

FPC Country Profile: Nicaragua

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Cooperating Partners

Nicaragua is a member of CEMLA. Central Bank (BCN) and Ministry of Promotion, Industry and Commerce (MIFIC) lead the National Taskforce (NTF). Other members include Institutes for Tourism (INTUR) and Information and Development (INIDE), and Superior Council of Employers (COSEP). NTF works with strategic chambers (Tourism (CANATUR), Industry (CADIN), Commerce (CACONIC), American Chamber of Commerce (AmCham)), business, Superintendent of Banks (SOBOIF), Fisheries Corporation (IMPESCA), Energy and Mines Ministry (MEM), Presidential Competitiveness Commission (CPC), Free Zones Commission (CNZF), and Investment Promotion Agency (PRO Nicaragua). Government and Seco fund the work. It participates in the IMF GDDS, and Coordinated Direct Investment Survey.

Background

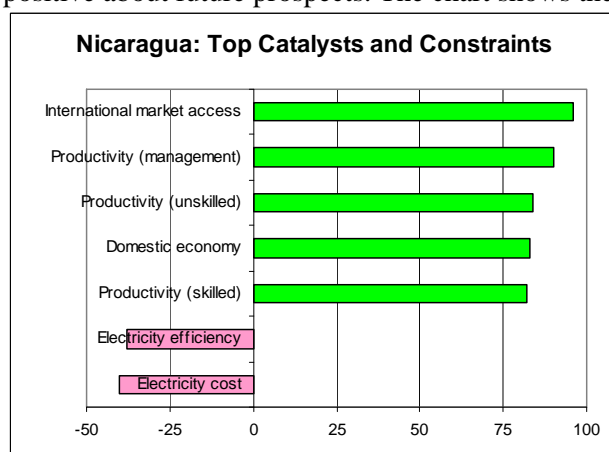
Nicaragua compiles data annually in line with IMF BPM5¹, and asks about perceptions. It was very open to foreign investment especially FDI (2.9) relative to GDP, as shown.

Foreign Investment Indicators

Instrument	Stock 2008	Flows During 2009		Stock 2009
		Transactions	Other	
Liabilities (US\$ m)	5,810	525	-146	6,189
FDI	3,756	434	0	4,190
Portfolio	0	0	0	0
Other	2,054	91	-146	1,999
Indices				
Liabilities to GDP	93%	9%	-	101%
FDI to GDP	60%	7%	-	68%
FDI Performance Index (2007-9) ²	-	2.9	-	-

Sources: BCN³; IMF WEO (GDP); UNCTAD FDI Stat (World FDI inflows)

In 2004-5 the Free Zone and primary sectors each attracted 37% of FDI, industry 9%, and tertiary sectors 8%. Most was from OECD (USA 25%, Canada 24%, Spain 15%). Leading non-OECD investors were Guatemala 11%, Taiwan 8% and Korea 7%. Investors were very positive about future prospects. The chart shows the top catalysts and constraints to invest.



¹ Nicaragua reports liabilities for FDI (shareholding and reinvested earnings); and other investment (short-term supplier credits and long and short-term loans, and assets for currency and deposits).

² FDI Performance Index = (National/World FDI Inflows) / (National/World GDP). >1 denotes high performance.

³ Stock www.bcn.gob.ni/estadisticas/economicas_anuales/balanza_pagos/PIIStandard.pdf; Flow www.bcn.gob.ni/estadisticas/economicas_anuales/balanza_pagos/BOPAnalitica.pdf.

CBP Support and Achievements

Cycle (Survey)	Support and Achievements
Cycle 1 Jul 05 – Jan 08	<ul style="list-style-type: none"> A Demand Assessment Mission (July 05) reviewed institutional issues and methodology. Opening Awareness and Training (Feb 06) launched and transferred skills. A Follow Up Mission (FUM – May 07) and long distance support helped prepare data and analysis Nicaragua enhanced inter-institutional arrangements with extensive, close liaison with the private sector, built an investor register, improved survey forms, developed software, and enhanced analytical techniques with a detailed analytical report (Jan 08) and newsletter article
Cycle 2 Feb 08 – Sept 09	<ul style="list-style-type: none"> A FUM (Dec 08) reviewed institutional arrangements, and private debt and portfolio investment sources and methods Nicaragua merged its survey with its annual National Accounts survey, enhanced non-survey reporting on portfolio investment, and outlined needs for monitoring private debt in line with Bolivian best practice. Aggregate IIP and BOP data is published on the BCN website
Ongoing support Oct 09 – Ongoing	<ul style="list-style-type: none"> An extended FUM (Oct-Nov 09) assisted in building private sector external debt monitoring and analysis capacity, which BCN is now implementing

Country Progress and Intended Results (Scale of 1-5)

Logical Framework Performance Indicators		Base (Apr 07)	Current (Sept 09)	Target (Sept 09)	Progress
LTR	High level of management	1.6	3.3	2.9	129%
MTR 2.1	Meeting GDDS	2.4	4.4	3.4	195%
MTR 2.2	Policy Action Plan	1.4	2.4	3.0	63%
MTR 2.3	Legal and institutional framework	2.4	3.8	3.4	145%
MTR 3.1	Increased awareness of achievements	1.0	3.0	3.2	91%
STR 3.1	Enhanced knowledge and skills	2.0	3.2	3.0	120%

Nicaragua exceeded its overall target (129%), attaining high capacity. It exceeded targets on meeting GDDS, institutional framework, and knowledge and skills, came close (75-99%) on awareness of achievements, and progressed moderately (<75%) on Policy Action Plan. Future priorities include full compliance with IMF BPM6 / SDDS, ongoing detailed analysis with policy action, wider dissemination, and development of early warning systems.

Further Reading

- BCN (Various years to date) IIP and BOP data⁴
- BCN (Various years to date) “Sector Externo”, Chapter in *Memoria Anual*⁵
- BCN, MIFIC (2008) Cycle 1 Report
- CACONIC (Various editions to date) *Camara al Dia*⁶
- COSEP (2010) *Agenda 2010*⁷
- COSEP (Various editions to date) *Revista*⁸
- FPC CBP (2006) “Nicaraguan Investment Concentrated in Free Zone, *SFD* #35 p14⁹

⁴ BCN data www.bcn.gob.ni/estadisticas/economicas_anuales/index.html?&val=3

⁵ BCN *Memoria Anual* www.bcn.gob.ni/publicaciones/anual/index.html?&val=0

⁶ CACONIC www.caconic.org.ni/boletin/ediciones-antiores.php

⁷ COSEP *Agenda 2010* www.cosep.org.ni/index.php?option=com_content&view=article&id=491:revista-cosep-vol-no12-mayo-junio-2010&catid=46:especiales

⁸ COSEP *Revista* www.cosep.org.ni/index.php?option=com_wrapper&view=wrapper&Itemid=181

⁹ Download from: www.development-finance.org/en/services/research-a-analysis/publications-and-technical-briefings/private-capital-publications/country-analysis-and-policy.html