made every 28 days. The INE may penalize economic operators in the distribution chain that sell the cylinders above the maximum price for each cylinder size.

3.3.5 State Trading, State-Owned Enterprises, and Privatization

3.124. In 2015, Nicaragua notified the WTO that it has no state trading enterprises within the meaning of Article XVII of the GATT and the Understanding on the Interpretation of Article XVII.[88]

3.125. The purpose of state involvement is to support strategic activities such as food security, the supply of water, and the administration of ports and airports (Table 3.11).

Table 3.11 State participation in the economy, 2012 and 2020

Enterprise	State participation		Area(s) of activity	Prerogatives
	2012	2020		
International Airports Management Company (EAAI)	100%	100%	Nicaragua's international airport operator	Enjoys the incentives granted by Law No. 303 (Law on Incentives for the Tourism Industry), including exemption from the payment of duties and taxes on imports of airport beacon equipment, ramp equipment and radio aids
The Nicaraguan Water Supply and Sewage Company (ENACAL)	100%	100%	Drinking water and sanitary sewerage services	Exempt from the payment of VAT and import duties

[87] Large consumers (1 MW of demand) may negotiate supply contracts freely with the generating or importing companies.

[88] WTO document G/STR/N/1/NIC, G/STR/N/4/NIC, G/STR/N/7/NIC, G/STR/N/10/NIC, G/STR/N/11/NIC, G/STR/N/12/NIC of 24 February 2015.

Enterprise	State participation		Area(s) of activity	Prerogatives
	2012	2020		
National Lottery	100%	100%	Non-profit entity that manages the sale of lottery tickets to generate financial resources for governmental social projects	..
Nicaraguan Basic Foods Enterprise (ENABAS)	100%	100%	Building up of stocks, storage and distribution of basic foods for coping with national emergency situations; cannot carry out import or export operations	Exempt from the payment of income tax (ISR)
National Port Authority (EPN)	100%	100%	Provision of port services in maritime, river and lake port facilities owned by the EPN	EPN manages Nicaragua's international ports (these can be allocated to private operators on concession). Stevedoring services are provided by three private concessionaires (their tariffs are not regulated)
National Electricity Transmission Company (ENATREL)	100%	100%	Electricity transmission and related activities; marketing of surplus optic fibre communications capacity (without last-mile service)	Manages electricity transmission services; exempt from the payment of duties and taxes of any kind, including those levied on the import or local purchase of machinery and inputs for its activities
Nicaraguan Electricity Company (ENEL)	100%	100%	Electricity generation and marketing; distribution of electricity in non-concession areas	Enjoys the incentives granted by Law No. 272 (Law on the Electricity Industry); assets exempt from the payment of duties and taxes of any kind, including those levied on the import or local purchase of machinery and inputs for its activities
Regional Construction Enterprises Corporation (COERCO)	100%	100%	Construction	Exempt from the payment of income tax (IR); exempt from the payment of VAT on goods, works and services included on a specific list; exempt from municipal taxes on income, except for attached companies
Bank for the Promotion of Production	100%	100%	Development bank	..
Nicaraguan Postal Services	100%	100%	Postal services	Exempt from the payment of all national and municipal taxes
Free Zones Corporation (CZF)	100%	100%	Free zones	..
Nicaraguan Mines Company (EMIMINAS)	100%	100%	Mining	Exemption from the payment of all national and municipal taxes for associations, mixed-economy companies, temporary

Enterprise	State participation		Area(s) of activity	Prerogatives
	2012	2020		
				associations, strategic alliances and other forms of association; Exempt from the payment of all ordinary and special taxes, levies, fees, duties and royalties envisaged in national legislation, whether national, municipal or otherwise, and whether on movable or immovable property, rents or sales, when conducting mineral resource exploration activities
Nicaraguan Oil Company (PETRONIC)	100%	100%	Hydrocarbons	Assets unattachable and exempt from the payment of all ordinary and special taxes, levies, fees, duties and royalties envisaged in national legislation, whether national, municipal or otherwise, and whether on movable or immovable property, rents, shares, profits, sales or services; Exempt from all taxes and duties levied on the import or local purchase of machinery, equipment, materials, inputs and other goods to be used exclusively for the purpose of achieving its objectives and functions
Nicaraguan Insurance and Reinsurance Institute	100%	100%	Insurance	..

.. Not available.

Source: Information provided by the Nicaraguan authorities.

3.3.6 Government Procurement

3.126. No major changes have been made to Nicaragua's government procurement system since the country's last Review. The system is governed by the Law on Public Sector Administrative Procurement (Law No. 737) and its implementing regulations, which entered into force on 9 February 2011[89], and the Law on Municipal Procurement (Law No. 801) and its implementing regulations, which entered into force on 25 January 2013.[90]

3.127. The Directorate-General of Government Procurement (DGCE), in its capacity as the governing body for the procurement management system used by the public and municipal sector, promotes improvements to the various aspects of the government procurement system. The DGCE, among others, manages the Electronic Government Procurement System (SISCAE) and its various registers, and proposes regulatory policies to strengthen the procurement system. Each contracting entity is responsible for managing its procurement procedures, from the planning to the

[89] Law No. 737 and its implementing regulations, published in *La Gaceta* No. 213 of 8 November 2010 and No. 214 of 9 November 2010.

[90] Law No. 801, published in *La Gaceta* No. 192 of 9 October 2012. Its implementing regulations were published through Decree No. 08-2013, published in *La Gaceta* No. 24 of 7 February 2013.

implementation stage. The SISCAE now includes the publication of municipal procurement procedures.

3.128. The Law on Public Sector Administrative Procurement applies to all state bodies, including: autonomous entities; universities, with regard to funding from the General Budget of the Republic; state-owned enterprises (except when exposed to competition)[91]; and all institutions in which the State has a majority interest. The provisions of this Law do not apply to public contracts entered into in the following circumstances: international contracts concluded by the Executive that require National Assembly approval; procurement financed with international funds; procurement abroad exclusively for the use of the institution providing the service in question outside the country; and public services provided for indeterminate users in exchange for a tariff of general application (including transport). Purchases and procurement by the municipalities and the municipal sector (municipal enterprises, partnerships and consortia) are governed by the Law on Municipal Administrative Procurement. Procurement covered by the free trade agreements signed by Nicaragua is subject to the procedures stipulated therein.

3.129. The procurement procedures employed in the public sector are as follows: open tendering (amounts greater than NIO 3 million); selective tendering (competition among at least five suppliers, amounts greater than NIO 500,000 and up to NIO 3 million); minor procurement (competition among at least three suppliers, amounts up to NIO 500,000); simplified procurement[92]; and competition for the selection of consultants (award determined by technical qualifications rather than price). Any natural or legal person wishing to submit a bid must be enrolled in the register of public sector suppliers or the register of suppliers of the municipality, as appropriate.[93]

3.130. Government procurement contracts may prioritize products made of wood bearing a certificate from the National Forestry Institute (INAFOR), with a preference margin of up to 5% (Section 3.3.1). Law No. 737 has no preference margin provisions. Sustainable purchases have not yet been implemented.

3.131. The municipal procurement regime envisages that, following the evaluation of tenders, a 10% preference margin may be applied to local suppliers only where the bidder has met the requirements set out in the terms and conditions, terms of reference or technical specifications, and only where the tender is on equal terms with those of other bidders. Foreigners may participate in any procedure, provided that they comply with all the requirements laid down.

3.132. Invitations to tender for any procedure in the public or municipal sector must be published in the SISCAE, without prejudice to the use of other publication mechanisms. Bids may be submitted in writing or, if the conditions are met to ensure they cannot be altered, electronically. The deadline for submitting bids cannot be less than 30 calendar days. Where an invitation has been duly published, an award may be made if only a single bid is submitted, provided that the bid meets the stipulated requirements. The contracting entity makes the award by means of a reasoned decision, which must be notified to the bidders within a maximum of two working days and is published in the SISCAE.

3.133. According to the authorities, Nicaragua grants national treatment within the context of government procurement to all its trading partners. The purpose of the relevant provisions[94]

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[91] Every state enterprise must produce a procurement manual and submit it to the DGCE for approval.

[92] The use of simplified procurement must be approved by the highest authority and is permitted only in the following specific cases: procurement exclusively for police or military purposes; emergency situations that totally interrupt the operations of the procuring entity; only one supplier in the market; purchase of supplies for the operation of the contracting entity, without commercial intent; purchases made using the petty cash fund; and inter-administrative contracts between public-sector bodies or entities. All the publication and evaluation requirements must also be met. Municipal procurement is no longer used for the army or police or for inter-administrative contracts, and petty cash is excluded.

[93] The same supplier may register with several municipalities.

[94] Chapter XII of the Free Trade Agreement between Central America and the Dominican Republic; Chapter 16 of the Free Trade Agreement between Central America and Chile; Chapter 16 of the Free Trade Agreement between Central America and Panama; Chapter IX of the CAFTA-DR; Title V of the Association Agreement between Central America and the European Union; and Chapter VIII of the Free Trade Agreement between Central America and Korea.

contained in the free trade agreements to which Nicaragua is party is to open up foreign markets and to ensure certainty in the dispute settlement process.

3.134. Nicaragua is not party to the WTO's Plurilateral Agreement on Government Procurement.

3.3.7 Intellectual Property Rights

3.135. The main change to Nicaragua's legal framework in the area of intellectual property rights (IPR) since the previous Review is that Decree No. 25-2012 requires the owner of a geographical indication or appellation of origin to prove that it was registered in its country of origin and addresses duplicate names for wines and spirits, the specifications required based on the product type, and the rules of use and/or administration. Previously, this requirement applied only to appellations of origin.[95]

3.136. In 2012, Nicaragua also adopted the Law on the Conservation and Sustainable Use of Biodiversity (Law No. 807)[96] (Section 3.3.3), Decree No. 18-2012 on the Promotion and Protection of Intellectual Property Rights of the People, Decree No. 25-2012 amending and supplementing Decree No. 83-2001[97], and the regulations implementing the Law on Trademarks and Other Distinctive Signs (Law No. 380).

3.137. On 2 August 2019, Nicaragua ratified the Marrakesh Treaty to Facilitate Access to Published Works for Persons Who Are Blind, Visually Impaired or Otherwise Print Disabled.[98] Nicaragua has also acceded to the Lisbon Agreement on the Protection of Appellations of Origin (in force in its territory since 15 June 2006), the Budapest Treaty on the International Recognition of the Deposit of Microorganisms for the Purposes of Patent Procedure (in force since 10 August 2006) and the Trademark Law Treaty (in force since 22 September 2009).

3.138. Nicaragua has entered into IPR commitments under several free trade agreements to which it is party: the Free Trade Agreement between the Dominican Republic, Central America and the United States (CAFTA-DR), the Free Trade Agreement between Central America and the Dominican Republic, the Free Trade Agreement between Central America and Panama, the Free Trade Agreement between Central America and the Republic of Chile, the Free Trade Agreement between Mexico and Nicaragua, the Free Trade Agreement between Chinese Taipei and Nicaragua, the Association Agreement between Central America and the European Union, and the Free Trade Agreement between Central America and the Republic of Korea.

3.139. On 25 January 2010, Nicaragua accepted the Protocol Amending the Agreement on Trade-Related Aspects of Intellectual Property Rights in order to make permanent a decision on patents and public health.

3.140. Nicaragua has notified the WTO of its laws and regulations on IPR (Table 3.12). The Council for Trade-Related Aspects of Intellectual Property Rights (TRIPS) examined Nicaraguan legislation in 2001.[99]

Table 3.12 Outline of IPR protection, 2020

Legislation	Coverage	Terms of protection	Penalties
Copyright and related rights			
Law No. 312 of 1 September 1999; Decree No. 22-2000 of 5 May 2000; Law No. 577 of 16 March 2006	Literary, artistic and scientific works (including databases that, by reason of the selection or arrangement of their contents, constitute intellectual creations); computer programs; and the rights of performing artists, producers of	Copyright, entire life of the author plus 70 years after their death Rights of the performer, the phonogram producer or broadcasting organization, 70 years from 1 January of the	90- to 150-day fine or imprisonment for six months to two years and specific disqualification for unauthorized exercise of copyright and related rights; 300- to 500-day fine or imprisonment for one to three years and specific

[95] Decree No. 25-2012, published in *La Gaceta* No. 121 of 28 June 2012.
[96] Law No. 807, published in *La Gaceta* No. 200 of 19 October 2012.
[97] Decree No. 18-2012, published in *La Gaceta* No. 89 of 15 May 2012.
[98] Decree No. 8591-2019 approving Nicaragua's accession to the Marrakesh Treaty, published in *La Gaceta* No. 185 of 30 September 2019. The 2013 Marrakesh Treaty forms part of a body of international treaties on copyright that are administered by the World Intellectual Property Organization (WIPO).
[99] WTO document IP/Q/NIC/1 of 13 February 2002.

Legislation	Coverage	Terms of protection	Penalties
	phonograms and broadcasting organizations	year following that of first publication, broadcasting or performance	disqualification for unlawful reproduction
Law No. 322 of 16 December 1999; Decree No. 44-2000 of 6 October 2000; Law No. 578 of 24 March 2006	Wire-borne or wireless programme-carrying signals, including broadcasts going to or passing through a satellite	Protection of programme-carrying satellite signals, 50 years from 1 January of the year following that of broadcasting	300- to 500-day fine or imprisonment for one to three years and specific disqualification
Patents, utility models and industrial designs			
Law No. 354 of 25 September 2000; Decree No. 88-2001 of 28 September 2001; Law No. 579 of 21 March 2006; Law No. 634 of 13 September 2007; Decree No. 16-2006 of 9 March 2006	Inventions, utility models and designs, and industrial designs The following are excluded from patent protection for inventions or utility models: animal breeds; therapeutic, surgical and diagnostic methods for the treatment of humans or animals; inventions whose commercial exploitation must be prevented to protect public order, morality, or human, animal or plant health or life, or to preserve the environment; processes (no protection by patents for utility models) and chemical, metallurgical or any other substances or compositions (no protection by patents for utility models)	Patent, 20 years non-renewable; utility model, 10 years non-renewable; industrial design, three years of protection without formalities and five years by registering the design (renewable for two additional five-year periods)	300- to 500-day fine or imprisonment for one to two years and specific disqualification for the same period in the case of fraud on patents, utility models or industrial designs; 300- to 500-day fine or imprisonment for one to three years and specific disqualification for infringement of patent, utility model or industrial design rights
Law No. 324 of 1 February 2000; Decree No. 38-2001 of 18 April 2001	Layout-designs or topographies of integrated circuits	Registration of layout-designs of integrated circuits, 10 years non-renewable	300- to 500-day fine or imprisonment for one to three years and specific disqualification for the same period
Trademarks and other distinctive signs			
Law No. 380 of 16 April 2001; Decree No. 83-2001 of 27 September 2001; Law No. 580 of 21 March 2006; Decree No. 25-2012 of 28 June 2012	Trademarks (including collective and certification marks), distinctive signs (logos, emblems, geographical indications, appellations of origin), trade names and domain names	Registration of a trademark, 10 years (renewable indefinitely for periods of 10 years and subject to cancellation if the trademark is not used for a continuous period of three years) Trade names (including logos and emblems), with the exclusive right being acquired when the name is first used in trade and ending when the user abandons it or ceases activities Registration of an appellation of origin, indefinite duration	300- to 500-day fine or imprisonment for one to three years and specific disqualification for the same period
New plant varieties			
Law No. 318 of 29 November 1999; Decree No. 37-2000 of 31 May 2000	All genera and species that meet the requirements of novelty, distinctiveness, uniformity, stability and acceptable denomination	Registration of the breeder's right, 20 years non-renewable	300- to 500-day fine or imprisonment for one to three years and specific disqualification for the same period

Source: Information provided by the Nicaraguan authorities.

3.141. Nicaragua's patent legislation provides for the granting of compulsory licences for reasons of public interest or national emergency, or to control any anti-competitive practice.[100] These licences are non-transferable and are granted by the Intellectual Property Registry mainly to supply the domestic market and provide for adequate remuneration according to the circumstances of each particular case. Where the patent protects any kind of semiconductor technology, a compulsory

[100] The lawful exercise of a patent right does not include practices that unduly affect free competition or constitute an abuse of dominant market position.

licence may be granted only for non-commercial public use, or to control a practice declared to be anti-competitive. A person who requests a compulsory licence must show that they have been unable to obtain a contractual licence from the owner of the patent within a reasonable time frame and in reasonable commercial conditions. This requirement need not be met in cases of extreme urgency, non-commercial use of the invention by a public body or control of an anti-competitive practice.

3.142. In general, a right holder protected by the Law on Trademarks and Other Distinctive Signs with valid grounds for suspecting that preparations are being made to import or export products which infringe that right may apply to the competent court to order the customs authority to suspend the import or export of the products at the time of clearance. The person applying for border measures must supply the customs authorities with the necessary information and a description of the goods sufficiently detailed and precise as to make them readily identifiable and recognizable.

3.143. With respect to parallel imports of goods protected by IPRs, Nicaraguan legislation stipulates that the owner of a patent or registered trademark does not have the right to prohibit a third party from engaging in commercial acts in relation to a legitimate product that has been brought onto the market in any country by the owner or by another person who has the owner's consent or is economically connected with the owner, provided that the product has not undergone any change.[101]

[101] Law No. 380 (Article 29) and Law No. 354 (Article 47).

4 TRADE POLICIES BY SECTOR

4.1 Agriculture, Forestry and Fisheries

4.1.1 Overview

4.1. The agriculture sector, which in addition to agricultural activities includes livestock, fisheries and forestry, as defined in Nicaragua's national accounts, remains vitally important to the country's economy. Its contribution to national GDP, at constant prices, was estimated as 15.9% in 2019, compared to 15.7% in 2012.[1] The sector also remains the leading source of employment in Nicaragua, accounting for 31.1% of the total employed population in the fourth quarter of 2018, compared to 33.3% in 2012.[2]

4.2. During the years 2012-19, agricultural activities accounted on average for 42% of the overall sector's gross production value, at constant prices (Table 4.1). This subsector also remained the largest contributor to real GDP, accounting for 8% in 2012 and 8.3% in 2019. Coffee (green) continues to be Nicaragua's most important crop (in terms of production value), followed by sugar cane and beans. Maize and beans accounted for 60% of the country's area under cultivation during the 2012-19 period.[3] The value of livestock was concentrated largely (more than 70%) in cattle.

4.3. The contribution made to Nicaragua's real GDP by fisheries and aquaculture was estimated at 1.1% in 2019. Their potential, however, is much greater, given the country's 989 km coastline (Pacific and Caribbean) and inland waters (9,328 km^2), covering more than 7.8% of the country's territory. Fishing activities have concentrated largely on shrimp (both farmed and from the sea) and lobster, accounting for 55.7% and 24.1%, respectively, of this subsector's gross production value in 2019.

4.4. Forestry accounted for approximately 1% of Nicaragua's real GDP for the period 2012-19. According to Nicaraguan authorities, forests cover about 30.2% of Nicaraguan territory, which also offers a potential 2.6 million hectares for silvopastoral systems and 4.4 million hectares for forestry and/or agroforestry.

Table 4.1 Gross production value, 2012-19

(millions of 2006 córdobas)

Products	2012	2013	2014	2015	2016[p]	2017[p]	2018[e]	2019[e]
Agricultural activities	17,541.5	17,187.3	17,456.7	17,886.7	19,326.4	20,913.9	21,353.4	22,144.7
For export	8,684.6	8,194.7	9,233.8	9,272.8	10,104,1	11,513.0	12,023.3	12,561.2
Green coffee	4,627.1	3,890.9	4,789.1	5,058.9	5,485.2	6,504.4	7,258.1	8,116.0
Sugar cane	2,038.5	2,425.6	2,298.3	1,932.3	2,133.3	2,515.3	2,362.3	2,368.7
Bananas	350.3	302.9	427.1	512.9	695.2	794.2	760.4	778.7
Groundnuts	1,094.6	1,091.1	1,229.8	1,130.2	1,217.4	1,483.3	1,255.8	1,001.5
Soya	40.1	39.3	25.1	48.4	49.8	49.5	49.7	49.8
Sesame	166.6	201.4	240.4	347.8	218.3	172.5	193.8	193.4
Havana tobacco	503.9	495.6	543.3	597.7	642.2	508.7	581.4	573.6
For domestic consumption	8,755.7	9,008.8	8,096.3	8,490.6	9,085.2	9,267.4	9,163.7	9,404.9
Rice	1,613.9	1,524.6	1,443.0	1,581.2	1,643.7	1,665.6	1,748.0	1,814.0
Beans	1,919.1	2,166.7	1,755.1	1,997.3	2,058.8	2,348.0	2,014.1	2,103.4
Maize	740.6	965.6	589.4	612.7	779.7	744.0	663.9	693.9
Sorghum	194.6	213.9	220.6	278.9	259.4	192.8	158.4	132.5
Other	4,287.5	4,127.7	4,140.5	4,016.7	4,187.7	4,393.9	4,547.0	4,659.8
Livestock activities	13,180.4	13,130.5	13,526.0	13,529.1	13,814.0	15,409.1	14,768.2	15,390.8

[1] Central Bank of Nicaragua, *Anuario de estadísticas macroeconómicas* (2019).
[2] National Development Information Institute, *Encuesta Continua de Hogares* (fourth quarter, 2018).
[3] Central Bank of Nicaragua, *Anuario de estadísticas macroeconómicas* (2019).

Products	2012	2013	2014	2015	2016p	2017p	2018e	2019e
Cattle	10,016.8	9,754.7	9,950.1	9,770.6	10,015.7	11,414.1	10,914.3	11,458.8
Head	5,698.5	5,343.2	5,572.2	4,898.6	5,070.2	6,006.3	6,071.9	6,739.6
Milk production	3,942.4	3,753.2	3,739.2	4,867.4	5,220.3	5,485.7	4,807.1	4,625.1
Swine	219.2	242.7	248.6	253.9	263.7	283.5	278.5	306.6
Poultry-keeping	2,864.8	3,032.5	3,189.5	3,349.6	3,384,4	3,544.7	3,392.1	3,432.8
Poultry	1,879.4	1,979.7	2,147.1	2,183.0	2,166,7	2,260.3	2,088.0	2,039.7
Eggs	984.6	1,052.5	1,043.2	1,164.9	1,213.4	1,278.0	1,302.7	1,404.2
Fishery activities	2,992.4	3,203.8	3,755.2	3,567.5	3,351.4	3,682.9	4,144.3	3,786.8
Shrimp	1,649.4	1,773.3	2,101.2	1,781.4	1,661.9	1,888.8	2,217.1	2,109.7
Farmed	1,495.5	1,643.7	1,886.8	1,522.0	1,395.5	1,633.1	1,933.0	1,933.0
Trawled	153.9	129.6	214.4	259.4	266.4	255.7	284.1	176.7
Lobster	741.0	761.6	818.2	1,105.1	949.0	917.7	806.2	913.4
Fish	467.0	475.9	541.3	481.2	437.5	498.0	505.0	483.3

p Preliminary figures.
e Estimated figures.

Note: The statistical discrepancy in respect of the sum of the components results from the chain-linking methodology used to obtain constant values.

Source: Central Bank of Nicaragua, *Anuario de estadísticas macroeconómicas* (2019).

4.5. Nicaragua's agricultural sector faces challenges, including: deficiencies in the coverage and quality of production services (electricity, telecommunications, drinking water supply, transport, and support services), the small size of local markets, the inadequate administrative and business capacity of producers, difficult access to credit and limited use of technologies.

4.1.2 Changes in the Institutional and Legal Framework

4.6. After a restructuring in 2014, the Ministry of Agriculture (MAG) is responsible for formulating, coordinating, monitoring and evaluating agricultural policy in Nicaragua, thereby contributing to growth in production and productivity and improved food security.[4] The Ministry of Family, Community, Cooperative and Associative Economy (MEFCCA) was established in 2012 to promote and develop family farming, family enterprises, SMEs and cooperativism.[5] MEFCCA is responsible for coordinating and implementing capacity-building programmes in five strategic areas: family and community farming; generation of value-added and processing for family farm products; workshops and small businesses; cooperative association and development; and development of the Caribbean coast.

4.7. Other entities participating in the formulation and implementation of agricultural policy include: the Ministry of the Environment and Natural Resources (MARENA), responsible for the management and sustainable use of natural resources and the conservation of biodiversity[6]; the Nicaraguan Agricultural Technology Institute (INTA), responsible for generating and transferring agricultural technology; the Institute for Agricultural and Livestock Protection and Health (IPSA), established in

[4] Law No. 864 amending Law No. 290 on the Organization, Competence and Procedures of the Executive, published in *La Gaceta* No. 91 of 20 May 2014.

[5] MEFCCA absorbed and assumed the functions of the Rural Development Institute (IDR) and the National Institute for Micro, Small and Medium-Sized Enterprise Support (INPYME). Also placed under MEFCCA's direction as a decentralized agency was the Nicaraguan Cooperative Development Institute (INFOCOOP). MEFCCA took over two ongoing food security programmes (the PSAN and the PPA) previously managed by the former Ministry of Agriculture and Forestry, as well as several programmes from the Ministry of Development, Industry and Trade (MIFIC) for the development of micro, small and medium-sized enterprises (Law No. 804 amending Law No. 290 on the Organization, Competence and Procedures of the Executive, published in *La Gaceta* No. 134 of 17 July 2012, and Presidential Decision No. 201-2012, published in *La Gaceta* No. 221 of 19 November 2012).

[6] MARENA's functions include operation of the National System of Protected Areas and the Environmental Assessment System.

2014 to regulate and implement sanitary and phytosanitary measures[7]; and the Nicaraguan Basic Foods Enterprise (ENABAS), responsible for stockpiling, storing and distributing staple grains and foods.

4.8. The Office of the President of the Republic has been in charge of forestry administration throughout national territory, executed through the National Forestry Institute (INAFOR), since 2017. INAFOR is responsible for formulating forestry policy and rules, supervising forestry development programmes, managing national forested areas, disseminating information on the forestry sector and setting reference prices for the sector. The National Forestry Commission (CONAFOR) is the highest-level agency and forum for social engagement with the forestry sector. It participates in the approval and monitoring of forestry policy, including supervision of the National Forestry Development Fund (FONADEFO).[8]

4.9. There have been no significant legislative or institutional changes with respect to fisheries and aquaculture since the last Review of Nicaragua. The Nicaraguan Fishing and Aquaculture Institute (INPESCA) is responsible for formulating and implementing the policy for harnessing hydrobiological resources in Nicaragua. INPESCA also has responsibility for issuing fishing and resource utilization permits. Under the current regulatory framework, traditional (small-scale) fishing is reserved exclusively for Nicaraguan nationals. In addition, all export products generated by fishing and aquaculture must be processed in authorized plants established in Nicaraguan territory. MIFIC is authorized to issue special permits for the exportation of production that cannot be processed in Nicaragua owing to capacity limitations.[9]

4.10. The National Human Development Programme (PNDH) 2018-21 defines the main objectives for the sector: to increase its production, productivity, quality and value added under sustainable conditions; and to promote good practices for the capture, processing and marketing of fishery and aquaculture resources. Strategies implemented during the review period included: promoting technological research and the use of technologies; capitalizing family operations; protecting Mother Earth and adapting to climate change; widening roads and highways; and sustainably transforming the livestock sector. Each strategy defines the action to be taken by public institutions concerned with the national production, consumption and trade system, as reflected in the production, consumption and trade plans developed for each agricultural cycle.

4.11. During the review period, Nicaragua established legal frameworks for the conservation and sustainable development of biological diversity[10], for the transformation and development of coffee growing[11], and for the promotion of small-scale production of staple grains and sesame.[12] In addition, a Nicaraguan legal digest was issued on food and nutritional sovereignty and security, a compilation and analysis of current law in this area.[13]

4.1.3 Border Measures

4.12. Nicaragua notified the WTO that it did not invoke the special safeguard mechanism provided for in the WTO Agreement on Agriculture during the period 2012-18 (Section 3.1.6).

4.13. Agriculture continues to maintain the country's highest levels of tariff protection against imports. The average tariff applied to the agricultural sector (11.8% based on the WTO definition) is more than double the average tariff for non-agricultural products (5.2%). The agricultural products

[7] Law No. 862 establishing the Institute for Agricultural and Livestock Protection and Health, published in *La Gaceta* No. 91 of 20 May 2014.

[8] Law No. 947 partially amending Law No. 290 on the Organization, Competence and Procedures of the Executive, Law No. 462 on the Conservation, Promotion and Sustainable Development of the Forestry Sector, and Law No. 862 establishing the Institute for Agricultural and Livestock Protection and Health, published in *La Gaceta* No. 87 of 11 May 2017.

[9] Law No. 489 on Fishing and Aquaculture, published in *La Gaceta* No. 251 of 27 December 2004.

[10] Law No. 807 on the Conservation and Sustainable Use of Biodiversity, published in *La Gaceta* No. 200 of 19 October 2012.

[11] Law No. 853 on the Transformation and Development of Coffee Growing, published in *La Gaceta* No. 174 of 11 September 2019.

[12] Law No. 930 promoting the production of staple grains and sesame by small-scale producers (both men and women), published in *La Gaceta* No. 97 of 25 May 2016.

[13] Law No. 881 establishing the Nicaraguan Legal Digest on Food and Nutritional Sovereignty and Security, published in *La Gaceta* No. 43 of 4 March 2015.

that continue to be protected by MFN tariffs higher than the sector average are sugar and confectionery (31.6%); dairy products (25%); animals and animal products (19.6%); and coffee and tea (13.2%).

4.14. Under its commitments, Nicaragua can apply import quotas to maize (HS 1005.90.20 and 1005.90.30, 193.2 thousand quintals); beef (HS 0201 and 0202, 3.48 million pounds); poultry (HS 0207.10.00 and 0207.31.00, 1.88 million pounds); milk (HS 0401, 0402 and 0403, 13.41 million litres); beans (HS 0713.3, 53.1 thousand quintals); rice (HS 1006.10.90 and 1006.30.00, 109.6 thousand quintals); sorghum (HS 1007.00.90, 138,000 quintals); oil (HS 1507, 1511 and 1512.2, 1.89 million litres); and sugar (HS 1701, 48.3 short tonnes). Nicaragua has notified the WTO that it applied quotas each year during the period 2012-18 to powdered milk and rice.[14]

4.1.4 Domestic Measures

4.15. Nicaragua notified the WTO that it did not subsidize exports of agricultural products during the period 2012-18.[15]

4.16. Nicaragua did not make specific commitments during the Uruguay Round to reduce financial assistance to agricultural producers.[16] Nicaragua notified the WTO of seven Green Box sectoral projects providing assistance to agriculture during the 2012-16 period.[17] According to the notifications, those projects were concerned with food security, training and technology dissemination and sanitary and phytosanitary threats. The domestic support provided between 2012 and 2016 amounted to USD 15.6 million, or an annual average of USD 3.1 million. This is below the levels reported in the previous Review, for the 2005-10 period, when the average was USD 5.4 million per year.

4.17. In June 2012, Nicaragua established a prior suspension mechanism for taxes on diesel fuel for industrial fishing and aquaculture, as well as both diesel fuel and gasoline for small-scale fishing and aquaculture. In the case of small-scale fishing and aquaculture, eligibility is conditioned on the use of these fuels to capture products for export. There were also exemptions from duties and taxes until 31 December 2012 for the import and sale of raw materials, intermediate goods, capital goods, spare parts, parts and accessories for machinery and equipment to be used for agricultural activities and the activities of micro, small and medium-sized industrial and fishing enterprises.[18]

4.18. In 2013, with the aim of promoting coffee production, Nicaragua established the Fund for the Transformation and Development of Coffee Growing (FTDC), constituted with resources derived from coffee exports used to support the development and strengthening of domestic coffee growing.[19] According to the authorities, the FTDC's capital increased from NIO 181,350,505.04 in 2015 to NIO 932,841,164.44 by the end of 2019. FTDC resources have been used to develop financial support and technical assistance programmes for coffee producers as well as specialized courses and promotional activities at international fairs.

4.19. In 2016, Nicaragua established a mechanism for access to credit on favourable terms for small-scale producers of staple grains and sesame. These producers can enjoy an interest rate reduced by three percentage points (a reduction referred to as the "development rate"), permitting creditor institutions to obtain a tax credit (applicable to income tax) that is generated during the

[14] WTO documents G/AG/N/NIC/34 of 24 May 2013; G/AG/N/NIC/38 of 28 March 2014; G/AG/N/NIC/41 of 23 April 2015; G/AG/N/NIC/43 of 8 April 2016; G/AG/N/NIC/46 of 31 July 2017; G/AG/N/NIC/50 of 11 April 2019; and G/AG/N/NIC/51 of 12 April 2019.

[15] WTO documents G/AG/N/NIC/33 of 24 May 2013; G/AG/N/NIC/39 of 28 March 2014; G/AG/N/NIC/42 of 23 April 2015; G/AG/N/NIC/44 of 9 February 2017; and G/AG/N/NIC/52-53 of 15 April 2019.

[16] Section I of Part IV of Schedule XXIX of 15 April 1994; WTO document G/AG/AGST/Vol. 2; and Article 15, Article 9.4 and Article 7.2(b) of the WTO Agreement on Agriculture.

[17] WTO documents G/AG/N/NIC/36 of 12 July 2013, and G/AG/N/NIC/47 of 29 August 2017.

[18] Law No. 797 amending Article 111 of Law No. 489 on Fishing and Aquaculture and amending Article 126 of Law No. 453 on Fiscal Equity, published in *La Gaceta* No. 121 of 28 June 2012.

[19] Law No. 853 on the Transformation and Development of Coffee Growing, published in *La Gaceta* No. 239 of 17 December 2013.

term of the loan.[20] According to the authorities, the mechanism has been slow to attract the participation of banks and small-scale producers of staple grains and sesame.

4.2 Mining and Energy

4.2.1 Mining

4.20. The performance of the mining and quarry sector continues to fall short of its potential, accounting for 0.7% of the total employed population[21] in Nicaragua in 2018 and an estimated 1.7% of real GDP in 2019 (compared to 1.4% in 2012).[22] While mining production rose gradually at constant prices during the review period, the number of mining concessions and their total area diminished (Table 4.2). As of 31 December 2019, they encompassed 9,677 km² (8.13% of Nicaragua's total land area). The area still available for mining activities was 55.2% of the country's total land area.

4.21. Nicaragua has various subsoil resources, including gold, silver, limestone, basalt, tuff (quarry stone) and sand. Mining activity remains dedicated largely to metals, which accounted for more than 93% of the total concession area and approximately two thirds of the gross value of production during the 2012-19 period. During those same years, Nicaragua's metal exports consisted mainly of gold and silver (Table 4.2).

Table 4.2 Mining activity indicators, 2012-19

	2012	2013	2014	2015	2016	2017	2018	2019
Number of concessions	301	293	277	260	252	262	265	258
Metallic (%)	55.5	60.8	62.5	56.2	56.0	55.7	55.8	54.7
Non-metallic (%)	44.5	39.2	37.5	43.8	44.0	44.3	44.2	45.3
Total concession area (thousand km²)	15.4	17.9	13.7	10.0	9.5	9.8	10.0	9.7
Metallic (%)	95.5	96.3	95.8	93.5	93.2	93.4	93.5	93.3
Non-metallic (%)	4.5	3.7	4.2	6.5	6.8	6.6	6.5	6.7
Surface rights and royalties (NIO million)	349.8	363.9	370.5	348.0	415.8	404.3	441.7	551.7
Gross value of production (NIO million (2006))[a]	4,448.6	5,289.4	5,363.0	5,414.6	5,816.0	5,421.6	5,527.7	6,275.8
Metallic (%)	63.6	65.8	64.9	59.7	61.4	58.2	59.7	64.1
Non-metallic (%)	30.4	25.6	27.2	35.4	32.9	38.0	35.6	28.0
Exports f.o.b. (USD million)[b]	436.1	448.0	399.5	330.5	372.2	338.3	383.1	509.2
Gold (%)	97.0	96.6	96.6	96.2	95.9	96.7	96.7	97.8
Silver (%)	2.5	2.5	2.1	2.8	3.2	2.7	2.6	1.8
Other (%)	0.6	1.0	1.3	1.1	0.9	0.6	0.7	0.4

a Preliminary figures for 2018; estimated figures for 2019. The statistical discrepancy in respect of the sum of the components results from the chain-linking methodology used to obtain constant values.
b Preliminary figures for 2017, 2018 and 2019.

Source: Central Bank of Nicaragua, *Anuario de estadísticas macroeconómicas* (2019), and Ministry of Energy and Mining.

4.22. All natural resources in Nicaragua are property of the State. The Ministry of Energy and Mining (MEM) is responsible for formulating and executing national policy for the rational and sustainable development of extractive mining resources. MEM's responsibilities include geological research; the

[20] Law No. 930 promoting the production of staple grains and sesame by small-scale producers (both men and women), published in *La Gaceta* No. 97 of 25 May 2016.
[21] National Development Information Institute, *Encuesta Continua de Hogares* (fourth quarter, 2018).
[22] Central Bank of Nicaragua, *Anuario de estadísticas macroeconómicas* (2019).

concession of mining rights; monitoring and control; and the development and promotion of the sector. MEM also has the power to declare as national mining reserves those "free" areas that are considered suitable for cadastre, geological research, mine exploration and development, scientific research and small-scale and artisanal mining.[23]

4.23. MEM grants mining concessions with a maximum surface area of 50,000 hectares on a lot basis for renewable periods of 25 years. The mining concession is regarded as exclusively conferring the right to engage in surveying, exploration, production, processing plant installation and the marketing of minerals found in the concession area.[24] The concessionaire must pay surface royalties and extraction duty or royalties; submit monthly production reports and an annual technical report; and comply with rules pertaining to the environment, hygiene, workplace safety and social responsibility.

4.24. According to the authorities, domestic marketing and export activities for minerals mined in Nicaragua are not subject to any special regime, and the State does not have priority purchasing rights. It is required of the exporter, however, to demonstrate the legal provenance of the minerals to be exported. The proliferation of small-scale, informal mining operations is one of the main problems facing Nicaragua's mining sector. Nicaragua does not participate in the Extractive Industries Transparency Initiative (EITI).

4.25. The Nicaraguan Mines Company (ENIMINAS), a public enterprise under the direction of MEM, was established in 2017 with the aim of conducting exploration and rational exploitation of mining resources in Nicaragua. Two funds were established: the Mining Development and Promotion Fund, to finance and execute mining development activities, including research on mineral resources; and the Mine Monitoring and Surveillance Fund, to finance monitoring and control of the mining sector, including environmental protection. These funds receive 15% and 10%, respectively, of revenues generated by royalties from the concessionaires.[25]

4.26. The participation of ENIMINAS is required for all projects in national mining reserve areas. When participating in any form of partnership, ENIMINAS is exempted from all national and municipal taxes, and when engaged in exploration for mineral resources it is exempted from all taxes, fees, royalties or duties (excluding the percentage of surface duty intended for municipalities and regional governments). When ENIMINAS operates in competition with the private sector, however, it must submit to the same tax regime.

4.27. Nicaragua grants incentives for domestic and foreign investment in mining activities. Concessionaires may be exempted from taxes on the real estate, inputs, machinery and other items they use directly in operating the mining concession.[26]

4.2.2 Energy

4.28. Oil and biofuels dominate Nicaragua's energy matrix, generating approximately 42% and 38%, respectively, of total primary energy supply (STEP) in 2018 (Chart 4.1). In addition to biomass, the country's renewable energy sources include, in order of importance, geothermal, wind, hydraulic and solar. The authorities estimate that as at December 2019, Nicaragua was tapping 12.5% of its approximately 4,500 MW in potential for renewable energy generation. No petroleum resources have been discovered in Nicaragua, which remains an oil importer. The International Energy Agency estimates that the energy intensity of the Nicaraguan economy in 2018 was double the average for Central and South America, with a STEP/GDP ratio of 0.3 compared to 0.15.[27]

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[23] The area dedicated to national mining reserves represented 7.05% of Nicaragua's total land area in 2019.

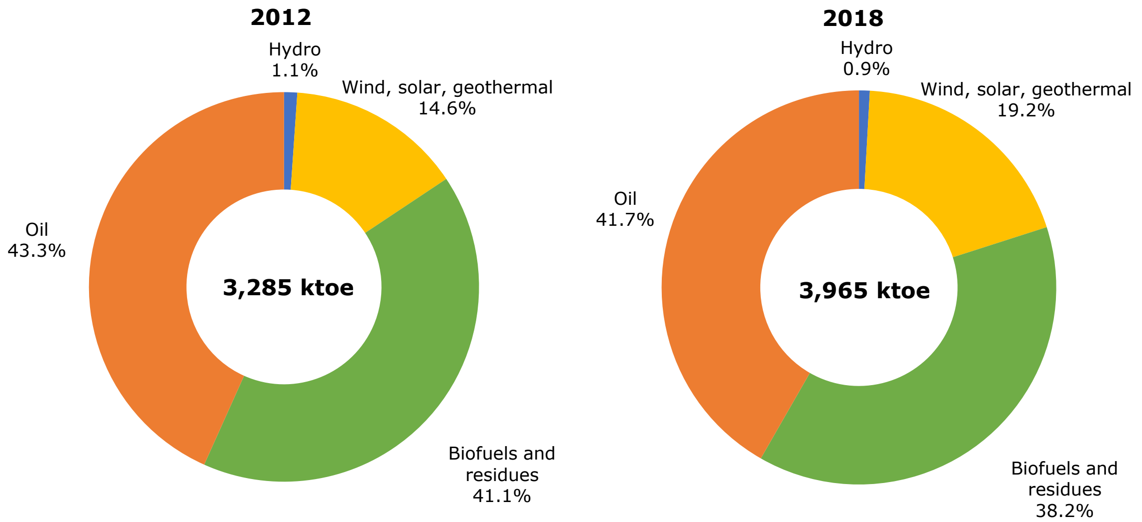
[24] Applicants need to demonstrate that they have the technical and financial capacity to conduct the project and have received backing and no objections from the relevant local and regional authorities.

[25] Law No. 953 establishing the Nicaraguan Mines Company, published in *La Gaceta* No. 127 of 6 July 2017.

[26] Law No. 387, Special Law on Mining Prospecting and Exploitation, published in *La Gaceta* No. 151 of 13 August 2001.

[27] The energy intensity indicator tracks total primary energy use (tonnes of oil equivalent) per USD 1,000 of GDP, at constant prices. Viewed at: https://www.iea.org/articles/energy-transitions-indicators.

Chart 4.1 Total primary energy supply by source, 2012 and 2018



ktoe Thousand tonnes of oil equivalent.

Source: International Energy Agency, based on data from *IEA World Energy Balances* (2020).

4.29. The Ministry of Energy and Mining (MEM) is responsible for formulating and implementing national energy policy (electricity and hydrocarbons), and for overseeing and verifying compliance with that policy. Regulating, supervising and controlling the energy sector is the responsibility of the Nicaraguan Energy Institute (INE).[28] The INE's functions include approving and monitoring the electricity tariffs paid by the final consumer for consumption and related services (tolls); applying sanctions where indicated by the regulations; and settling disputes among the sector's economic operators.

4.30. The main areas covered up by the PNDH for 2018-21, as far as the energy sector is concerned, include: continuity of national electricity supply with the expansion of infrastructure, introduction of technological improvements and active participation in regional electricity interconnection organizations; diversification of the energy mix for electricity generation; increases in electricity generating capacity; facilitation of research on and access to non-polluting energy technologies; and support for hydrocarbon exploration and production. These objectives are reflected in the Action Plan for the Energy and Mining Sector 2012-17 and in the Strategic Plan for the Energy Sector 2019-33.

4.31. Nicaragua launched several reforms during the 2012-20 period to strengthen the energy sector and attract new investment, including the approval of legal frameworks for distributed electricity generation[29] and more rational and efficient energy use.[30]

4.2.2.1 Electricity

4.32. Nicaragua's electricity infrastructure includes the National Interconnected System (SIN), a series of generating plants and distribution networks interconnected by the National Transmission System (SNT), as well as 32 isolated systems supplying the least populated regions of Nicaragua. As at March 2020, Nicaragua had nominal installed electricity generation capacity of 1,619.73 MW (1,321.98 MW effective) compared to 1,286.81 MW (1,041.11 MW effective) in 2012. The SIN covered 98.8% of installed capacity (nominal and effective).[31]

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[28] The INE is financed through charges of up to 1.5% on the amounts invoiced by electric power suppliers and up to USD 0.06 per sold barrel of oil or derivatives thereof.

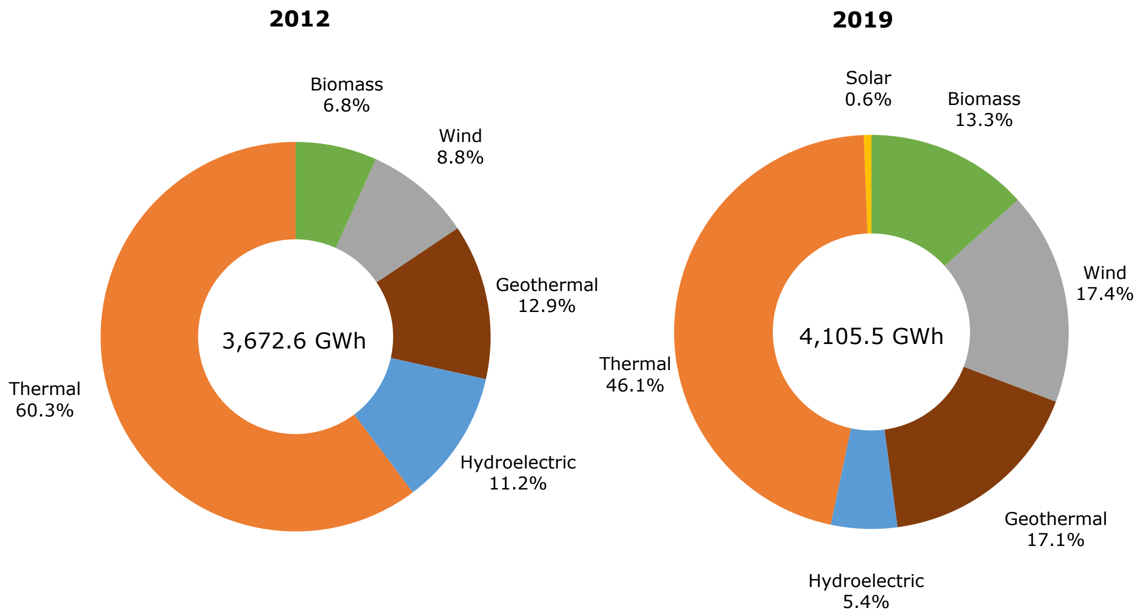
[29] Law No. 951 amending and supplementing Law No. 272 on the Electricity Industry, published in *La Gaceta* No. 126 of 5 July 2017.

[30] Law No. 956 on Energy Efficiency, published in *La Gaceta* No. 128 of 7 July 2017.

[31] Viewed at: https://www.ine.gob.ni/DGE/estadisticas/2020/Capacidad_instalada_2020_actagost20.pdf.

4.33. Nicaragua continued during the review period to reduce its dependence on thermal generators fuelled by petroleum derivatives. In 2019, thermal electricity contributed 46.1% to electricity supply compared to 60.3% in 2012 (Chart 4.2); 98.8% of net electricity generation took place within the SIN. During most of the review period, Nicaragua was a net importer of electricity, and its demand for imported electricity began increasing significantly in 2017.

Chart 4.2 Net generation of electricity by source, 2012 and 2019



Source: Nicaraguan Energy Institute.

4.34. By December 2019, the SNT had expanded to 3,204 km of transmission lines and 103 electrical substations; 583 km of the transmission lines and 22 of the substations were privately owned. National electricity coverage rose from 73.7% of all Nicaraguan households in 2012 to 98.3% in October 2020.[32] In 2019, transmission and distribution losses in the SIN were 2.3% and 18.4%, respectively, compared to 2.5% and 21% in 2012.

4.35. The Nicaraguan Electricity Company (ENEL), a state-owned enterprise under MEM, has the mission to expand electricity generation capacity in Nicaragua through the development of its own projects or in association with domestic or foreign investors. ENEL is exempted from the payment of taxes or fees of any kind under national tax law, and from any fiscal duties or taxes on imports or local purchases of machinery, equipment, materials and inputs to be used exclusively for electricity generation and related activities.[33]

4.36. Nicaragua maintains a series of incentives to promote the use of renewable energy sources for electricity generation. The benefits granted include exemptions from, and reductions on, import tariffs, VAT, income tax, municipal tax, stamp duty and taxes on natural resource exploitation.[34] In addition, new generation projects based on renewable sources may, under certain conditions, enter into contracts with distributors without having to participate in a competitive bidding process.

4.37. The National Electricity Transmission Company (ENATREL), a state-owned company under MEM, is responsible for administering and operating the SNT; administering the National Load Dispatching Centre (CNDC); operating and maintaining the regional transmission network as part of the Electrical Interconnection System for Central America (SIEPAC); and executing urban or rural

[32] Viewed at: http://www.enatrel.gob.ni/evolucion-de-la-cobertura.

[33] Law No. 746 amending Executive Decree No. 46-94 establishing the Nicaraguan Electricity Company (ENEL), and also amending Law No. 272 on the Electricity Industry and Law No. 554 on Energy Stability, published in *La Gaceta* No. 17 of 27 January 2011.

[34] Law No. 532 on the Promotion of Renewable Electricity Generation, published in *La Gaceta* No. 102 of 27 May 2005, as amended; Law No. 467 on the Promotion of the Hydroelectricity Subsector, published in *La Gaceta* No. 169 of 5 September 2003, as amended; and Law No. 443 on the Exploration and Exploitation of Geothermal Resources, as amended, published in *La Gaceta* No. 218 of 17 November 2014.

electrification projects.[35] ENATREL is exempted from the payment of all taxes or fees set out in national tax law, as well as all fiscal duties and taxes on imports or local purchases of machinery, equipment, materials and inputs to be used exclusively for electricity transmission and related activities.[36]

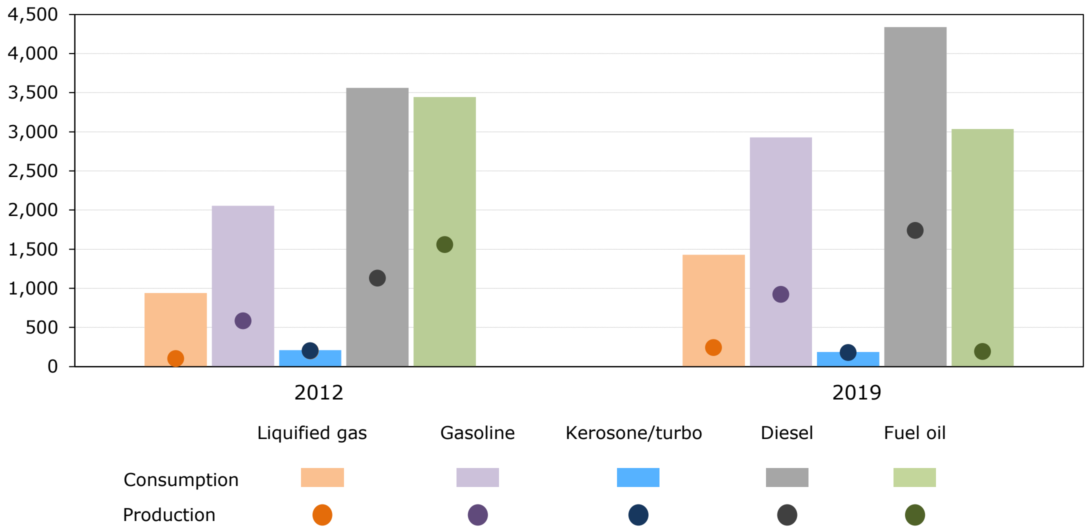
4.38. The Nicaraguan electricity market, as administered by ENATREL through the CNDC, consists of four segments: the contract market, regional market, second-hand market and wholesale market. In the contract market, electricity is allocated by means of bilateral contracts between generators, distributors and major consumers that must be approved by the INE and MEM. In 2019, according to the authorities, the national electricity market included 27 generators, three transmitters, 17 distributors and 16 major consumers.

4.2.2.2 Hydrocarbons

4.39. During the review period, Nicaragua continued to be a net importer of crude oil and derivatives thereof. The share of these products in the total value of imported goods was 19.6% in 2019, compared to 22% in 2012.[37] Nicaragua has a single refinery. It refines imported crude oil with a capacity of up to 20,000 barrels per day.[38] The value added by refining petroleum domestically, at constant 2006 prices, rose from NIO 319.3 million in 2012 to NIO 581 million in 2019.[39] The refinery met nearly all domestic demand for kerosene during the 2012-19 period and accounted for about a third of domestic gasoline and diesel sales (Chart 4.3).

Chart 4.3 Consumption and production of hydrocarbons, 2012 and 2019

(Thousands of barrels)



Source: Central Bank of Nicaragua, *Anuario de estadísticas macroeconómicas* (2019).

4.40. Nicaragua does not impose restrictions on the importation/exportation, storage, refining, transport or distribution of petroleum and derivatives thereof. Most fuel prices are not regulated, the only exception being liquefied petroleum gas (LPG), the price of which is regulated by the INE. According to the authorities, crude oil is imported into Nicaragua by the transnational company Puma Energy, which owns the country's only refinery. In 2019, there were eight companies importing petroleum derivatives and nine companies marketing them domestically. In addition to being

[35] ENATREL also provides telecommunication services (data transmission and Internet).
[36] Law No. 583 establishing the National Electricity Transmission Company, published in *La Gaceta* No. 4 of 5 January 2007, as amended.
[37] Central Bank of Nicaragua, *Anuario de estadísticas macroeconómicas* (2019).
[38] According to the authorities, average annual imports of crude oil during the 2012-18 period amounted to 4,834,770 barrels.
[39] Central Bank of Nicaragua, *Anuario de estadísticas macroeconómicas* (2019).

Nicaragua's only refiner, Puma Energy both imports and markets significant quantities of petroleum derivatives.

4.41. The Nicaraguan Oil Company (PETRONIC), another state-owned company under MEM, is responsible for promoting investment in the exploration, exploitation, marketing, storage, transport and distribution of hydrocarbons; crude oil refining; and LPG bottling. It is also PETRONIC's mission to guarantee permanent fuel reserves in Nicaragua.[40] Since 2014, PETRONIC has participated as a state representative in the surveying, exploration and exploitation of hydrocarbons produced in Nicaragua, as well as in the transport, storage and marketing thereof.[41] PETRONIC is exempted from the payment of any tax or fee set out in Nicaraguan law as well as any tax or duty on imports or local purchases of machinery, equipment, materials and inputs to be used exclusively for the performance of its mission and functions.[42]

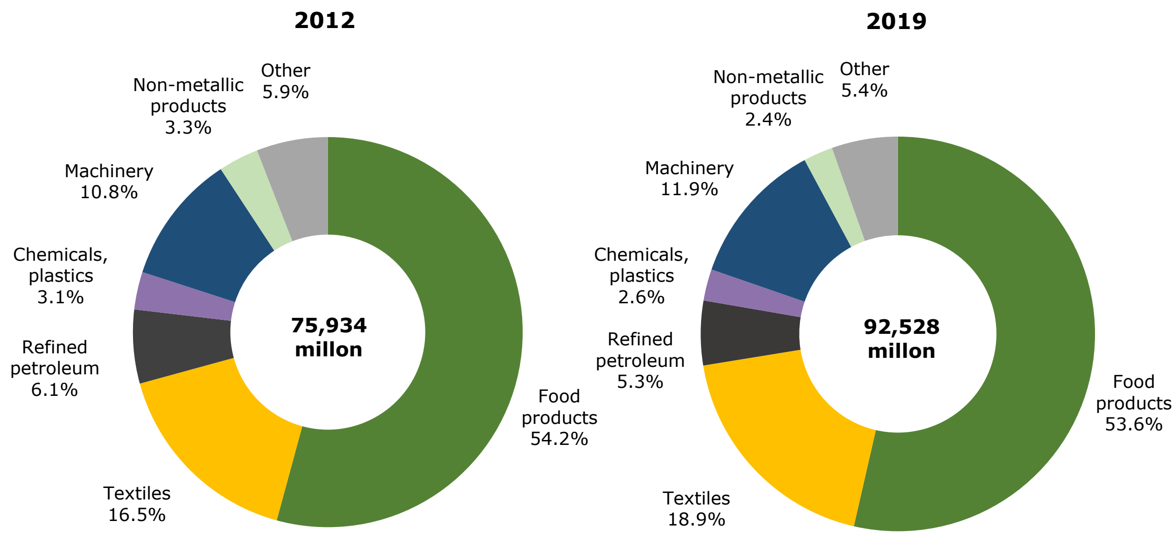
4.42. Nicaragua maintains incentives for hydrocarbon prospection and exploitation, including exemption from any tax on the imports of goods and inputs during the prospection phase and the first four years after the announcement of a commercial discovery; exemption from any tax on assets, sales revenue, the purchase of goods and services and the construction and expansion of works; and exemption from the payment of contributions, duties or fees in connection with income or capital invested during the prospection phase.[43] The authorities calculate the fiscal sacrifice of the incentives for local purchases during the 2012-19 period at USD 15,264,374. Duty-free imports with a c.i.f. value of USD 24,601,589 were also approved.

4.3 Manufacturing

4.43. The manufacturing sector's share of Nicaragua's real GDP rose from 14.3% in 2012 to 15.5% in 2019. Agricultural processing industries continue to contribute more than half of the sector's gross production value (Chart 4.4). Nicaragua remains a net importer of manufactured products, owing largely to the dynamic performance of imported electrical machinery and equipment, chemicals and transport equipment (Tables A1 and A2).

Chart 4.4 Gross production value of manufacturing, 2012 and 2019

(NIO (2006) and %)



Source: Central Bank of Nicaragua, *Anuario de estadísticas macroeconómicas* (2019).

[40] Law No. 993 amending Law No. 277 on Hydrocarbon Supplies, published in *La Gaceta* No. 102 of 31 May 2019.
[41] Executive Decree No. 29-2014, published in *La Gaceta* No. 94 of 23 May 2014.
[42] Law No. 883, Organic Law on the Nicaraguan Oil Company (PETRONIC), as amended, published in *La Gaceta* No. 239 of 17 December 2014.
[43] Law No. 1012 amending and supplementing Law No. 286, Special Law on Hydrocarbon Prospection and Exploitation, as amended, published in *La Gaceta* No. 243 of 19 May 2019.

4.44. There is considerable potential for growth and diversification in manufacturing, which can be realized by making better use of available resources and establishing stronger links with other sectors of the economy – particularly agriculture and mining. Realization of this potential has been stymied, however, by recent political instability, which has discouraged investment. Most branches of the economy have encountered problems in being internationally competitive, as a result, among other factors, of restricted access to financing and limited adoption of the most modern production technologies.

4.45. MIFIC has responsibility for formulating and implementing policies and rules to strengthen the industrial sector, contributing to sustainable growth in productive and business activity in Nicaragua. During the period under review, MIFIC has focused on developing strategies by branch of industry, giving priority to the industrialization of agricultural production as well as the consolidation of SMEs and their access to international markets. According to the authorities, all industrial activity in Nicaragua falls within the private sector. There are incentives for the pharmaceutical industry and for agribusinesses that process staple foods; at the time of this report more detailed information in this regard was unavailable.

4.46. During the review period, Nicaragua made no significant changes to its MFN tariffs on imported manufactured goods; the average MFN tariff applied to manufactured products (WTO definition) remained at 5.2%. Apparel, textiles, leather, paper and transport equipment have remained among the products with the highest levels of tariff protection (Section 3.1.3).

4.4 Services

4.4.1 Financial Services

4.47. Since Nicaragua's financial system is poorly developed, especially in the non-bank segments, it still underperforms in terms of its contribution to the growth of the national economy. Financial intermediation and related services represented 3.1% of Nicaragua's real GDP in 2019 (as in 2012). Domestic socio-political unrest had a considerable effect on the sector's performance from 2018 onward. Financial intermediation, as reflected by the ratio of the overall credit portfolio (dominated by the banking segment) to GDP, grew steadily during 2012-17 to approximately 40%, but contracted to 31.7% in 2019. Additionally, the ratio of deposits to GDP fell from 34.9% in 2012 to 29.6% in 2019 (Table 4.3).

Table 4.3 Financial system indicators, 2012-19

	2012	2013	2014	2015	2016	2017	2018	2019
Total financial system assets[a]	5,065.8	5,669.6	6,423.1	7,144.1	7,948.9	8,646.6	7,584.5	7,136.1
Banks	4,800.3	5,363.2	6,037.0	6,692.1	7,356.3	7,930.6	6,923.7	6,525.1
State-owned bank	144.8	169.7	171.6	177.5	178.5	186.3	179.5	185.7
Non-bank financial companies	43.3	58.9	108.0	145.9	248.9	325.4	258.9	195.0
Insurance companies	204.9	228.7	255.5	281.3	316.0	361.5	371.5	379.8
General deposit warehouses	11.8	13.0	15.6	17.3	19.4	19.3	21.0	27.7
Securities market	5.5	5.8	7.0	7.5	8.3	9.7	9.4	8.6
Loan portfolio (NIO million)	69,457.2	84,281.8	100,712.1	123,839.2	146,721.6	167,150.3	152,240.2	131,323.4
Banks	68,528.2	82,980.6	98,199.3	120,317.6	140,297.7	158,236.5	144,693.8	125,642.8
State-owned bank	929.9	984.6	1,275.3	1,245.5	1,948.1	3,168.8	3,056.7	2,853.8
Non-bank financial companies	929.0	1,301.2	2,512.7	3,521.7	6,423.9	8,913.8	7,546.4	5,680.5
Non-performing portfolio/Loan portfolio (%)	1.7	0.9	1.0	0.9	0.9	1.1	2.6	3.2
Banks	1.7	0.9	1.0	0.9	0.9	1.0	2.5	3.0

	2012	2013	2014	2015	2016	2017	2018	2019
Non-bank financial companies	1.4	1.2	0.9	1.1	1.0	1.9	5.9	8.9
Credits in USD/Total portfolio	91.7	91.2	90.8	90.9	88.9	88.4	88.3	89.0
Loan portfolio/GDP (%)	28.0	31.0	32.7	35.6	38.6	40.4	36.9	31.7
Deposits with the public (NIO million)	86,550.1	98,591.8	117,345.7	133,636.1	145,144.1	160,719.0	127,434.1	122,787.3
Banks	86,550.1	98,591.8	117,345.7	133,636.1	145,144.1	160,719.0	127,434.1	122,787.3
State-owned bank	0	0	0	0	0	0	0	0
Deposits in foreign currency/total deposits (%)	74.3	73.8	75.6	74.0	76.0	75.6	75.0	70.6
Deposits/GDP (%)	34.9	36.3	38.0	38.4	38.2	38.8	30.9	29.6
Interest rate spread in NIO[b]	12.1	13.2	12.8	13.5	9.7	10.5	8.9	5.0
Interest rate spread in foreign currency[b]	6.2	5.8	6.0	4.9	4.0	4.0	3.7	4.0

a USD million.
b Difference in percentage points between rates for credits and deposits of more than one year.

Source: Data supplied by the Nicaraguan authorities.

4.48. The banks continue to dominate the Nicaraguan financial system, accounting for 91.4% of total assets in 2019 compared to 94.8% in 2012. Most other assets in the financial sector are held by insurance companies and non-bank finance companies. The relative weight of the securities market continues to be modest, although it rose marginally from 0.11% in 2012 to 0.12% in 2019 (Table 4.3).

4.49. The Nicaraguan economy continues to be highly dollarized, as reflected in the fact that loans and deposits are still predominantly in foreign currency (Table 4.3). The main economic destinations for loans are commercial activities, consumption (personal and credit card), housing and industrial and agricultural activities.[44]

4.50. Responsibility for regulating the financial system lies with the Supervisory Authority for Banks and other Financial Institutions (SIBOIF). SIBOIF grants business licences, regulates and supervises banks and non-banking finance companies, insurance companies, general deposit warehouses, the Nicaraguan Stock Exchange (BVDN), securities exchanges, and investment and securities fund management companies. SIBOIF approval is also required for the acquisition of shares in financial institutions, a merger with another financial institution, a reduction in capital stock and any amendment to articles of incorporation. During the review period, SIBOIF continued to bolster the regulatory and prudential framework by updating capital adequacy and leverage requirements; adopting a standard for comprehensive risk management; establishing countercyclical provisions and special capital buffers; and approving the accounting framework for the banking, insurance, securities and warehousing industries based on the International Financial Reporting Standards. Standards have also been implemented for simplified savings accounts and for managing and preventing the risks associated with the financing of terrorism.

4.4.1.1 Banks and financial companies

4.51. In February 2020, the banking segment in Nicaragua comprised seven private commercial banks, one state development bank (Bank for the Promotion of Production (BFP), also known as Produzcamos)[45], four private non-bank financial companies and four representative offices of foreign

[44] Central Bank of Nicaragua, *Anuario de estadísticas macroeconómicas (2019)*.
[45] The BFP is governed by current banking legislation except for requirements and authorizations for commercial banks concerning incorporation and the commencement of operations.

banks. The number of branches and one-stop facilities rose from 319 in December 2012 to 501 in December 2019. Some 42.9% of all current branches and one-stop facilities were located in Managua.

4.52. Any bank established in Nicaragua must be set up as a public limited company and operate as such. Foreign banks can enter the Nicaraguan market by establishing a branch or a locally incorporated bank with no foreign equity caps. Foreign banks and financial institutions may also set up agencies in Nicaragua subject to authorization by the head of the Supervisory Authority. In principle, the requirements governing entry to the banking industry and those related to supervision continue to apply uniformly to foreign, national and state-owned banks. Shareholders who have a 5% or greater share in the equity must comply with specific solvency and integrity requirements.[46] According to the authorities, SIBOIF has implemented the Basel III recommendations concerning the liquidity coverage ratio, the capital conservation buffer, higher-quality capital and the interest rate risk.

4.53. The BFP's authorized capital is made up from the state contributions set out in the Law establishing the BFP, and all liquid funds and other assets originating in and associated with the credit portfolios managed, administered or held by the following state institutions: the Rural Development Institute; the Nicaraguan Agricultural Technology Institute; the Ministry of Agriculture; the Nicaraguan Institute for Small and Medium-Sized Enterprises; and the Rural Credit Fund. In February 2020, the assets of the BFP amounted to around NIO 6,355.8 million, representing 2.7% of banks' and financial companies' assets.

4.54. The BFP's strategic objectives include: channelling financial resources towards small and medium-sized producers; consolidating its position as a benchmark for foreign investment in Nicaragua; and positioning itself as a benchmark for developing domestic public investment. Until July 2019, the BFP was exempt from all classes of taxation, whether national, municipal or of any other kind, including registration fees for transfers of movable and immovable property. The liabilities incurred by the BFP cannot be backed or guaranteed by the State.[47]

4.55. The BFP aims its direct and intermediated portfolios as well as the funds it manages in trust at the following sectors of the national economy: agriculture and livestock; export markets; urbanization, construction and housing; tourism-related developments and hotel services; governmental and private projects; and industry, infrastructure and technology. Since 2015, the BFP has channelled resources mainly through its intermediated portfolio (Chart 4.5). In February 2020, the loans granted by the BFP represented 2.1% of the overall loans portfolio of Nicaraguan banks and financial companies, compared to 1.3% in 2012.

4.4.1.2 Insurance

4.56. In March 2020, four private equity insurance companies were authorized to operate in Nicaragua in addition to the state insurer (the Nicaraguan Insurance and Reinsurance Institute (INISER)). There were also 106 authorized independent insurance intermediaries: 16 mass insurance marketers, 19 independent brokers and 71 registered insurance brokers.

4.57. Compulsory insurance covers passenger accident, third-party liability for motor vehicles, and third-party liability for vehicles with a foreign registration plate. On 29 February 2020, the insurance market in Nicaragua took in NIO 1,225.93 million in net premiums written, compared to NIO 528.83 million in 2012. The main types of insurance were motor vehicle, fire and related lines, which represented 20.6% and 20.5% of all insurance premiums respectively. Compulsory insurance accounted for 14.2%. INISER's share in total earnings from premiums fell from 28% in 2012 to 20.1% at 31 December 2019. Nonetheless, INISER continues to be the largest insurer in terms of assets with 35.9% of all assets in the insurance system at February 2020.

4.58. Insurance services can be provided only by public limited companies established in Nicaragua engaged solely in insurance. Foreign insurers may enter the Nicaraguan market by establishing a

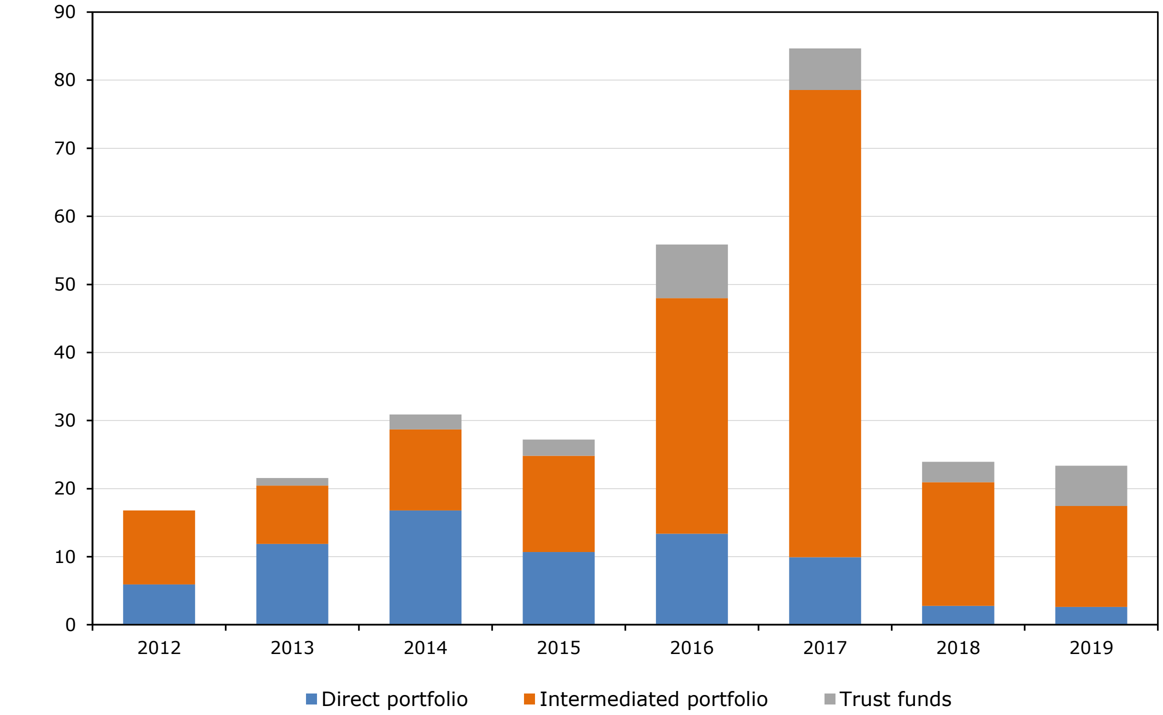
[46] The acquisition of shares valued at less than 5% of the equity does not have to be authorized, but must be notified to SIBOIF.

[47] Law No. 640 establishing the Bank for the Promotion of Production (Produzcamos), as amended, published in *La Gaceta* No. 146 of 5 August 2014.

branch or locally incorporated insurance company with no equity caps.[48] There are minimum compulsory equity requirements for insurance companies, depending on the type of activity.[49] Insurance companies incorporated abroad may not market their services in Nicaragua.

Chart 4.5 Disbursements made by the BFP, 2012-19

(USD million)



Source: Information provided by the Nicaraguan authorities.

4.59. Insurers may be authorized to engage in both life and non-life insurance activities at the same time. All authorized insurers may offer compulsory insurance without restriction. As part of the national financial inclusion strategy, during the review period SIBOIF approved a standard on micro-insurance[50] and amended the standard for mass insurance marketing.[51]

4.60. The law allows insurance companies to enter into reinsurance contracts with reinsurers of which they are branches or subsidiaries, or which belong to the same financial group. Nicaraguan insurance companies, like branches of foreign insurance companies operating legally in Nicaragua, may use the services of reinsurers or reinsurance brokers abroad if these are listed in the relevant SIBOIF register. At March 2020, 82 international reinsurers and 26 reinsurance brokers had registered. Insurance companies may invest no more than 50% of the sums assigned to a single reinsurer in operating contracts, unless that reinsurer has an international financial soundness rating of "A" or above.

4.61. In addition to offering insurance, reinsurance and bonds, insurance companies may also manage the sums received in the form of profits or compensation entrusted to them by those insured or their beneficiaries and the reserves retained from entities in Nicaragua or abroad for insurance,

[48] Nicaraguan branches of foreign insurance companies must be managed and legally represented by a manager who is resident in Nicaragua.

[49] The Standard on Alignment of Registered Capital for Insurance Companies (Resolution No. CD-SIBOIF-1083-1-NOV20-2018) lays down the following amounts: property insurance and compulsory insurance, NIO 59,790,000; personal insurance (life, personal accident, health, social or retirement insurance), NIO 59,790,000; property insurance, compulsory insurance and personal, retirement and pensions insurance, NIO 119,580,000; and bonds, NIO 14,947,500. For companies offering reinsurance or refinancing, the minimum capital is the sum equivalent to 1.5 times the amounts set for each of the areas in which they operate.

[50] Resolution No. CD SIBOIF-892-1-JUN2-2015.

[51] Resolution No. CD-SIBOIF-1025-1-NOV7-2017.

reinsurance or bond transactions. They may also invest abroad and grant loans or credit. Authorized insurers in Nicaragua may invest up to 100% of their asset-portfolio-backed technical reserves within Nicaragua itself and up to 20% abroad.

4.4.2 Telecommunications

4.62. During the review period, the Nicaraguan telecommunications market continued to grow, driven by the strong momentum driving take-up of mobile telephony and Internet services. The postal consignment and mailbox segments shrank steadily (Table 4.4). Most mobile telephony users (92.5% at December 2019) still use a pre-payment model. Communications services (telecommunications and post) represented 4.1% of GDP in 2019, compared to 4.2% in 2012.

Table 4.4 Principal telecommunications sector indicators, 2012-19

	2012	2013	2014	2015	2016	2017	2018	2019
Subscriptions (thousand)								
Fixed telephony	299.1	324.9	339.6	354.0	366.6	375.9	325.8	228.8
Mobile telephony	5,851.7	6,808.9	7,069.3	7,265.5	7,745.5	8,179.9	7,441.5	5,788.4
Fixed Internet	575.5	689.6	580.9	659.1	708.1	727.4	769.7	866.4
Mobile Internet	31.8	290.5	753.7	1,126.7	1,443.2	1,112.5	1,207.1	1,176.2
Density[a] (%)								
Fixed telephony	5.0	5.4	5.6	5.7	5.9	6.0	5.1	3.6
Mobile telephony	98.2	112.9	115.8	117.6	124.0	129.6	116.6	89.8
Fixed Internet	9.7	11.4	9.5	10.7	11.3	11.5	12.1	13.4
Mobile Internet	0.5	4.8	12.3	18.2	23.1	17.6	18.9	18.2
Number of active service providers								
Fixed telephony	2	2	2	2	3	3	3	3
Mobile telephony	2	2	2	2	3	3	3	3
Fixed Internet	24	24	24	19	19	23	20	21
Mobile Internet	2	2	2	2	3	3	3	3
Main provider's market share (%)								
Fixed telephony	100.0	100.0	100.0	100.0	100.0	100.0	89.2	99.9
Mobile telephony	56.4	53.9	54.6	54.6	53.3	51.8	52.8	57.0
Fixed Internet	88.3	96.4	93.1	92.8	91.2	97.7	97.3	87.4
Mobile Internet	90.0	87.8	59.3	62.5	61.1	99.5	97.7	94.6
Postal services (thousand)								
Postal consignments	4,724.7	4,516.5	3,484.0	3,511.5	3,122.3	2,723.0	2,337.6	1,765.0
EMS consignments[b]	29.4	30.5	29.5	32.8	35.8	36.8	27.9	34.2
Mailbox	0.5	0.4	0.4	0.3	0.3	0.3	0.2	0.2

a Subscriptions per 100 inhabitants.
b Express Mail Service

Source: Nicaraguan Institute of Telecommunications and Postal Services

4.63. Following a public call for tenders in 2013, a new telecommunications operator was awarded the authorizations to provide fixed telephony, mobile telephony, Internet, subscriber television and data-transmission services. This operator, trading as Cootel, began operating in Nicaragua in April 2016.

4.64. There have been no substantial changes in the institutional and legal framework governing the sector since Nicaragua's last Review. The Nicaraguan Institute of Telecommunications and Postal Services (TELCOR) continues to carry out the functions of a ministry and regulatory body. TELCOR is the body responsible for the setting of standards, regulation, technical planning, supervision, application and enforcement of the laws and rules governing the installation, interconnection, operation and provision of telecommunications and postal services. As part of its mandate, TELCOR administers the radiofrequency spectrum, and grants concessions, licences, permits and registration certificates to businesses interested in providing telecommunications and postal services or in using radio frequencies. TELCOR also oversees compliance with targets related to quality and the development of authorized services.[52] In 2014, TELCOR was again given exclusive responsibility to resolve telecommunications market competition cases.[53]

4.65. In 2014, Nicaragua launched a project to increase broadband penetration (*Proyecto Banda Ancha* (PBA)), with the ultimate goal of contributing to the country's economic and social development. The PBA comprises three aspects: expansion of the fibre-optic backbone of the National Electricity Transmission Company (ENATREL); revision and updating of the regulatory framework to lay down open, equitable access to backbone and last mile networks; and implementation of pilot connectivity programmes (IT equipment and applications) in health and agriculture. Responsibility for delivering the first aspect lies with ENATREL, a state-owned business authorized to provide wholesale data-carrier services and passive infrastructure. By May 2020, 2,580 km of optical fibre had been installed under the project, serving 93 of Nicaragua's 153 municipalities. TELCOR is responsible for delivering the other two aspects. At March 2020, TELCOR approved the Open Tender for Wholesale Services (reference offer) that ENATREL is required to publish on its website. In order to prevent discrimination, each of the contracts that ENATREL signs with its users must be registered by ENATREL with TELCOR.

4.66. TELCOR administers the Telecommunications Investment Fund (FITEL), which provides incentives to operators to participate in providing telecommunications services to areas of the country with poor or no coverage in order to promote universal access and close the digital gap across the national territory. FITEL was established in 2006 with a minimum of 20% of the income received by TELCOR in the performance of its regulatory functions. Projects financed by FITEL are awarded by open tender to Nicaraguan and international operators.

4.67. Nicaragua does not apply caps to foreign equity in telecommunications services, with the exception of mass media (49%). Nicaraguan and foreign telecommunications operators enjoy the same rights. Under the current regulatory framework, telecommunications services are classified into five categories: public services, services in the public interest, services of special interest, services of specific interest, and unregulated services.[54] The authorities state that although the principle of technological neutrality is not covered as such in the current regulatory framework, the authorizations awarded by TELCOR do not require a specific technology to be used in the provision of services. The regulatory framework could also be improved by adopting regulatory provisions that provide for infrastructure-sharing requirements; interconnection conditions (compulsory publication of reference offers and regulated interconnection charges); number portability; and market access for virtual operators.

4.68. Nicaragua imports all the telecommunications equipment that it uses. All equipment that connects to or is used in a telecommunications network must have a type-approval certificate prior to being marketed, used or operated in Nicaragua. The responsibility for conducting type approval for equipment producers and granting import permits lies with TELCOR.[55] Although type approval of a product model is valid for subsequent imports of that model, an application for an import licence must nevertheless be made. Nicaragua does not recognize conformity certificates awarded abroad.

[52] For basic and cellular telephony services specifically, concessions and licences (respectively) are awarded following a public call for tenders. Nevertheless, TELCOR will conduct open tendering procedures for permits to allocate the radio spectrum when the number of applications for a particular segment of the spectrum is greater than the frequencies available to meet all the applications. The current regulatory framework does not permit secondary spectrum trading.

[53] When making decisions, TELCOR will take account of the technical reports issued by PROCOMPETENCIA. Failure to issue a report on time and in due form does not reduce or restrict the authority of TELCOR to make a decision.

[54] Viewed at: https://www.telcor.gob.ni/Desplegar.asp?PAG_ID=11.

[55] Nicaragua does not have a testing laboratory that is accredited as a conformity assessor specifically for telecommunications equipment. In order to obtain a type-approval certificate, the applicant must provide a brief description of the equipment and its application, and list its technical specifications. The data are validated by TELCOR. The mechanism for granting import permits is still not among the procedures available via Nicaragua's Single Window for Foreign Trade.

Between January 2012 and March 2020, 2,013 type-approval certificates and 84,415 import permits for telecommunications equipment, apparatus and accessories were issued.

4.69. Private businesses intending to provide postal services in Nicaragua must be established in the country and obtain authorizations from TELCOR. Nicaraguan Postal Services (*Correos de Nicaragua*) is the state entity responsible for the postal service. Stamped correspondence, the installation of mail boxes, use of the word "post" ("*correos*") and the issue of postage stamps, are its exclusive purview in its capacity as postal administrator of Nicaragua. In 2020, 10 private operators had postal concessions and were active in the country. The regulatory framework provides for FITEL to finance universal postal service projects to be delivered in conjunction with Nicaraguan Postal Services.

4.4.3 Transport

4.70. In 2019, the transport services sector (maritime, air and land transport) accounted for 4.4% of GDP, compared to 4.1% in 2012. Most passengers and merchandise are carried by road or waterborne transport. Nicaragua does not have a railway service.

4.71. Since the last Review there have been no major institutional changes in transport in Nicaragua. The Ministry of Transport and Infrastructure (MTI) is the entity responsible for formulating and delivering land, maritime and lake transport policies. Air transport and civil aviation are the responsibility of the Nicaraguan Civil Aviation Institute (INAC), an autonomous technical body that acts as the national civil aviation authority and regulator. In 2013, Nicaragua adopted a new regulatory framework governing the construction, administration and operation of ports and port installations.[56]

4.4.3.1 Road Transport

4.72. In 2019 Nicaragua had a 24,763 km-long road network, of which 18% was paved and 29.9% useable only in the dry season.[57] Compared to 2012, the total network and the paved network have grown by 3.6% and 36.1% respectively. The paved roads are chiefly within Nicaragua's trunk routes system. The road network is owned by the State.

4.73. The number of vehicles in Nicaragua rose from 511,631 in 2012 to 950,762 in 2018. International passenger road transport services are provided over five routes determined at the Central American level. Seven Nicaraguan businesses with a fleet of 39 buses operate on these routes. In 2020 there were 44 road transport terminals in Nicaragua, 23 of them owned by municipalities and 21 by private equity.

4.74. The Road Maintenance Fund (FOMAV), an autonomous entity with its own legal personality, is responsible for maintaining the road network in a roadworthy state as set out in an annual agreement between FOMAV and the MTI.[58] FOMAV conducts open tendering procedures for private businesses established in Nicaragua to execute road maintenance works. FOMAV is funded by earmarked contributions in the General Budget of Nicaragua, foreign and domestic borrowing for road maintenance, and grants.

4.4.3.2 Maritime Transport

4.75. Nicaragua has six international ports (five maritime ports and one river port) authorized to facilitate foreign trade and tourism. Three of the maritime ports are on the Pacific coast (Puerto Corinto, Puerto Sandino and Puerto San Juan del Sur (for cruise ships only)), and two on the Caribbean coast (Puerto Cabezas and Puerto El Bluff). Puerto Corinto is Nicaragua's main port and handles around 84% of the total volume of international cargo. The river port of El Rama (Arlen Siú) is 40 miles from the Caribbean coast. There are also lake and river terminals and berths intended mainly for recreational and tourism-related activities. All current ports are owned by the

[56] Law No. 838, General Nicaraguan Ports Law, published in *La Gaceta* No. 92 of 21 May 2013, and Decree No. 32-2013, published in *La Gaceta* No. 200 of 22 October 2013.

[57] MTI, *Red vial de Nicaragua* (2018).

[58] Law No. 355 establishing the Road Maintenance Fund, published in *La Gaceta* No. 157 of 21 August 2000.

State; two private terminals in Puerto Sandino provide services to merchant vessels and handle petroleum and its derivatives.

4.76. The Directorate-General of Waterborne Transport (DGTA) at the MTI is the national maritime and port authority. It lays down standards and regulations and authorizes the operation of shipping agencies, cargo agencies, maritime carriers that do not operate vessels and the Nicaraguan merchant navy. The DGTA also has the power to authorize the construction and operation both of international ports and of domestic marinas, wharfs and berths. The DGTA is also the entity responsible for issuing navigation certificates to Nicaraguan and international vessels, and certificates of competency for deck and engine crew.

4.77. The National Port Authority (EPN) is the State's administrative authority for the six international ports and the three lake port authorities (Cocibolca, San Jorge and Xolotlán). The EPN is responsible for operating port installations, handling and storing cargo, and for the port services related to the embarkation and disembarkation of passengers. The EPN drafts proposals for regulations governing the provision of port services. The DGTA is the authority with competence to approve the proposals, review and authorize the system of port fees and prices, and oversee its implementation.

4.78. Since October 2013, in addition to entering into contracts for the use of port services and installations, the EPN has had the authority to grant 25-year concessions (that can be extended) in respect of state-owned ports.[59] The EPN provides pilotage, provisioning and cargo handling services. The EPN may grant an authorization to private stevedoring companies, under a contract, to operate within the port area in order to ensure that services are provided in a competitive environment.[60] According to the authorities, staff from the EPN and the stevedoring companies are actively involved when handling a vessel and its cargo.

4.79. The investment projects conducted under the terms laid down in the General Nicaraguan Ports Law (Law No. 838) are, for the duration of the works, exempt from import duties and taxes, taxes on local purchases and municipal taxes in respect of equipment, machinery, materials, spare parts and tools required to construct, improve, extend or develop port infrastructure.

4.80. Despite not having a merchant navy register[61], Nicaragua restricts domestic traffic and cabotage to Nicaraguan-registered ships operated by Nicaraguan ship-owners. Nevertheless, if no Nicaraguan or Central American vessel is available, foreign vessels may be authorized.

4.4.3.3 Air Transport

4.81. Nicaragua has one international airport in Managua and six national airports in Bluefields, Puerto Cabezas, Corn Island, Costa Esmeralda, San Juan de Nicaragua and Ometepe. There are also rural airports in San Carlos, Siuna, Waspam and Bonanza. The International Airports Management Company (EAAI) is responsible for managing Nicaragua's airports.[62]

4.82. In March 2020, domestic scheduled flights operated between Managua and Bluefields, Corn Island, Waspam, Siuna, Bonanza and Puerto Cabezas. Managua airport has direct scheduled flights to nine cities: Miami, Atlanta, Houston, Fort Lauderdale, San José, Guatemala City, Panama City, San Salvador and Havana. Six of these routes are *de facto* monopolies where only one airline provides services.

4.83. Any airline operating domestic commercial flights must be registered in Nicaragua, and at least 51% of the members of its board of directors (including the Chair) must be of Nicaraguan origin. Aviation staff employed in domestic air transport services must be Nicaraguan nationals.

[59] Law No. 838, General Nicaraguan Ports Law, published in *La Gaceta* No. 92 of 21 May 2013, and Decree No. 32-2013, published in *La Gaceta* No. 200 of 22 October 2013.
[60] The authorized stevedoring companies provide lashing/unlashing and cargo-handling services to vessels. Rolling cargo is a special case, and the drivers who board the vessels to transfer the cargo to its storage point are EPN workers.
[61] According to the authorities, to date only fishing vessels have been registered.
[62] Rural airports are owned by municipalities. The Costa Esmeralda airport is privately owned.

Fares for domestic air passenger transport are regulated by INAC using a banding system with maximum and minimum prices for each route.

4.84. International air transport services continue to be governed by bilateral agreements. Nicaragua applies an open skies policy based on reciprocal concessions. In 2020, Nicaragua had 11 bilateral air transport agreements (Table 4.5). They essentially deal with fifth freedom traffic rights (on the basis of reciprocity), multiple designation of airlines, freedom to determine frequencies (in line with airport capacity) and prices (subject to notification and registration) for commercial operations.

Table 4.5 Air transport agreements, 2020

Country	Date concluded	Entry into force	5th freedom	7th freedom	Cabotage	Cooperation[a]	Designation[b]	Ownership+[c]	Pricing[d]	Capacity[e]	Statistics[f]
Cuba	2015	2016	Yes	No	No	Yes	M	SOEC	FP	FD	Yes
United Arab Emirates	2016	2017	Yes	No	No	Yes	M	SOEC	FP	FD	Yes
United States of America	1997	1999	Yes	No	No	Yes	M	SOEC	FP	FD	Yes
Spain	1992	1997	Yes	No	No	Yes	M	SOEC	FP	FD	Yes
Finland	2019	2019	Yes	No	No	Yes	M	SOEC	FP	FD	Yes
Panama	2001	2011	Yes	No	No	Yes	M	SOEC	FP	FD	Yes
Peru	1980	1980	Yes	No	No	Yes	M	SOEC	FP	FD	Yes
Qatar	2016	2017	Yes	No	No	Yes	M	SOEC	FP	FD	Yes
Chinese Taipei	2016	2017	Yes	No	No	Yes	M	SOEC	FP	FD	Yes
Turkey	2017	2017	Yes	No	No	Yes	M	SOEC	FP	FD	Yes
Venezuela	2019	2019	Yes	No	No	Yes	M	SOEC	FP	FD	Yes

a Clauses allowing cooperation between airlines, e.g. code-sharing.
b Type of designation: single (S) or multiple (M).
c Clause on air carrier ownership and control: substantial ownership and effective control (SOEC), principal place of business (PPoB), community of interest (COI), or not available (n/a).
d Pricing clause: double approval (DA), double disapproval (DD), country of origin (CoO), zone pricing (ZP), free pricing (FP), and not available (n/a).
e Capacity clause: predetermination (PD), Bermuda I (B1), free determination (FD), other (O), or not available (n/a).
f Whether the agreement provides for the exchange of statistical data.

Note: The term "air transport agreements" covers air services agreements, memorandums of understanding, exchanges of notes and other relevant instruments.

Source: Information provided by the authorities.

4.85. INAC has responsibility for formulating, approving, updating and publishing technical regulations on civil aviation consistent with International Civil Aviation Organization (ICAO) standards. It also has the authority to inspect aircraft, airfields and related aviation services, as well as aviation technical staff. Furthermore, it is responsible for issuing the following documents: air operators' certificates (COA); exploitation certificates to providers of air transport or aviation-related work; registration certificates and air navigation certificates for aircraft; and licences and authorizations for aviation staff. The award of a COA to foreign persons or businesses depends on whether there is reciprocal treatment for Nicaraguan persons or businesses in the candidate's country of origin.

4.86. In 2020, one Nicaraguan carrier and nine foreign carriers held valid documents for operating flights in Nicaraguan airspace. The authorities state that they have not provided state aid to any airline. Additionally, there would be no subsidies or other support measures to incentivize airlines to open new routes from Nicaragua's airports.

4.87. INAC is mainly financed through the revenue earned from providing its civil aviation-related services, and by 7% of the income from fees for the use of terminals in public airfields in Nicaragua.

4.4.4 Tourism

4.88. Tourism continues to be an important source of foreign currency for the Nicaraguan economy, although the sector's performance has been adversely affected by domestic sociopolitical unrest since 2018 (Table 4.6). The share of hotel and catering services in Nicaragua's real GDP rose from 2.9% in 2012 to 3.3% in 2017, but stood at 2.6% in 2018 and 2.8% in 2019.

Table 4.6 Tourism indicators, 2012-19

	2012	2013	2014	2015	2016	2017	2018	2019
Tourist arrivals (thousand)	1,179.6	1,229.4	1,329.7	1,386.5	1,504.4	1,787.3	1,412.4	1,454.5
Arrivals from Central America	726.4	766.1	786.0	840.5	953.7	1,170.6	887.2	863.7
Arrivals from North America	339.4	337.3	386.7	365.3	385.3	440.9	265.9	283.8
Receipts (USD million)	421.5	417.3	445.6	527.9	642.1	840.5	544.4	515.3
Hotel rooms (thousand)	11.3	11.8	13.2	13.9	15.3	16.2	15.2	14.2
Hotel beds (thousand)	18.6	19.9	22.3	23.6	26.1	27.7	25.9	23.6
Operating licences	5.9	6.4	6.7	6.7	7.0	7.5	6.6	6.4

Source: Nicaraguan Tourism Board.

4.89. Nicaragua's range of natural attractions, including lakes, beaches, mountains and more than 20 volcanoes, offers considerable potential for the country as a provider of tourism-related services. Protected areas of ecological and tourist interest cover 21.3% of Nicaragua's land space. Its 989 km coastline (Pacific Ocean and Caribbean Sea) offers ample opportunities for water-based activities such as surfing, diving, snorkelling and recreational fishing. The country's many attractions include the world's largest island within a freshwater lake, Ometepe, which UNESCO declared a Biosphere Reserve 2010. Nicaragua also offers cultural attractions, colonial cities and an impressive variety of cuisine.

4.90. Since 2012, there have been no major institutional changes in tourism. The Nicaraguan Tourism Board (INTUR) is responsible for formulating and implementing policies in the sector. The sources of finance for its operations include the following charges: USD 0.5 for each user who requests motel service (except for category "D" motels) at national level; 2% per night of occupancy for a guest registered in a hotel charging more than USD 30; USD 5 for every airline ticket procured abroad (purchase not covered by an invoice legally issued in Nicaragua); USD 5, 10 or 15 for each vehicle, minibus or bus entering the country; USD 10 for each tourism card (visa); USD 3 for each passenger leaving Nicaragua who is required to pay airport duty; 4% of the VAT collected from the tourism industry; 5% of the invoice for air tickets for international trips (from the VAT collected).

4.91. The main laws governing tourism services are the General Tourism Law[63], and the Law on Incentives for the Tourism Industry.[64] The latter provides for a number of tax and tariff exemptions for investments in guesthouses; protected areas; sites of tourism-related and cultural interest; transport (by air, water, and overland public transport for tourism); food, beverage and entertainment services; and filming of movies and events of benefit to tourism. Generally the incentives apply during execution of the project (no more than three years) and the initial operating phase (10 years).

4.92. Changes to the tax exemption for goods imported for the tourist industry were introduced on 28 February 2019 as a result of amendments to the Nicaraguan Tax Law. The imported goods in question are now subject to import duties and the Selective Consumption Tax and are exempt from

[63] Law No. 495, General Tourism Law, published in *La Gaceta* No. 184 of 22 September 2004.
[64] Law No. 306, Law on Incentives for the Tourism Industry, published in *La Gaceta* No. 117 of 21 June 1999, as amended in part by Law No. 575, published in *La Gaceta* No. 149 of 2 August 2006.

VAT only. Moreover, imported vehicles up to a maximum c.i.f. value of USD 13,000 are also exempt; for vehicles of higher value, the excess amount is subject to the usual levies.[65]

4.93. The Nicaraguan authorities state that they make no distinction between foreigners and Nicaraguans where operating licences and incentives are concerned. Operating licences are valid from the date of issue by INTUR to 31 December of the same year.

[65] Law No. 987 amending and supplementing Law No. 822, Nicaraguan Tax Law, published in *La Gaceta* No. 41 of 28 February 2019.

5 APPENDIX TABLES

Table A1.1 Merchandise exports by HS section, 2012-19

(USD million and %)

Description	2012		2013	2014	2015	2016	2017	2018	2019
	(USD million)								
Total exports	4,551		4,594	4,974	4,667	4,592	4,926	5,014	5,273
		(% of exports)							
1 - Live animals; animal products	19.0		19.0	20.4	21.1	19.4	20.5	19.5	19.6
02. Meat and edible meat offal	10.2		8.7	9.4	10.0	9.5	10.8	10.0	10.3
03. Fish and crustaceans, molluscs and other aquatic invertebrates	4.5		5.8	6.3	5.8	5.4	5.6	5.8	5.8
04. Dairy produce; birds' eggs; natural honey; edible products of animal origin	3.7		3.6	3.7	4.3	3.7	3.6	3.3	3.2
2 - Vegetable products	17.6		12.9	14.3	14.7	14.5	16.9	15.0	14.4
09. Coffee, tea, maté and spices	11.6		7.7	8.0	8.5	8.8	10.4	8.4	8.7
12. Oil seeds and oleaginous fruits; miscellaneous grains, seeds and fruit; industrial or medicinal plants	3.1		2.5	2.8	2.6	2.0	2.5	2.5	2.1
07. Edible vegetables and certain roots and tubers	1.5		1.3	1.9	1.9	1.7	1.8	2.0	1.8
08. Edible fruit and nuts; peel of citrus fruit or melons	0.9		0.8	1.0	1.1	1.4	1.7	1.6	1.2
3 - Animal or vegetable fats and oils	2.2		2.0	2.0	1.6	1.0	1.0	1.1	1.1
4 - Prepared foodstuffs; beverages, spirits and vinegar; tobacco and manufactured tobacco substitutes	10.4		11.0	11.1	10.6	9.7	10.9	11.5	11.0
24. Tobacco and manufactured tobacco substitutes	3.2		3.6	3.4	3.9	4.3	4.6	5.1	4.7
17. Sugars and sugar confectionery	4.5		4.5	4.9	3.7	2.9	4.1	3.9	3.8
22. Beverages, spirits and vinegar	1.0		1.0	1.0	0.8	0.8	0.8	1.0	1.2
21. Miscellaneous edible preparations	0.1		0.1	0.5	0.6	0.5	0.5	0.5	0.5
5 - Mineral products	1.1		0.5	0.4	0.4	0.3	0.3	0.3	0.3
6 - Products of the chemical or allied industries	0.4		0.5	0.5	0.4	0.7	0.8	0.9	1.1
30. Pharmaceutical products	0.1		0.1	0.1	0.1	0.2	0.2	0.3	0.6
32. Tanning or dyeing extracts; tannins and their derivatives; dyes, pigments and other colouring matter	0.0		0.0	0.0	0.0	0.2	0.2	0.2	0.3
38. Miscellaneous chemical products	0.1		0.1	0.1	0.1	0.2	0.1	0.2	0.1
7 - Plastics and articles thereof	0.2		0.3	0.3	0.3	0.3	0.2	0.2	0.2
8 - Raw hides and skins, leather, furskins and articles thereof; saddlery and harness	0.6		0.6	0.7	0.6	0.4	0.4	0.3	0.1
9 - Wood and articles of wood; wood charcoal	0.3		0.3	0.4	0.3	0.2	0.2	0.2	0.2
10 - Pulp of wood or of other fibrous cellulosic material; paper and paperboard and articles thereof	0.3		0.3	0.3	0.3	0.2	0.3	0.3	0.2
11 - Textiles and textile articles	25.7		28.5	28.2	28.3	28.7	27.3	29.1	29.3
61. Articles of apparel and clothing accessories, knitted or crocheted	10.8		13.5	15.3	16.2	17.1	16.6	20.1	21.4
62. Articles of apparel and clothing accessories, not knitted or crocheted	14.1		14.2	12.2	11.2	10.6	9.7	8.2	7.1
63. Other made up textile articles; sets; worn clothing and worn textile articles; rags	0.5		0.4	0.4	0.7	0.6	0.6	0.5	0.6

Description	2012		2013	2014	2015	2016	2017	2018	2019
12 - Footwear, headgear, umbrellas, sun umbrellas, walking sticks, seat-sticks, whips, riding-crops and parts thereof; prepared feathers and articles made therewith	0.8		0.3	0.5	0.7	0.5	0.4	0.4	0.4
64. Footwear, gaiters and the like; parts of such articles	0.8		0.3	0.5	0.7	0.5	0.3	0.4	0.4
13 - Articles of stone, plaster, cement, asbestos, mica or similar materials; ceramic products; glass and glassware	0.2		0.2	0.2	0.3	0.2	0.2	0.2	0.2
14 - Natural or cultured pearls, precious or semi-precious stones, precious metals	9.7		9.8	8.0	7.0	8.2	7.2	8.3	10.4
15 - Base metals and articles of base metal	0.7		0.7	0.7	0.5	0.5	0.6	0.9	0.7
16 - Machinery and mechanical appliances; electrical equipment; parts thereof	10.3		12.8	11.7	12.5	14.7	12.3	11.1	10.0
85. Electrical machinery and equipment and parts thereof; sound recorders and reproducers	10.0		12.6	11.5	12.3	14.4	12.1	10.7	9.8
17 - Transport equipment	0.1		0.1	0.1	0.1	0.1	0.2	0.3	0.1
18 - Optical, photographic, cinematographic, measuring, checking or precision instruments and apparatus	0.1		0.1	0.1	0.1	0.2	0.2	0.2	0.3
19 - Arms and ammunition; parts and accessories thereof	0.0		0.0	0.0	0.0	0.0	0.0	0.0	0.0
20 - Miscellaneous manufactured articles	0.0		0.0	0.1	0.1	0.2	0.1	0.2	0.1
21 - Works of art, collectors' pieces and antiques	0.0		0.0	0.0	0.0	0.0	0.0	0.0	0.0

Source: WTO Secretariat calculations based on data from the UNSD Comtrade database and the Nicaraguan authorities.

Table A1.2 Total merchandise imports by HS section, 2012-19

(USD million and %)

Description	2012	2013	2014	2015	2016	2017	2018	2019
(USD million)								
Total imports	6,030	5,499	5,746	5,866	7,476	7,704	7,351	6,985
(% of imports)								
1 - Live animals; animal products	1.2	1.2	1.3	1.5	1.2	1.2	1.3	1.3
04. Dairy produce; birds' eggs; natural honey; edible products of animal origin	0.8	0.9	0.9	0.9	0.7	0.7	0.7	0.7
02. Meat and edible meat offal	0.2	0.2	0.3	0.4	0.3	0.4	0.3	0.4
2 - Vegetable products	3.8	4.7	3.9	3.8	2.9	2.7	2.8	3.0
10. Cereals	2.6	3.3	2.3	2.3	1.8	1.6	1.8	2.0
11. Products of the milling industry; malt; starches; inulin; wheat gluten	0.6	0.7	0.6	0.6	0.4	0.5	0.4	0.4
3 - Animal or vegetable fats and oils	2.4	2.1	2.2	1.9	1.3	1.2	1.1	1.0
4 - Prepared foodstuffs; beverages, spirits and vinegar; tobacco and manufactured tobacco substitutes	7.8	9.4	9.4	10.0	8.9	9.1	9.3	9.6
21. Miscellaneous edible preparations	1.8	2.1	2.2	2.3	1.8	1.8	1.9	2.0
19. Preparations of cereals, flour, starch or milk	1.9	2.2	2.3	2.3	1.9	2.0	2.0	1.9
23. Residues and waste from the food industries	1.1	1.3	1.3	1.5	1.3	1.3	1.6	1.7
24. Tobacco and manufactured tobacco substitutes	0.5	0.6	0.6	0.5	1.1	1.3	1.4	1.6
22. Beverages, spirits and vinegar	1.0	1.3	1.2	1.3	1.1	1.0	1.0	1.0
5 - Mineral products	25.1	19.9	18.5	13.7	9.0	9.6	15.0	14.2
27. Mineral fuels, mineral oils and products of their distillation	24.4	18.8	17.6	12.7	8.2	8.7	14.3	13.6
25. Salt; sulphur; earths and stone; plastering materials, lime and cement	0.7	1.1	1.0	1.0	0.8	0.9	0.7	0.6
6. - Products of the chemical or allied industries	14.5	15.7	15.2	16.8	13.6	14.2	12.7	12.8
30. Pharmaceutical products	6.0	6.0	6.0	7.0	5.6	5.9	5.1	5.2
38. Miscellaneous chemical products	2.0	2.4	2.3	2.4	2.0	2.1	1.9	1.8
33. Essential oils and resinoids; perfumery, cosmetic or toilet preparations	1.6	1.9	1.9	1.9	1.6	1.5	1.4	1.5
34. Soap, organic surface-active agents, washing preparations, lubricating preparations	1.1	1.3	1.3	1.4	1.2	1.2	1.2	1.2
31. Fertilisers	1.8	1.7	1.5	1.7	1.1	1.3	1.0	1.1
7 - Plastics and articles thereof	4.9	5.3	5.4	5.6	6.4	6.0	5.5	5.8
39. Plastics and articles thereof	3.5	3.8	4.0	4.1	4.9	4.6	4.3	4.5
40. Rubber and articles thereof	1.4	1.5	1.4	1.5	1.5	1.3	1.2	1.3
8 - Raw hides and skins, leather, furskins and articles thereof; saddlery and harness	0.2	0.3	0.4	0.4	0.4	0.3	0.2	0.3
9 - Wood and articles of wood; wood charcoal	0.2	0.3	0.3	0.3	0.4	0.4	0.3	0.3
10 - Pulp of wood or of other fibrous cellulosic material; paper and paperboard and articles thereof	2.4	2.5	2.7	3.1	2.7	3.0	2.8	3.9
48. Paper and paperboard; articles of paper pulp, of paper or of paperboard	1.9	2.0	2.2	2.2	2.2	2.5	2.4	3.5
49. Printed books, newspapers, pictures and other products of the printing industry	0.6	0.5	0.5	0.9	0.5	0.5	0.4	0.4
11 - Textiles and textile articles	2.0	2.1	2.2	2.3	15.7	16.6	20.0	21.7
60. Knitted or crocheted fabrics	0.0	0.1	0.1	0.1	5.0	5.5	6.7	6.7
61. Articles of apparel and clothing accessories, knitted or crocheted	0.4	0.4	0.4	0.4	4.0	4.5	5.4	6.3
52. Cotton	0.0	0.0	0.0	0.0	2.5	2.2	2.8	3.2
55. Man-made staple fibres	0.0	0.1	0.1	0.1	1.1	1.1	1.5	1.5
63. Other made up textile articles; sets; worn clothing and worn textile articles; rags	0.7	0.8	0.8	0.9	1.0	1.1	1.1	1.2

Description	2012	2013	2014	2015	2016	2017	2018	2019
12 - Footwear, headgear, umbrellas, sun umbrellas, walking sticks, seat-sticks, whips, riding-crops and parts thereof; prepared feathers and articles made therewith	0.8	0.8	0.9	0.9	0.7	0.7	0.7	0.7
64. Footwear, gaiters and the like; parts of such articles	0.7	0.7	0.8	0.8	0.6	0.7	0.6	0.6
13 - Articles of stone, plaster, cement, asbestos, mica or similar materials; ceramic products; glass and glassware	1.2	1.6	1.5	1.6	1.3	1.3	1.0	1.0
69. Ceramic products	0.5	0.6	0.6	0.6	0.5	0.5	0.3	0.4
68. Articles of stone, plaster, cement, asbestos, mica or similar materials	0.5	0.6	0.6	0.6	0.4	0.4	0.3	0.4
70. Glass and glassware	0.3	0.4	0.4	0.4	0.4	0.4	0.3	0.3
14 - Natural or cultured pearls, precious or semi-precious stones, precious metals	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
15 - Base metals and articles of base metal	6.9	7.7	7.3	7.4	6.4	6.5	5.8	5.3
72. Iron and steel	3.4	3.5	3.4	3.2	2.3	2.3	2.1	2.1
73. Articles of iron or steel	2.1	2.4	2.1	2.5	2.2	2.2	1.9	1.9
76. Aluminium and articles thereof	0.5	0.7	0.7	0.7	0.5	0.6	0.5	0.5
16 - Machinery and mechanical appliances; electrical equipment; parts thereof	15.6	14.3	16.6	17.5	18.1	16.7	14.0	12.8
85. Electrical machinery and equipment and parts thereof; sound recorders and reproducers	8.7	6.6	8.1	9.5	10.5	10.0	8.2	7.8
84. Nuclear reactors, boilers, machinery and mechanical appliances	6.9	7.7	8.5	8.0	7.6	6.7	5.8	5.0
17 - Transport equipment	7.0	7.7	7.3	8.2	6.7	6.1	3.7	2.4
87. Vehicles other than railway or tramway rolling-stock, and parts and accessories thereof	6.9	7.6	7.1	7.9	6.6	5.9	3.6	2.4
18 - Optical, photographic, cinematographic, measuring, checking or precision instruments and apparatus	1.3	1.5	1.9	1.9	1.3	1.5	1.2	1.3
90. Optical, photographic, cinematographic, measuring, checking, precision, medical or surgical instruments and apparatus	1.3	1.4	1.9	1.8	1.3	1.4	1.2	1.3
19 - Arms and ammunition; parts and accessories thereof	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
20 - Miscellaneous manufactured articles	2.2	2.7	2.9	3.1	2.7	2.9	2.4	2.4
96. Miscellaneous manufactured articles	0.8	0.9	0.9	1.0	1.0	1.1	1.1	1.3
94. Furniture; bedding, mattresses, mattress supports, cushions and similar stuffed furnishings; lamps and lighting fittings, not elsewhere specified or included	1.1	1.4	1.5	1.6	1.4	1.4	1.0	0.9
21 - Works of art, collectors' pieces and antiques	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other	0.1	0.1	0.1	0.1	0.1	0.0	0.0	0.0

Source: WTO Secretariat calculations based on data from the UNSD Comtrade database and the Nicaraguan authorities.

Table A1.3 Merchandise exports by trading partner, 2012-19

(USD million and %)

Description	2012	2013	2014	2015	2016	2017	2018	2019
	(USD million)							
Total exports	4,551	4,594	4,974	4,667	4,592	4,926	5,014	5,273
	(% of exports)							
America	88.3	88.5	88.7	89.1	89.0	85.5	85.8	86.7
United States	46.2	45.3	48.4	53.7	55.1	58.6	61.1	61.7
Other America	42.2	43.3	40.3	35.3	33.9	26.8	24.7	25.0
El Salvador	5.5	4.8	4.6	5.6	5.7	5.6	5.7	5.6
Mexico	10.6	13.2	12.4	11.1	13.7	6.6	5.6	5.6
Honduras	2.5	2.9	3.1	3.7	3.3	3.5	4.4	4.7
Costa Rica	2.8	2.8	3.1	2.8	3.2	3.1	3.1	3.0
Guatemala	1.8	1.9	1.9	2.4	2.1	2.2	2.6	2.4
Canada	7.1	7.1	5.0	1.3	0.9	1.1	0.8	0.9
Panama	0.4	0.7	0.8	0.8	0.9	0.8	0.8	0.8
Venezuela, Bolivarian Republic of	9.8	8.4	7.8	6.2	2.5	2.4	0.4	0.3
Dominican Republic	0.7	0.7	0.6	0.8	0.6	0.3	0.4	0.3
Europe	7.7	7.3	6.7	6.7	6.7	8.5	8.0	7.8
EU (28)	7.5	7.1	6.5	6.5	6.6	8.4	7.9	7.6
Spain	1.3	1.8	1.9	1.2	1.2	1.1	1.1	1.3
Germany	0.7	0.8	0.6	0.8	0.8	1.5	1.4	1.2
United Kingdom	1.1	1.0	0.9	1.2	1.2	1.6	1.4	1.1
Belgium	1.5	0.6	0.5	0.7	0.7	1.1	1.1	1.0
France	0.7	1.1	0.9	0.9	1.0	0.8	0.9	0.9
EFTA	0.2	0.2	0.2	0.2	0.1	0.1	0.1	0.2
Other Europe	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Commonwealth of Independent States (CIS)	0.4	0.4	0.4	0.1	0.2	0.2	0.3	0.2
Russian Federation	0.4	0.4	0.4	0.1	0.2	0.2	0.3	0.2
Africa	0.4	0.3	0.7	0.6	0.6	0.7	0.5	0.5
Ghana	0.0	0.3	0.4	0.0	0.2	0.0	0.0	0.4
Mauritania	0.0	0.0	0.0	0.0	0.0	0.0	0.1	0.1
Côte d'Ivoire	0.0	0.0	0.1	0.6	0.3	0.6	0.3	0.0
South Africa	0.0	0.0	0.0	0.0	0.0	0.1	0.0	0.0
Middle East	0.1	0.1	0.1	0.1	0.1	0.2	0.2	0.2
United Arab Emirates	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Jordan	0.0	0.0	0.0	0.0	0.0	0.1	0.1	0.1
Asia	3.1	3.3	3.5	3.4	3.4	5.0	5.3	4.6
China	0.2	0.5	0.6	0.5	0.3	0.4	1.4	0.5
Japan	0.6	0.5	0.5	0.4	0.5	0.6	0.4	0.3
Other Asia	2.3	2.4	2.4	2.6	2.6	4.0	3.5	3.8
Chinese Taipei	1.0	1.5	1.5	1.8	1.6	2.5	1.9	2.2
Korea, Republic of	0.6	0.3	0.2	0.2	0.2	0.2	0.3	0.4
Hong Kong, China	0.1	0.1	0.2	0.2	0.3	0.5	0.6	0.3
Australia	0.3	0.2	0.2	0.2	0.3	0.3	0.2	0.2
New Zealand	0.0	0.0	0.0	0.0	0.0	0.0	0.1	0.2
Malaysia	0.0	0.0	0.0	0.0	0.0	0.2	0.1	0.1
Viet Nam	0.1	0.1	0.1	0.1	0.1	0.2	0.1	0.1
India	0.0	0.1	0.0	0.0	0.0	0.1	0.1	0.1
Thailand	0.0	0.0	0.1	0.0	0.0	0.1	0.1	0.0
Other	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0

Source: WTO Secretariat calculations based on data from the UNSD Comtrade database and the Nicaraguan authorities.

Table A1.4 Merchandise imports by trading partner, 2012-19

(USD million and %)

Description	2012	2013	2014	2015	2016	2017	2018	2019
	(USD million)							
Total imports	6,030	5,499	5,746	5,866	7,476	7,704	7,351	6,985
	(% of imports)							
America	74.2	71.1	68.7	66.0	66.3	67.9	72.2	72.9
United States	18.0	16.5	16.3	18.0	22.3	23.5	27.8	28.3
Other America	56.2	54.7	52.4	48.0	44.0	44.4	44.4	44.6
Mexico	7.4	8.4	9.5	10.4	11.2	11.0	10.1	10.0
Honduras	2.6	2.8	2.8	3.0	6.2	6.7	7.7	8.7
Guatemala	5.7	6.4	6.5	6.9	6.3	6.2	6.2	6.6
Costa Rica	7.7	8.7	8.1	8.2	6.5	6.3	6.1	6.2
El Salvador	4.5	5.1	4.9	5.2	4.4	4.5	4.3	4.4
Ecuador	0.1	0.2	0.1	1.2	1.4	0.6	0.7	2.8
Brazil	1.8	2.6	2.3	2.2	2.1	2.0	1.9	1.2
Colombia	0.3	0.3	0.3	0.3	0.3	0.5	2.3	1.0
Argentina	0.6	0.9	0.6	0.5	0.5	1.2	0.8	0.6
Venezuela, Bolivarian Republic of	13.4	1.9	7.9	0.9	0.3	0.5	0.7	0.4
Europe	6.2	6.3	6.1	7.6	6.1	6.5	5.6	5.7
EU (28)	5.8	5.7	5.7	7.2	5.7	5.9	5.1	5.1
Germany	1.1	1.3	1.7	1.5	1.8	1.9	1.8	1.8
Spain	1.8	1.5	1.2	1.1	0.9	1.1	0.9	1.0
Italy	0.7	0.6	0.6	0.7	0.8	0.7	0.5	0.5
France	0.5	0.6	0.4	1.9	0.4	0.4	0.4	0.4
Netherlands	0.2	0.2	0.2	0.4	0.3	0.3	0.3	0.3
EFTA	0.3	0.4	0.2	0.3	0.3	0.4	0.3	0.2
Switzerland	0.2	0.3	0.2	0.3	0.3	0.3	0.3	0.2
Other Europe	0.2	0.2	0.1	0.1	0.1	0.2	0.2	0.3
Turkey	0.2	0.2	0.1	0.1	0.1	0.2	0.2	0.1
Commonwealth of Independent States (CIS)	1.4	1.8	0.7	1.1	0.7	0.7	0.9	0.9
Russian Federation	1.3	1.7	0.7	1.1	0.6	0.6	0.9	0.9
Belarus	0.1	0.0	0.0	0.1	0.0	0.1	0.1	0.0
Africa	0.1	0.1	0.3	0.2	0.1	0.1	0.1	0.1
Middle East	0.3	0.2	0.2	0.3	0.3	0.2	0.2	0.2
Israel	0.1	0.1	0.2	0.2	0.2	0.1	0.1	0.1
Saudi Arabia, Kingdom of	0.1	0.1	0.0	0.0	0.0	0.0	0.0	0.1
Asia	17.7	20.4	24.0	24.8	26.6	24.7	21.1	20.2
China	9.6	11.5	14.9	14.4	15.4	15.2	13.2	12.8
Japan	2.9	2.7	2.5	2.5	1.9	2.1	1.6	1.4
Other Asia	5.2	6.3	6.6	7.8	9.4	7.4	6.2	6.0
India	1.2	1.6	1.6	2.0	2.4	2.0	1.6	1.7
Korea, Republic of	1.4	1.5	1.4	1.5	2.3	1.9	1.8	1.5
Chinese Taipei	0.4	0.5	0.5	0.6	0.7	0.7	0.6	0.6
Viet Nam	0.1	0.2	0.2	0.4	0.5	0.5	0.5	0.6
Thailand	1.2	1.6	1.8	2.3	1.9	1.0	0.5	0.5
Other	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0

Source: WTO Secretariat calculations based on data from the UNSD Comtrade database and the Nicaraguan authorities.

Table A3.1 Summary analysis of the MFN tariff, 2020

Product description	MFN No. of lines	Average (%)	Range (%)	Coefficient of variation (CV)	Bound Tariff range[a] (%)
Total	**7,768**	**6.2**	**0 - 164**	**1.3**	**0 - 200**
SA 01-24	1,505	12.4	0 - 164	1.0	40 - 200
SA 25-97	6,263	4.8	0 - 15	1.2	0 - 100
By WTO category					
Agricultural products	1,248	11.8	0 - 164	1.1	40 - 200
- Animals and animal products	184	19.6	0 - 164	1.2	40 - 200
- Dairy products	46	25.0	0 - 60	0.7	40 - 70
- Fruit, vegetables and garden produce	350	11.8	0 - 30	0.5	40 - 60
- Coffee and tea	37	13.2	0 - 15	0.3	40 - 40
- Cereals and cereal preparations	151	10.1	0 - 60	1.2	40 - 60
- Oilseeds, fats and oils and their products	141	7.1	0 - 15	0.8	40 - 60
- Sugar and confectionery	25	31.6	0 - 55	0.7	40 - 100
- Beverages, alcohol and tobacco	96	12.2	0 - 40	0.8	40 - 75
- Cotton	5	0.0	0 - 0	n.a.	40 - 40
- Other agricultural products n.e.s.	213	4.3	0 - 15	1.2	40 - 40
Non-agricultural products (including petroleum)	6,520	5.2	0 - 15	1.2	0 - 100
- Non-agricultural products (excluding petroleum)	6,485	5.2	0 - 15	1.2	0 - 100
- - Fish and fish products	350	11.7	0 - 15	0.4	40 - 40
- - Mineral products and metals	1,131	3.5	0 - 15	1.5	20 - 70
- - Chemicals and photographic products	1,419	2.5	0 - 15	1.8	0 - 40
- - Wood, wood pulp, paper and furniture	539	6.4	0 - 15	0.9	40 - 60
- - Textiles	718	8.1	0 - 15	0.6	40 - 100
- - Clothing	236	14.8	0 - 15	0.1	60 - 60
- - Leather, rubber, footwear and travel articles	229	7.4	0 - 15	0.7	40 - 60
- - Non-electrical machinery	634	1.6	0 - 15	2.7	0 - 40
- - Electrical machinery	352	2.7	0 - 15	2.0	0 - 40
- - Transport equipment	330	6.0	0 - 15	0.7	40 - 60
- - Non-agricultural products n.e.s.	547	6.7	0 - 15	1.0	0 - 60
- Petroleum	35	3.4	0 - 15	1.2	40 - 40
By ISIC sector[b]					
Agriculture and fishing	609	8.3	0 - 45	0.8	40 - 75
Mining	114	1.8	0 - 15	1.9	40 - 40
Manufacturing	7,044	6.1	0 - 164	1.3	0 - 200
By HS section					
01 Live animals; animal products	553	14.9	0 - 164	1.1	40 - 200
02 Vegetable products	490	9.6	0 - 60	0.9	40 - 60
03 Fats and oils	85	9.9	0 - 15	0.6	40 - 60
04 Prepared foodstuffs, etc.	377	12.9	0 - 55	0.8	40 - 100
05 Mineral products	199	2.6	0 - 15	1.5	40 - 70
06 Products of the chemical or allied industries	1,253	2.1	0 - 15	2.1	0 - 60
07 Plastics and rubber	371	4.5	0 - 15	1.1	40 - 40
08 Raw hides and skins	112	8.2	0 - 15	0.7	40 - 40

Product description	MFN No. of lines	MFN Average (%)	MFN Range (%)	MFN Coefficient of variation (CV)	Bound Tariff range[a] (%)
09 Wood and articles of wood	176	7.4	0 - 15	0.7	40 - 40
10 Pulp of wood, paper, etc.	318	5.0	0 - 15	1.1	40 - 40
11 Textiles and textile articles	936	9.6	0 - 15	0.5	40 - 100
12 Footwear and headgear	66	12.7	0 - 15	0.3	40 - 60
13 Articles of stone	188	6.7	0 - 15	1.0	20 - 40
14 Precious stones, etc.	54	6.9	0 - 15	0.8	40 - 40
15 Base metals and articles of base metal	722	2.9	0 - 15	1.6	40 - 40
16 Machinery and mechanical appliances	1,033	2.2	0 - 15	2.2	0 - 40
17 Transport equipment	343	5.9	0 - 15	0.7	40 - 60
18 Precision instruments	244	3.7	0 - 15	1.5	0 - 40
19 Arms and ammunition	21	15.0	15 - 15	0.0	40 - 40
20 Miscellaneous manufactured articles	218	10.1	0 - 15	0.6	40 - 60
21 Works of art, etc.	9	7.8	5 - 10	0.3	40 - 40
By stage of processing					
First stage of processing	1,041	7.3	0 - 60	1.1	40 - 75
Semi-processed products	2,473	3.9	0 - 55	1.5	0 - 100
Fully processed products	4,254	7.4	0 - 164	1.2	0 - 200

n.a. No applicable.

n.e.s. Not elsewhere specified or included.

a The bindings are shown according to the HS 2007 classification and the rates applied in HS 2017; there may, therefore, be differences between the number of lines included in this analysis.

b ISIC (Rev.2), excluding electricity (one line).

Source: WTO Secretariat estimates based on data provided by the authorities.