

ECONOMY

FOMB accepting critical infrastructure proposals under Title V of Promesa



Think Strategically: Fate Leads Willing, Drags Along Unwilling

BY FRANCISCO RODRÍGUEZ-CASTRO

Jackson Hole: Yellen speech moves market

The Jackson Hole Conference, hosted by the Federal Reserve Bank of Kansas City every year, took place Aug. 24-25 and congregates dozens of central bankers, policymakers, academics and economists from around the world to discuss economic policy. Fed Chairwoman Janet Yellen delivered a speech in which she defended the sweeping financial rules that were initiated during the past decade and especially in the aftermath of the financial crisis. By doing so, Yellen distanced herself from the anti-regulation discourse that President Trump has been preaching since the campaign.

Yellen, whose term as Fed chair ends in February, used this conference to strongly argue that the vast array of post-financial crisis regulations has made the financial system safer without damaging the economy. In her speech, Yellen stated: “The balance of research suggests the core reforms we have put in place have substantially boosted resilience without unduly limiting credit availability or economic growth.” This was knowing how both President Trump and Gary Cohn, director of the White House National Economic Council & former Goldman Sachs president, have said they will

not only change but attack all aspects of the Dodd-Frank Act. Numerous bankers may not agree with repealing Dodd-Frank, recently James Gorman, CEO of Morgan Stanley, who stated he does not agree with repealing the act because we should be terrified of what would replace it.

Another notable speech was given by European Central Bank President Mario Draghi, which among other subjects mentioned that relaxing financial regulation “would endanger financial openness, but also global trade since they are two sides of one coin,” with most important bank regulators agreeing this is not the time to alter financial regulations.

Following the Fed chair’s speech, U.S. stocks and Treasuries rose while the dollar sank even after the tone did not reveal interest rates would increase as some expected. The S&P 500 Index had its best week over the past 30 days. Another cause of market reaction was from Cohn, who predicted tax reform would pass this year, and dispelled rumors about his resignation.

P.R. Credit Update: Fate leads willing, drags along unwilling

The Roman statesman and philosopher, Lucius Annaeus Seneca, said: “Fate leads the willing and drags along the unwilling.” This one-liner is appropriate to describe the situation between the Financial Oversight &

Management Board (FOMB) and the Government of Puerto Rico. With the enactment of the furlough for Government employees to bridge the gap between what the FOMB has stated is necessary to reduce \$218 million from the budget, the Government recently informed that nearly 854 “illegal government employees” would have to be dismissed and told the board to fire them. As this issue plays out, we must state that although there might be numerous ways to achieve the same results, Puerto Rico’s political leaders fail to grasp the difficulties that continue to face the island. Consider that Puerto Rico could face a \$1.8 billion cliff when the Affordable Care Act runs out, which may cause the Medicare Advantage system to collapse. With 2.3 million patients in Medicare, Medicaid or Medicare Advantage, or 65.8% of our total population using one of these healthcare plans, this is a crucial issue.

Title V: Revitalizing coordination strategy presented

The FOMB will begin accepting proposals for projects that address critical infrastructure needs under Title V of Promesa. Interested parties may make submittals via the Critical Project Submission & Management Platform, now available on the board website cpp.juntasupervision.pr.gov.

The Critical Projects Process (CPP) allows for an expedited permitting process to deliver critical infrastructure projects that address pressing needs, fuel economic growth and accelerate job creation. To be designated “Critical,” a project must comply with the following Promesa criteria:

- Impact on emergency project;
- Availability of immediate private capital;
- Level of required local government funding;
- Environmental and economic benefits;

- Project status;
- Additional priority criteria regarding local goals, laws and plans.

The Revitalizing Coordinator will focus on electric power, transportation and water/waste management projects.

The Revitalizing Coordinator’s success is essential, with Puerto Rico needing up to \$1.6 billion in new investment in infrastructure to meet the economic-growth targets contained in Puerto Rico’s Fiscal Plan.

Final Word: University of P.R. Fiscal Plan

Last week, the FOMB finalized its review of the UPR Fiscal Plan and requested, before it would recommend its approval, that UPR consider additional initiatives and incorporate them in the Plan, the most impactful bringing tuition in line with comparable U.S. state universities and campus consolidations.

While it is human nature to resist change, in the scenario Puerto Rico is facing, we simply must act decisively since history is now, then, today and yesterday.



FOMB will begin accepting Critical Projects Process proposals that address critical infrastructure needs under Title V of Promesa.

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