

Expats Find Starting a Business Workable

By Sam Jacoby

Nica Times Staff

Laurence and Thelma Ginsberg saw the potential for a European-style café in the booming tourism center of Granada, but the Texas couple didn't know much about the process of opening one.

Once they started researching, they found that it was not as great of a mystery as it appeared from afar.

"I did it all myself," Thelma said. "A complete novice."

The couple opened the Euro Café and attached bookstore in August 2006, following a permit process that "took only about three months from start to finish," Laurence said.

That testimony bears out much of the praise a recent report by the World Bank's International Finance Corporation (IFC) gives Nicaragua in terms of speed and ease of opening a new business here.

The 200-page Municipal Scorecard 2007, which rated cities on categories such as red-tape, time and expense involved in securing a business-operating license, ranked 65 municipalities across five Latin American countries, with Nicaraguan cities outperforming much of the pack.

All of the Nicaraguan municipalities that participated in the study performed better than average, with the northern cities of Estelí, Jinotega, Chinandega and Matagalpa all ranking in the top 10.

Managua trailed close behind, placing 11 out of 65, with Granada and San Juan del Sur, two of the country's leading tourism and expatriate hubs, finishing in the top 25.

Yet despite Nicaragua's relatively strong showing, the study noted that there is space to improve. Business-application procedures remain opaque, the study said, and more often than not entrepreneurs opt to skip cumbersome licensing procedures altogether, opening up businesses without the requisite permits.

Many municipalities, the report warned, are in sore need of business friendly reforms to resolve "licensing procedures that are slow, expensive and highly uncertain."

In some cases, it somberly added, entrepreneurs may be asked for "extra payments to speed up the process," a request that the Ginsbergs are familiar with.

In order to have their paperwork in order by their scheduled opening date, Laurence admitted to taking advantage of some "optional fees" to expedite the permit process.

Despite the hiccups, the Ginsbergs found that the process moved forward fairly evenly. And they said it helped that they had budgeted ample time to take care of all the necessary requirements.

Step by Step

The Ginsbergs first scoped out property here in March 2006, and after finding an ideal location just off the Central Park, they signed the lease in June.

That same month the whole family – including two school-aged kids – packed up and moved to Nicaragua.

Once here, they began going through the steps necessary to obtain their business license – a process that they did not find overly difficult, despite the complications caused by the daily power outages.

"Coming from the United States, where everything is computerized, it can seem a bit antiquated," Thelma said of the process. "But



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Business is Good: Laurence and Thelma Ginsberg last year opened Euro Café, facing Granada's Central Park. Business is booming.

it's functional. It may not be the most efficient, but it works."

She praised the municipal staff as well, noting their seemingly supernatural proficiency in locating documents among the massive piles of paper where files are kept. "They file your forms away and you think you're never going to see them again," she said. "A month later, they pull them out."

Paul Hooks, of England, and Kerryn Michna, of Australia, opened the Safari Lounge one block west of Euro Café Aug. 10, and say they shared a similarly positive experience, though they relied on more outside help.

"We found great lawyers in Managua," Hooks said. "The law firm of García & Bodán, they took care of just about everything."

Hooks and Michna said that the whole process of filing their business with the local government, obtaining an operating license, and passing all of the requisite inspections took just 10 weeks, starting May 15 and finishing July 30.

Rob Thomas, owner of El Gato Negro, a coffee shop and bookstore in San Juan del Sur, found a similar process at the beach.

"Nicaragua can be frustrating and things can take much longer than usual to accomplish," he said in an e-mail message. "But things have gone well for us here."

Thomas added that "the authorities in San Juan del Sur have been very helpful, honest and professional."

The experiences from Granada and San Juan del Sur seem to confirm a more expansive report on business regulation put out each year by the World Bank.

The most recent report, Doing Business 2006, examined 155 different countries and found that Nicaragua, while significantly behind the most developed global economies, compares favorably with others in Latin America.

That study found that it takes, on average, only 42 days to start a new business here, far swifter than the Latin American norm, a pokey 63 days.

It also found that Nicaragua is a regional leader in minimizing the number of procedures necessary to open a new enterprise, placing behind only Jamaica, Puerto Rico and Panama.

Construction Obstruction

When it came to obtaining a construction permit here, the two studies paint a more complex picture.

The Euro Café, Safari Lounge and El Gato Negro all moved into already existing spaces, but new construction – especially in a colonial city like Granada, which has strict building codes – can add significant time and expense to the overall permit process.

The Municipal Scorecard found that obtaining a construction permit in Granada takes an average of 66 days. In San Juan del Sur, meanwhile, obtaining similar permission takes just five days.

In Estelí, which led this portion of the study, there is a one-day turnaround.

Once costs are factored in, Granada fares even more poorly, though that is reflective of a national trend. Most Nicaraguan cities slid a few notches in this category, though none so dramatically.

A construction permit in Granada, depending on the size of the project, can cost well over \$2,000. That's nearly 70% of the per-capita gross domestic product, a prohibitive expense for most locally owned establishments.

That explains Granada's propitious drop in the Municipal Scorecard rankings; in this

portion of the study it placed 47 out of 65.

It should be noted, however, that unlike San Juan del Sur, which is experiencing a massive construction boom downtown, Granada's historic center has existed for 483 years and is not growing. Most new businesses in Granada, therefore, move into existing buildings or remodel older structures, rather than build from the ground up.

The report noted that colonial cities such as Granada, with extensive historic architecture, represent unique administrative challenges to doing business, forcing local governments to balance the need for development with the need for preservation.

Roseta Correa, of Granada's Municipal Urban Planning Office, agreed. She explained that there is a complex series of restrictions governing the position and size of business signs downtown "to preserve the historic feel of the city."

Once such initial hurdles are overcome, costs are generally low.

"We pay a flat licensing fee to the city," Thelma Ginsberg said. "We were paying only \$20 a month."

That sum increased when they obtained a liquor license, though only by a few dollars.

After a year, the Ginsbergs have settled comfortably into their thriving new business and recently expanded their workforce to a dozen. So far, the effort they put into starting a business has paid off.

"We're not planning on packing up anytime soon," Laurence said. ■

Basic Steps to Opening a Business in Nicaragua

- *File for Business License Forms
- *Provide copy of deed or rental contract
- *File for Municipal Solvency
- *Provide Certificate of Police Inspection
- *Provide Proof of Health Inspection
- *Apply for Sign Installation

—Courtesy of the Department of Urban Planning, Mayor's Office of Granada

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