



# Services Policy Review: Nicaragua



The services sector is the largest component of Nicaragua's GDP, with the main contributors being tourism, personal, social and business services, government services and transport and communication. Services are also the major contributor to employment in the country, accounting for 50% of formal employment in 2011. Employment is concentrated in traditional service activities and not in financial or telecommunication activities that tend to have a greater need for qualified jobs. Between 2002 and 2012, services exports have been increasing slowly but steadily, contributing by an average of 16 per cent to total exports. Several services activities support trade in general by providing inputs for the delivery of products and by strengthening value chains.

The Government of Nicaragua is eager to improve the development of services in the country and numerous aspects of the recent National Human Development Plan provide further guidance for public policies for the sector. The Government of Nicaragua identified four services sectors, as holding the potential to contribute significantly to the future growth and development of the economy and form the focus of this SPR: Financial services, Tourism services, Telecommunication services and Road transport services.

Main findings of this SPR include that the development of services sectors is limited in Nicaragua by the lack of a strong institutional framework and the shortness of associative schemes to promote cooperation among small and

medium enterprises. The integration of service activities in value chains may also be restricted by an insufficient supply of skilled labour and the underdevelopment of infrastructure and support services.

In recent years, Nicaragua has been actively involved in negotiating trade agreements within its regional bloc. This study emphasized that, in order to reap their full potential, there is need to have a more concerted action between the national and regional levels regarding negotiation and implementation of agreements, regulatory cooperation and economic support. Regarding trade in services in particular, it is necessary to strengthen institutional aspects and coordination, promoting human capital development and sector upgrading.

Recommendations proposed to improve the contribution of the specific sectors analysed in this SPR include, among others:

- Considering the possibility of creating a full-fledged development bank, according priority to SMEs financing
- Establishing a centralized credit history repository, to ease credit applications process while assessing potential customers' creditworthiness in the financial services sector.
- Developing a quality assurance framework, encompassing a mandatory evaluation of tourism services operators and facilities to obtain a mandatory permit to provide their services, prior to starting operations.
- Promoting the concept of shared responsibility of operators and regulators of telecommunication services with respect to the handling of consumer complaints.
- Creating a national programme, supported by private banking institutions, to finance road transport services providers.