

ECONOMY

The FOMB must supercharge the P3 process utilizing the provisions that allow for infrastructure revitalization



Think Strategically: G20 Encomia & Financial Oversight Board Jeremiads

BY FRANCISCO RODRÍGUEZ-CASTRO
frc@birlingcapital.com

G20 ‘Encomia’

The G20 member meeting in Hamburg, Germany, which ended this past weekend, was full of “Encomia” toward most nations and all eyes were on President Trump.

These summits began in 2008, and their focus is an array of issues relating to global economic growth, international trade and financial market regulation. Other topics discussed during the meeting included climate change, labor markets, counter-terrorism and global monetary policy.

During the summit’s opener, most world leaders quickly disagreed with the direction of free trade policy. German Chancellor Angela Merkel told reporters they are attempting to agree on differences between the U.S. and the rest of the countries. The advisers to the heads of state and government, known as “Sherpas,” have their work cut out for them, most especially focusing on strengthening the global financial system, which has been a critical point. Another

subject with stark differences is trade policy, with President Trump expected to impose a tariff on steel imports at some time in the next few months, with chances of a trade war imminent. During the G20 meeting, the U.S. delegation agreed to include wording about the dangers of protectionism; it also included the right of members to apply “legitimate trade defense instruments” to address “unfair trade practices.”

As widely expected, Presidents Trump and Putin met last Friday for more than two hours and, allegedly, Trump brought up Russian interference in U.S. elections and the curbing of violence in Syria. According to Secretary of State Rex Tillerson, both presidents had a “robust and lengthy exchange on the U.S. elections interference, with Russia denying any interference.” Other sources from the White House stated President

Trump did not accept Putin’s claim of noninterference.

U.S. jobs report

As reported July 7 by the Bureau of Labor Statistics, total nonfarm payroll employment increased by 222,000 in June, and the unemployment rate changed little at 4.4% and the labor-force participation rate remained at 62.8%. Job increases were recorded in healthcare, social assistance, financial activities and mining.

P.R. Update: The FOMB jeremiads

As reported, the Financial Oversight & Management Board (FOMB) held a meeting with Gov. Ricardo Rosselló’s economic team at La Fortaleza. The purpose of the meeting was to have a session following last week’s certification of the government’s fiscal year 2018 budget. The FOMB intends to

set the agenda for the fiscal plan implementation moving forward. During the meeting, FOMB Executive Director Natalie A. Jaresko stressed the importance of working with an increased sense of urgency and strategic purpose. “Time is of the essence. This budget and the upcoming budgets of FY18 and FY19 have significant challenges in the areas of structural reforms and rightsizing.” If Puerto Rico is to achieve the goals stated in the fiscal plan, the board must have an unyielding commitment to work strategically and begin implementation of all applicable measures. We should see increased movement in the public-private partnerships (P3s) arena to realize revenues and reduce the government’s size and inefficiency.

Final word

The FOMB is centering on meeting the expense cuts and reductions in the size and focus of the government, including the Legislature, to meet the fiscal plan and the approved budget.

We must now see the FOMB supercharge the P3 process utilizing the provisions that allow for infrastructure revitalization. We expect to see definitive actions regarding privatization of the P.R. Electric Power Authority’s power generation, distribution and/or all utility operations; other candidates include the P.R. Aqueduct & Sewer Authority, State Insurance Fund Corp., Automobile Accidents Compensation Administration, regional airports and most toll roads, such as PR-66, PR-52, PR-53 and the extension of PR-22. The divestiture of the Public Buildings Authority, and the sale of all unused

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government properties and other initiatives are expected.

However, we continue to be concerned about the actions that have impaired more than 60,000 local bondholders, who are facing widespread defaults on interest and principal. The destruction of wealth has been of significant proportions, and we expect both the FOMB and the government to provide increased clarity for local bondholders. “Perseverance and resolve have done wonders during trying times.”

Francisco Rodríguez-Castro, president & CEO of Birling Capital, has over 25 years of experience working with government, multinational and public companies.

| IPO Calendar (Trade Date Estimate: Week of July 10, 2017) | | |
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| Company | Ticker | Deal Size |
| Akcea Therapeutics | AKCA | \$125 million |
| Co-Diagnostics | CODX | \$9 million |