

**Puerto Rico Transforms:
An Agenda for an Economic Recovery
2014 - 2018**

This generation is determined to repay the debts with its past and future. It is determined to take advantage of this time to transform our society and initiate an economic recovery plan for all Puerto Ricans. Taking the country forward and rescuing our children's quality of life has to be the new purpose of Puerto Rico. We have therefore drawn up a comprehensive four-year plan:

1. Diversify the industrial base and employment opportunities, encourage local production, strengthen our competitiveness and incorporate new models that promote sustainable economic development and social infrastructure efforts.
2. Concentrate efforts to development agriculture, tourism and entrepreneurship.
3. Diversify our energy sources to reduce costs permanently.
4. Transform the education system.
5. Modernize the government to be more efficient, with a balanced budget.
6. Propel a tax reform tailored to move forward the economic development.

In order to convey these actions, our economic transformation policy and fiscal recovery has clear defined principles:

1. Promote our competitiveness, strengthening our human capital and our social and economic infrastructure.
2. Increase local productive capacity sponsoring native companies and import substitution.
3. Establish a long-term horizon.
4. Reestablish confidence in the country.

A government that serves the country and is fiscally responsible

Achieving these goals requires a government to take a proactive role and create the conditions for change. We need a uniform, agile, transparent and accessible government that provides quality services and draws on the advances in technology. For that, we want to reform its operation, protecting public employees and modernizing its structure. We propose:

1. Short term: Consolidate 22 agencies, allowing savings rising to \$50 million. Eliminating tangential costs in positions of trust and administrative infrastructure will facilitate the formulation of public policy.
2. Medium term: Review the government's organization chart, starting with a reformulation of its economic development components and institutions governing urban and environmental development.
3. Long term: Create a new governance structure that works with 50 agencies and corporations.

Citizens deserve a government that is on their side, that meets their needs and foster a culture of public service and accountability. To achieve this, we will adopt:

1. A mortgage reduction program.
2. A uniform program of extended hours in direct service agencies.
3. Reduce holidays.
4. Create a system of windows and express lines for the working class and bona fide taxpayers.
5. More strict laws to unlink governance from partisan politics.
6. Grow online services: From 150 new transactions during fiscal year 2015 to 250 in four years.
7. Participatory budgeting in which employees and citizens are linked in.

The fiscal situation must promote economic development through responsible use of public funds. To foster the highest standards of governance, we will:

1. Balance the budget: Zero deficit and borrowing for operating expenses.
2. Austerity and self-sufficiency in all government corporations.
3. Establish a policy of decentralization through regionalization of certain services.

A government that helps create the conditions for competitiveness

In order for an economy to be successful, the government has to invest in its most important asset: people. Puerto Rico needs to train better the young and keep them on the island. To achieve this goal, in education it will:

1. Start a Pre K-16 program: With the opening of more than 100 preschool centers across the island, 50 of which will be Montessori.
2. Transform middle school: Creating only two levels, Pre K-8th and 9th-12th.
3. Regionalization to streamline the Department of Education.
4. A ten-year Education Plan.
5. Renew the curriculum based on pedagogy of innovation, creativity and entrepreneurship.
6. Strengthen bilingual and vocational programs.
7. Increase the number of specialist schools.
8. Establish a permanent training program for school principals.
9. Employ at least 1,500 substitute teachers.
10. Broaden academic offerings of the University of Puerto Rico to temper the economic model.

To stop the brain drain and encourage young people to stay and start their companies or businesses, we offer a package of aid providing:

1. 0% income tax the first year and then in an incremental step structure for young people from 16 to 26 years of age on the first three years of job seeking quest or for new business opening here.
2. 0% corporate tax of 3-5 years for companies who believe in young people.
3. Possibility to pay student loans in exchange for new companies in Puerto Rico.
4. Develop an equity fund and a center for entrepreneurship.
5. Create a scholarship program for post baccalaureate studies in areas of need.

A government that enables economic infrastructure

Puerto Rico needs to maintain an infrastructure that does not hinder the socioeconomic transformation. For this, first, we need to address the cost of energy. Our commitment is to:

1. Reduce energy costs by converting to natural gas: \$0.22/kWh in 2015; \$0.20/kWh in 2017, and \$0.16/kWh in 2019.
2. Modernize infrastructure: Construction of a natural gas terminal in Aguirre. Conversion of Palo Seco, and number 5, 6, 9 and 10 plants of the San Juan Central.
3. Reduce emissions and increase efficiency: reach 12% use of renewable sources and introduce the use of smart meters.
4. Create, through the Science Trust, an Institute for Creation and High Technology Manufacturing Renewable Energy.
5. Transform the corporation of the Electric Power Authority.

We have a strong commitment to encourage public works and for that we are driving strategic projects with an investment of \$7,400 million, which includes: the City of Science, the extensions of PR-22 and PR-10, the expansion of the port of San Juan, the construction of the Comprehensive Cancer Center, and the redevelopment of Roosevelt Roads, among others.

Similarly, we propose to streamline the permit process to encourage private investment. It will be done by:

1. Establishing a bail system built to help builders.
2. With a new digital filing system.
3. Reviewing all regulations related to process of construction.
4. Accelerating the plan approval process.
5. Facilitating permits to open stores within 24 hours.
6. Giving access to real time infrastructure plans and updated cadastres.

A government that is allied with the industry and employment generator

Our slogan: More and better jobs. Our commitment is that by mid-2014 we will have created 50,000 jobs, by early 2016, 90,000 and by early 2018, 130,000 jobs. The government's job is to help diversify sources of jobs by promoting the manufacture, agricultural biotechnology, the life sciences industries, small and medium enterprises, export services and tourism, among others. To create an environment conducive to job creation, the government will:

In the knowledge base economy: (1) develop the City of Sciences in the former site of the Penitentiary in Rio Piedras (Oso Blanco) with an investment estimated at \$1.799 million, and (2) begin the clinical facility of the Comprehensive Cancer Center with \$196 millions.

In the pharmaceutical manufacturing and medical industry: (1) protect existing operations, (2) actively invest in selling closed out plants, (3) initiating contract manufacturing operations, (4) encourage the a pharmaceutical industry of local capital for the production of generic medicines and attract packing and distribution operations, (5) attract new production lines, (6) promote research and (7) strengthen industrial promotion.

In the services export: (1) create a *cluster* export of services, (2) develop “*plug-and-play*” buildings, (3) convert Puerto Rico into a global center of KPO, (4) attract big subcontractors of business processes, (5) promote local software, and, (6) expand the aerospace and defense sector.

In industries under the “American flag”: (1) establish a division dedicated to business with the federal government, (2) contact and attract companies in the areas of cyber security, *Big Data*, unmanned aerial systems, command, communication services for the aerospace industry, textiles and call centers; (3) expand training programs of the Federal Procurement Agency, and (4) organize matchmaking and networking events to connect large private contractors to local business.

In the repair and aviation industry: (1) Start operation of Lufthansa Technik in 2015, (2) create a maintenance and repair school in Aguadilla, (3) sponsor public-private investment capital in the conversion of the airport’s infrastructure, and (4) adjust the legal framework of incentives to include this sector.

In tourism: (1) sponsor sporting, gastronomic and medical tourism, (2) increase air access and convert Puerto Rico into the air hub of the Caribbean, (3) create new routes to Spain, Colombia, Mexico and Brazil, (4) expand hotels and (5) develop new tourism products.

A government that encourages local production

The only sure way to ensure a sustained economic growth path in the long term is to encourage local production. So we will support aggressively:

The Small and Medium Enterprises (SMEs) and micro enterprises with:

1. Structures that allow reductions in the payment of municipal licenses, excise under construction and other exemptions.
2. Structures that allow reductions in property tax and any similar exemption.
3. Creation Entrepreneurship Fund with an initial allocation of \$5 million.

4. Wage Subsidies.
5. Create a mentoring program.
6. Increase to 30% the government purchases to SMEs.

Similarly, we will continue promoting revival of agriculture through the Food Security Plan:

Livestock and poultry industry: (1) the sustainability of the dairy industry and its diversification into sub products will be promoted, (2) will work to increase to 20% meat consumption, and (3) ensure the reopening of chicken processing plants.

Fruit businesses: (1) establish a pineapple seed production program, (2) implement a citrus pest management plan, and (3) start new soursop and avocado farms.

Farinaceous business: (1) help support the banana industry, (2) promote research to control pests affecting these crops, and (3) coordinate with experimental stations of the University of Puerto Rico to propagate high yielding seeds.

Coffee industry: (1) reestablish the new seedling program, (2) distribute 2.5 million trees in 2014-15 for 3,700 acres, and (3) by 2016 it is expected be completed 15,500 acres of coffee plantations.

Sugar cane: \$9.2 million allocated to establish 19,500 acres of sugarcane.

Rice: \$2 million allocated for the rice planting program, and our goal it is to reach 486 acres at the end of 2014.

A government that reactive labor participation

We know that is necessary to create a new cycle of economic activity to revive labor participation. That is our priority and we will get it by:

1. Streamlining permits and applications for leases of property farms.
2. Facilitating the process of obtaining permits to establish businesses.
3. Hiring personnel specialized in consumer tax monitoring, creating a structure for compensation by commissions.
4. Promoting entrepreneurship in low-income communities.
5. Obtaining additional flexibility for welfare recipients to work without losing benefits.

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