Continuing economic development, fiscal challenges for Puerto Rico

Administration to return to capital markets, aims to woo big investment

By JOHNS MUNOZ
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The administration of Gov. Alejandro García Padilla faces an intense 2014 in which the government will have to return to the Wall Street capital market and stave off threats from credit-rating agencies to downgrade its bonds to a non-investment grade, or junk level.

Moody’s Investors Service is amid a 90-day credit review of Puerto Rico’s credit rating, and Fitch Ratings is concerned about some of the loan terms weakening the commonwealth’s credit by the end of the current fiscal year, which runs from July to June. Likewise, Moody’s and Fitch, the third major credit-rating agency, Standard & Poor’s also rates Puerto Rico a single notch above junk level. A downshift would signal it would wait longer before taking action, unless the commonwealth’s fiscal crisis significantly worsened.

In warning of a potential downgrade, both Moody’s and Fitch cited concerns about Puerto Rico’s access to capital markets and the liquidity of the Government Development Bank (GDB), as well as the island’s budget and economic performance.

The government is expected to try to raise at least $500 million by the end of February in the Wall Street municipal bond market, most likely through its top-rated credit, the Sales Tax Financing Corp. (Cofina by its Spanish acronym), which are backed by proceeds from Puerto Rico’s sales and use tax (FIVU by its Spanish acronym).

Returning to the bond market is now seen as an essential move to preserving Puerto Rico’s investment-grade rating, even if it means the government must pay high interest rates. Most observers are expecting yields on Puerto Rico bonds to range from 8% to 10%.

Another option being explored by the Puerto Rico government is to repay about $1 billion in outstanding loans through collateral sales and accelerated debt-service terms, Moody’s said. “This amount can be covered by the GDB’s current liquid assets, but paying this amount would significantly narrow the remaining fiscal crisis and economic downturn. A series of bold, politically difficult steps were taken to save Puerto Rico’s investment-grade credit rating and the pensions of tens of thousands of current and retired government workers.

Economic Development TAKES CENTER STAGE

However, the administration is expected to focus more on economic development plans and job-creation efforts because bringing about sustainable economic growth is the only way to permanently fix Puerto Rico’s fiscal situation.

Economic Development Commissioner Alberto Bacó Bagué said he will dedicate himself this year to personally lead efforts to get some of the world’s best-known business leaders to invest in Puerto Rico, including Richard Branson, head of Virgin Atlantic; Jeff Bezos, Amazon.com founder; and Elon Musk, founder of SpaceX and Tesla Motors.

“My principal focus in 2014 will be to continue bringing large investment to Puerto Rico. I will personally approach high-level business owners, who my team has identified because Puerto Rico offers special advantages to their businesses,” Bacó said.

He added that he is using the contacts of the “world-class investors” already established in Puerto Rico to approach these business giants.

Branson’s airline and space vehicle businesses are also in line with Puerto Rico’s efforts to develop an aerospace cluster, while his ecofriendly car company wants to bring the island.

Bacó said he wants better air links to major tourist centers to support Puerto Rico’s effort to become an international insurance center.

Meanwhile, Musk’s Tesla, which makes electric cars, could manufacture components here, and the Spanish aerospace and biotechnology space and launch vehicles, is in line with Puerto Rico’s existing aerospace industry and desire to expand this sector. Bacó said SpaceX needs space to launch rockets and has already shown interest in Puerto Rico.

Puerto Rico’s geographic location and aerospace cluster also offers advantages to Bezos’ Amazon.com as a logistics center. Bacó said.

Besides these advantages, he also said Law 22 and Law 20 are “game changers” that would help attract such businesses.

Forty-two individual have been approved under Law 22 and 82 companies under Law 20.

Law 20, which sets a high-net-worth individuals to Puerto Rico by eliminating all taxes on investments or income they relocate to the island. Law 20 aims to promote the export of services from the island, while also attracting professionals to the territory by reducing the corporate tax rate to 4% on service-export income.

The administration has a five-year plan for achieving a diversity-driven economy that can create more than 90,000 jobs and $6 billion to $7 billion in increased gross domestic product (GDP) as well as recover the “procurement” of federal contract awards.

P.R. SBDC network is a national, technologically accredited organization that accesses the experience and knowledge resources of more than 50 local professional business consultants. The local network is ranked among the top of the U.S. SBDCs’ 63 federally funded programs, which have networks in every state. The Association of SBDCs unites the national network and is responsible for administering program accreditation, fostering connectivity, high-quality, high-impact economic development organization.

The PR. SBDC Network is a national initiative to foster connectivity, consistency and recognition within the national network of U.S. SBDCs as a high-impact economic development organization.

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By JOHNS MUNOZ, executive director of the P.R. SBDC

The Puerto Rico Small Business Development Center (P.R. SBDC) has launched new branding that was developed with support from Universitat Interamericana de Puerto Rico through a cooperative agreement with the U.S. Small Business Administration (SBA).

Since its inception, the SBDC has fulfilled its mission to support small businesses by helping them drive their growth, and innovate and export their products and services.

As the local federal representative, the mission of the SBDC’s Puerto Rico write up its plan, they are undertaking the SBDC’s Puerto Rico Industrial Development Co. (Prisco).

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In 2013, the P.R. SBDC Network served 5,384 entrepreneurs and small-business owners through consultations and trainings, which resulted in the creation and retention of 4,264 jobs; sales growth of $42.5 million; $352 million in increased capital; and $114 million in procurement of federal contracts and grants.

The P.R. SBDC network is a national initiative to foster connectivity, consistency and recognition within the national network of U.S. SBDCs as a high-impact economic development organization.

“Our new brand symbols connectivity to the [U.S.] national network of more than 1,000 SBDCs and the expertise and impact they create to benefit small businesses’ success,” said Carmen Martí, executive director of the local SBDC. “This new brand is a national initiative to foster connectivity, consistency and recognition within the U.S. SBDC’s national network as a high-quality, high-impact economic development organization.”

As the local federal representative, the mission of the SBDC’s Puerto Rico and U.SVI district office is to maintain and strengthen the economies of both island territories by aiding, counseling, assisting and protecting small-business interests, and helping businesses and families recover from disasters.

The SBA was officially estab-lished in 1955; however, its philo-sophy and mission began to take shape years before in other a-gencies, largely in response to the pres-sures of the Great Depression and World War II. By 1954, the SBA was already making direct business loans, guaranteeing bank loans to small businesses, providing loans to survivors of natural disasters, and helping small businesses acquire government-procurement contracts and businessees with management, technical assistance and busi-ness training.

GOVERNMENT

Thurs., Jan. 30, 2014

Small Business Development Center presents new brand, 2013 results

By JOHNS MUNOZ
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Since its inception, the SBDC has fulfilled its mission to support small businesses by helping them drive their growth, and innovate and export their products and services. The P.R. SBDC Network received an award from the Quality Texas Foundation for its performance, commitment and organizational improvements.

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