EXECUTIVE SUMMARY

ECONOMIC DEVELOPMENT PLAN 2018

Hon. Manuel A. Laboy Rivera
Secretary, Department of Economic Development and Commerce
Economic Development in Puerto Rico faces unprecedented challenges

**ECONOMIC CONTRACTION**

The economy of Puerto Rico has been contracting for more than a decade. It has a debt that exceeds 100 percent of its annual economic output and has caused fiscal liquidity and solvency challenges.

**PROMESA**

The approval of PROMESA in 2016 has created a certain lack of clarity regarding governance matters, which in turn may impact our business climate. Uncertainty is not good for local or external investors.

**IRMA & MARIA HURRICANES**

The magnitude of the devastation on the Island caused by the hurricanes Irma and María is historic and demands an extraordinary response for Puerto Rico to get back on its feet.

**FEDERAL TAX REFORM**

The federal tax reform (Tax Cuts & Jobs Act) will have an impact, both on our current manufacturing base, and on the promotion strategies and incentives used to attract foreign investment to the island.
Evolución de Puerto Rico’s Economy in the Past 70 Years

**Agrarian Economy**
Sugar cane, tobacco & coffee

**Industrial Economy**
Petro-chemical, electronics, apparel & textiles, pharmaceuticals

**Advance Manufacturing, Knowledge Economy, Services**
Life Sciences, Aerospace, Technology, Agro Tech Industries, Export Services, Tourism/Visitor’s Economy

< 1950’s

1950-1990’s

> 2000’s
**OUR ECONOMY TODAY**

**GROSS DOMESTIC PRODUCT SHARE BY MAIN ECONOMIC SECTOR**
**FISCAL YEAR 2017**

- **PN** $70.1 billion
- **GDP** $105.0 billion
- **GDP PER CAPITA** $30,516
- **EXPORTS VALUE** $71.9 billion
- **IMPORTS VALUE** $43.3 billion

**MANUFACTURING SECTOR GDP**
- 44.6% Bio-Pharma/Life Science
- 20.2% Computer and Electronics
- 19.8% Basic Chemicals
- 5.4% Medical Devices
- 3.1% Beverages & Tobacco
- 2.4% Food
- 1.4% Electrical Equipment, Appliances and Component
- 3.1% Others
## Current Conditions and Economic Background

<table>
<thead>
<tr>
<th>Indicator</th>
<th>Change 2006 to 2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gross National Product (GNP)</td>
<td>-17.6%</td>
</tr>
<tr>
<td>Gross Domestic Investment</td>
<td>-39.4%</td>
</tr>
<tr>
<td>Government Consumption Expenditure</td>
<td>-13.1%</td>
</tr>
<tr>
<td>Personal Consumption Expense</td>
<td>-6.2%</td>
</tr>
<tr>
<td>Economic Activity Index</td>
<td>-21.6%</td>
</tr>
<tr>
<td>Net Income to the General Fund</td>
<td>+9.2%</td>
</tr>
<tr>
<td>Non-Agricultural Wage Employment</td>
<td>-15.4%</td>
</tr>
<tr>
<td>Participation Rate</td>
<td>-17.3%</td>
</tr>
</tbody>
</table>

**Investment in:**
- Machinery and Equipment: -17.5%
- Construction: -67.7%

Source: Planning Board, Financial Advisory Authority and Fiscal Agency of Puerto Rico, Department of Treasury and Visitor Profile Report of the Institute of Statistics
2017 GDP PER CAPITA by State (in millions of current dollars)

Source: Bureau of Economic Analysis. 2017 Gross Domestic Product (GDP) by State.
2017 States Population
As of July 2017

Source: Bureau of Economic Analysis. 2017 Gross Domestic Product (GDP) by State.
## How Does Puerto Rico Compare to Other Jurisdictions?

<table>
<thead>
<tr>
<th>Economy</th>
<th>Ease of Doing Business Rank</th>
<th>Starting a Business</th>
<th>Dealing with Construction Permits</th>
<th>Getting Electricity</th>
<th>Registering Property</th>
<th>Getting Credit</th>
<th>Paying Taxes</th>
<th>Trading across Borders</th>
</tr>
</thead>
<tbody>
<tr>
<td>New Zealand</td>
<td>1</td>
<td>1</td>
<td>3</td>
<td>37</td>
<td>1</td>
<td>1</td>
<td>9</td>
<td>56</td>
</tr>
<tr>
<td>Singapore</td>
<td>2</td>
<td>6</td>
<td>16</td>
<td>12</td>
<td>19</td>
<td>29</td>
<td>7</td>
<td>42</td>
</tr>
<tr>
<td>United States</td>
<td>6</td>
<td>49</td>
<td>36</td>
<td>49</td>
<td>37</td>
<td>2</td>
<td>36</td>
<td>36</td>
</tr>
<tr>
<td>United Kingdom</td>
<td>7</td>
<td>14</td>
<td>14</td>
<td>9</td>
<td>47</td>
<td>29</td>
<td>23</td>
<td>28</td>
</tr>
<tr>
<td>Australia</td>
<td>14</td>
<td>7</td>
<td>6</td>
<td>47</td>
<td>51</td>
<td>6</td>
<td>26</td>
<td>95</td>
</tr>
<tr>
<td>Ireland</td>
<td>17</td>
<td>8</td>
<td>30</td>
<td>35</td>
<td>40</td>
<td>42</td>
<td>4</td>
<td>47</td>
</tr>
<tr>
<td>Singapore</td>
<td>2</td>
<td>6</td>
<td>16</td>
<td>12</td>
<td>19</td>
<td>29</td>
<td>7</td>
<td>42</td>
</tr>
<tr>
<td>United States</td>
<td>6</td>
<td>49</td>
<td>36</td>
<td>49</td>
<td>37</td>
<td>2</td>
<td>36</td>
<td>36</td>
</tr>
<tr>
<td>United Kingdom</td>
<td>7</td>
<td>14</td>
<td>14</td>
<td>9</td>
<td>47</td>
<td>29</td>
<td>23</td>
<td>28</td>
</tr>
<tr>
<td>Australia</td>
<td>14</td>
<td>7</td>
<td>6</td>
<td>47</td>
<td>51</td>
<td>6</td>
<td>26</td>
<td>95</td>
</tr>
<tr>
<td>Ireland</td>
<td>17</td>
<td>8</td>
<td>30</td>
<td>35</td>
<td>40</td>
<td>42</td>
<td>4</td>
<td>47</td>
</tr>
<tr>
<td>Canada</td>
<td>18</td>
<td>2</td>
<td>54</td>
<td>105</td>
<td>33</td>
<td>12</td>
<td>16</td>
<td>46</td>
</tr>
<tr>
<td>Germany</td>
<td>20</td>
<td>113</td>
<td>24</td>
<td>5</td>
<td>77</td>
<td>42</td>
<td>41</td>
<td>39</td>
</tr>
<tr>
<td>Thailand</td>
<td>26</td>
<td>36</td>
<td>43</td>
<td>13</td>
<td>68</td>
<td>42</td>
<td>67</td>
<td>57</td>
</tr>
<tr>
<td>Spain</td>
<td>28</td>
<td>86</td>
<td>123</td>
<td>42</td>
<td>53</td>
<td>68</td>
<td>34</td>
<td>1</td>
</tr>
<tr>
<td>Portugal</td>
<td>29</td>
<td>48</td>
<td>32</td>
<td>58</td>
<td>28</td>
<td>105</td>
<td>38</td>
<td>1</td>
</tr>
<tr>
<td>France</td>
<td>31</td>
<td>25</td>
<td>18</td>
<td>26</td>
<td>100</td>
<td>90</td>
<td>54</td>
<td>1</td>
</tr>
<tr>
<td>Mexico</td>
<td>49</td>
<td>90</td>
<td>87</td>
<td>92</td>
<td>99</td>
<td>6</td>
<td>115</td>
<td>63</td>
</tr>
<tr>
<td>Chile</td>
<td>55</td>
<td>65</td>
<td>15</td>
<td>44</td>
<td>61</td>
<td>90</td>
<td>72</td>
<td>68</td>
</tr>
<tr>
<td>Peru</td>
<td>58</td>
<td>114</td>
<td>61</td>
<td>63</td>
<td>44</td>
<td>20</td>
<td>121</td>
<td>92</td>
</tr>
<tr>
<td>Colombia</td>
<td>59</td>
<td>96</td>
<td>81</td>
<td>81</td>
<td>60</td>
<td>2</td>
<td>142</td>
<td>125</td>
</tr>
<tr>
<td>Costa Rica</td>
<td>61</td>
<td>127</td>
<td>70</td>
<td>21</td>
<td>49</td>
<td>12</td>
<td>60</td>
<td>73</td>
</tr>
<tr>
<td><strong>Puerto Rico</strong></td>
<td><strong>64</strong></td>
<td><strong>47</strong></td>
<td><strong>138</strong></td>
<td><strong>69</strong></td>
<td><strong>153</strong></td>
<td><strong>6</strong></td>
<td><strong>161</strong></td>
<td><strong>64</strong></td>
</tr>
<tr>
<td>Greece</td>
<td>67</td>
<td>37</td>
<td>58</td>
<td>76</td>
<td>145</td>
<td>90</td>
<td>65</td>
<td>29</td>
</tr>
<tr>
<td>Jamaica</td>
<td>70</td>
<td>5</td>
<td>98</td>
<td>91</td>
<td>128</td>
<td>20</td>
<td>122</td>
<td>130</td>
</tr>
<tr>
<td>El Salvador</td>
<td>73</td>
<td>140</td>
<td>139</td>
<td>88</td>
<td>69</td>
<td>20</td>
<td>61</td>
<td>43</td>
</tr>
<tr>
<td>Panama</td>
<td>79</td>
<td>39</td>
<td>88</td>
<td>18</td>
<td>83</td>
<td>29</td>
<td>180</td>
<td>54</td>
</tr>
<tr>
<td>Uruguay</td>
<td>94</td>
<td>61</td>
<td>161</td>
<td>50</td>
<td>112</td>
<td>68</td>
<td>106</td>
<td>151</td>
</tr>
<tr>
<td>Guatemala</td>
<td>97</td>
<td>139</td>
<td>116</td>
<td>36</td>
<td>85</td>
<td>20</td>
<td>100</td>
<td>79</td>
</tr>
<tr>
<td>Dominican Republic</td>
<td>99</td>
<td>116</td>
<td>62</td>
<td>108</td>
<td>79</td>
<td>105</td>
<td>149</td>
<td>59</td>
</tr>
</tbody>
</table>

Source: The World Bank Group, Economy Rankings 2017
Puerto Rico cannot continue developing its economy solely on the basis of tax exemptions and economic incentives to attract, retain and grow industries and businesses in a sustainable matter.
Model for the Social and Economic Transformation of Puerto Rico

Source: Plan para Puerto Rico, Government Program and Model for the Socioeconomic Transformation of our Island.
ASSETS/CENTRAL COMPETENCIES

- Skilled and talented workforce
- Health ecosystem (hospitals, schools and research centers)
- Public and private universities; research centers
- Innovation and entrepreneurship ecosystem
- Geographical location and relationship with the United States
- Network of airports, seaports and telecommunication systems
- Natural resources: tropical island, biodiversity, sun, ocean and wind
- Our culture, traditions and culinary experience

EFFICIENT AND EFFECTIVE USE OF INCENTIVES

- Export of goods for niche markets
- Export of services
- Substitution of Imports
- Supply chain associated with exports and substitution of imports
- Establishment of small businesses and start-ups
For an economy that does not control its monetary policy, there are 4 main mechanisms to raise funds:

- **Exports**
- **Investment**
- **Federal Funds**
- **Credit**

Fostering the flow of funds and maximizing their multiplier effect through capital reinvestment, and consumption of local products and services, are necessary mechanisms to revive the economy and create new jobs.
A C H I E V I N G  E C O N O M I C  G R O W T H &  
E N A N C I N G  P R O D U C T I V I T Y

Factors such as labor, capital and technology, among others, will affect the available resources.

Productivity is expressed in function of youth & workforce development, innovation and competitiveness as our main components.

GDP = Personal consumption expenditure + Government consumption expenditure + Gross public* domestic investment + Gross private domestic investment + (Sales Exports - Purchases) Imports
STRATEGIC AREAS AND TOOLS TO INCREASE GDP

\[
\text{GDP} = \text{Personal consumption expenditure} + \text{Government consumption expenditure} + \text{Gross public* domestic investment} + \text{Gross private domestic investment} + (\text{Exports} - \text{Imports})
\]

### AREAS
- Visitors Economy
- District Live
- Bahia Urbana
- Infrastructure
- Social and Economic activity
- Business Development
  - Roosevelt Roads
  - Redevelopment of the PR127 Corridor
  - PROTech
- District Live
- Bahia Urbana
- Science City
- Cronos
- Port of Ponce
- Services
  - Ag + Food
  - Medical Devices
  - Pharma
  - Aerospace
  - FinTech (IFE/IBE)
  - Bio Economy
  - Creative Industries
  - Film
- Agro Industries

### TOOLS
- Local Tax Reform (Individuals, IVU reduction for prepared foods, local EITC)
- Destination Marketing Organization (DMO)
- e-Concierge for Medical Tourism
- Act 22 Individual Investors
- Government of PR Consolidated Budget
- Build Back Better (Disaster Federal Funds)
- Federal Contracting Center (FeCC)
- Local Preference in Government Procurement
  - Small Business (Sm Biz) Set Aside
- Government of PR Consolidated Budget
- Build Back Better (Disaster Federal Funds)
- Local Tax Reform (Corporate, B2B)
- Labor Reform
- Permits Reform
- Energy Reform
- Regulatory Reform
- Incentives Code
- P3s
- Invest Puerto Rico
- Site Selection Map
- New Market Tax Credits
- EB-5
- Act 22 Individual Investors
- Opportunity Zones
- Import Substitution (Incentives Code)
- Act 20 Export Services
- Export Incentives
- Free Trade Zones
- SMEs
  - Promo Export

Part of the Fiscal Plan Structural Reforms - Ease of Doing Business Section
*Driven by potential access to Disaster Recovery Federal Funds
OPPORTUNITIES FOR GROWTH: STRATEGIC SECTORS

Youth & Workforce Development
Innovation
Competitiveness

1. AGRO INDUSTRIES
2. ADVANCED MANUFACTURING
3. AEROSPACE
4. INFORMATION TECHNOLOGY
5. CREATIVE INDUSTRIES
6. OCEAN TECHNOLOGY
7. BIO ECONOMY
8. LOGISTICS
9. VISITORS ECONOMY

AGRO INDUSTRIES
ADVANCED MANUFACTURING
AEROSPACE
INFORMATION TECHNOLOGY
CREATIVE INDUSTRIES
OCEAN TECHNOLOGY
BIO ECONOMY
LOGISTICS
VISITORS ECONOMY
Youth and workforce development are essential components to achieve economic growth and development. Therefore, continuous calibration and alignment between academia, industry and government is a must to address skill gaps, industry and entrepreneurship needs and future trends concerning competitiveness and innovation.

**KEY INITIATIVES**

- Workforce Development
- WIOA Unified State Plan
- Local Areas
- One Stop Shops
- Apprenticeship Program

**YOUTH DEVELOPMENT**

- Juvempleo
  - Mandarin Pilot Project
  - MOU with UPR Bayamón
- Young Entrepreneurs
  - MOU Econ Dev Bank
- Club Jovem
  - From School to Business
  - MOU Echar Pa Lante
  - Robot Makers
- Casa Grande
- Centro Ciencia de Ponce
ENHANCING PRODUCTIVITY: INNOVATION
In order to establish a healthy and sustainable ecosystem of innovation, it is fundamental align ideas to current and future market needs as well as social and economic goals (i.e. infrastructure, housing, health).
Innovation and technology are fundamental to continue growing and diversifying our economy.

- Mobile Internet
- Automation of knowledge work
- The Internet of Things
- Cloud Technology
- Advanced robotics
- Autonomous and near-autonomous vehicles
- Next-generation genomics
- Energy storage
- 3D printing
- Aerospace/Aeronautics
- Advanced materials
- Renewable energy
- Cryptocurrency
- Blockchain
- Smart City
INNOVATION AND ENTREPRENEURSHIP: KEY PROJECTS
**Blockchain**

Blockchain is a network distributed ledger that records all transactions. It also can be described as a spreadsheet, duplicated and distributed over a network of thousands of computers, and the entire network is regularly updated with all the new transactions that occur, therefore the data remains consistent on all computers.

**Blockchain Creates**
- Decentralization of the web
- Transparency in transactions
- Security in transactions
- Efficiency in transactions

**Most Industries and/or Sectors Will Benefit from Blockchain**
- Supply Chain Management
- Quality Assurance
- Accounting
- Smart Contracts
- Voting
- Energy Supply
- Peer to Peer Global Transactions
- Healthcare

**Blockchain Advisory Board**
- At DDEC
- 5 ex-officio; 5-10 private sector
- Prepare studies; recommend policies and initiatives
- Target: July 2018
3 Enhancing Productivity: Competitiveness
The current crisis creates momentum to implementing a comprehensive structural reforms package to attract private capital investment and achieve strong, sustainable and balanced economic growth.
Competitiveness and Ease of Doing Business – PERMITTING REFORM

Before -- Puerto Rico’s competitiveness had been hampered by tedious, long, and bureaucratic permitting processes

- In 2009 Act 161 was passed that formed the Permit Management Office (OGPE).
- Approval time of a permit for a critical project is of approximately 155 days.
- Objective is for this to be streamlined and reduced to 35 days.
- A study referenced by the Puerto Rico Federal Affairs Administration concluded that obtaining a building permit involved 20 separate approvals.
- According to a 2017 World Bank ranking, Puerto Rico ranked 138 of 190 countries in issuing permits.

<table>
<thead>
<tr>
<th>Type of Measure</th>
<th>Rank</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dealing with Construction Permits</td>
<td>138</td>
</tr>
<tr>
<td>Getting Electricity</td>
<td>69</td>
</tr>
<tr>
<td>Registering Property</td>
<td>153</td>
</tr>
<tr>
<td>Paying Taxes</td>
<td>161</td>
</tr>
<tr>
<td>Enforcing Contracts</td>
<td>113</td>
</tr>
</tbody>
</table>

Note: Rank from 1 to 190 where 1 is the best

After – The PR Government responds by passing the Permitting Reform Act (Law 19-2017) in March 2017

- Streamlines the permitting process for businesses to promote new investments, job creation, and economic development in the Island.
- Reduces burdensome processes
- Expedites and consolidates the process to obtain permits, certifications of fire prevention, environmental health licenses, and authorizations into one Single Permit.
- Increases Puerto Rico’s competitiveness and places the island in a better position to attract foreign investment.
- Small and mid-sized businesses are now able to obtain the Single Permit automatically.
- Creates the Unified Information System, which integrates all requirements to do business in Puerto Rico into a single website

Currently in one year implementation process. Full impact of reform expected after 2Q 2018.
**Invest Puerto Rico (IPR)**
Entity will promote Puerto Rico as an investment destination, organizes the efforts of private sector promoters and focuses on attracting new businesses to Puerto Rico.

**Destination Marketing Organization (DMO)**
Entity will manage the marketing and promotion of Puerto Rico as a destination of the visitor's economy.

**Science, Tech, and Research Trust**
Link between external investment and local companies with innovation and technology.

**New DDEC**
Link between external capital and local businesses.

**INCENTIVES CODE**
1. Collaborate and advise the Governor and the Legislative Assembly in the formulation and implementation of public policy on the economic development of Puerto Rico.

2. Coordinate strategic planning in a comprehensive manner for all the sectors such as manufacturing, commerce, tourism, services, as well as review, harmonize and approve the plans of its components.

3. Define policies, strategies and priorities according to the strategic economic development plans for Puerto Rico.

4. Carry out economic studies, and other research related to the economy to identify opportunities, anticipate problematic situations and formulate new strategies.

5. Establish the coordination of all aspects related to the planning, promotion and development of strategic projects.

6. Promote the participation of citizens and the private business sector in the functions of the Department.

7. Administer the promotion of various programs and incentives.
The mandate is to develop an integrated entity with an accessible and comprehensive portfolio of services capitalizing on synergies.

- Unintegrated structure legacy
- Redundancy of Shared Services
- Overlapping, missing or underperforming programs
- Non-optimal use of physical spaces
- Diverse cultures and approaches to clients

Requires a Reorganization with a new vision, a new way of doing things...

Ease of doing business
- Single point of contact for clients needs
- Unified information system
- Integrated digital platform

Maximizing efficiency
- Consolidating Shared Services
- Optimizing Physical Spaces
- Restructuring Contracts Portfolio

Improving effectiveness
- Strengthening and integration of essential programs
- Performance management
- Monitoring and compliance

New Programs supporting strategy
- Economic development strategic planning
- Integrated island-wide development planning

The current state of PR’s planning, economic development and commerce apparatus...
New Incentives Code seeks to revamp the way in which all economic incentives are reviewed, approved and managed.

**MISSION**
- The Incentive Code seeks to encourage activities that produce a positive RETURN OF INVESTMENT (ROI) for Puerto Rico.
- Establish an easy and efficient process to request incentives.
- Strengthen compliance and control of incentives.
- 100% fiscal transparency, accountability and fiscal risk for all the economic incentives.

**SUBSECTION AND CATEGORIES OF NEW CODE**

- **EXPORTS**
- **VISITORS ECONOMY**
- **MANUFACTURE**
- **CREATIVE INDUSTRIES**
- **FINANCE, INSURANCE & INVESTMENT**
- **AGRICULTURE**
- **INFRASTRUCTURE**
- **OTHER**

**PROPOSED NEW INCENTIVES CODE**
- New code proposes to add all incentive laws and programs under one law.
- The new code will be divided into sections with different characteristics and prerequisites for each to attend different sectors and strategic economic activity.
- Will follow the proposed economic principles to promote innovation, competitiveness and activities that increase the value of Puerto Rico.
INVEST PUERTO RICO (IPR)

Non-profit corporation created by Public Law 13-2017

MISSION
To attract new investment and create a sustainable business climate for investors in order to accelerate the economic transformation of Puerto Rico.

VISION
Invest PR will be second to none Investment Promotion Organization in the World.

Promote Puerto Rico as an ideal place to invest, conduct business and live, in collaboration with current and future efforts within the public and private sectors.

Attract foreign direct investment and promote the creation of new businesses in Puerto Rico.

Foster inter-state and international trade and commerce, including the export of knowledge-based services.

Revitalize the manufacturing sector, attract new companies and complementary industries.
LIFE SCIENCES: ATTRACT, RETAIN AND GROW
Nota: Guánica es el único municipio que está representado por 2 iniciativas (PRTEC & DISUR)
PUERTO RICO DESTINATION MARKETING ORGANIZATION (DMO)

Not-for-profit organization charged with representing Puerto Rico to help the long-term economic development of communities through a travel, tourism & meetings/business events strategy.

MISSION
Bring prosperity to Puerto Rico by collaboratively positioning our diverse and unique island as a premier destination for leisure, business and events.

VISION
Become a transformational, results oriented and innovative Destination Marketing Organization, powering sustainable economic growth.

HOW IT WORKS
KEY PROJECTS
**KEY PROJECTS**

**West Region**
- **Microgrids**: PRIDCO Industrial Parks
  - Aguadilla
  - Añasco
  - Santa Isabel
  - Juana Díaz
- **Aerospace Cluster**: Mayagüez, Rincon, Aguadilla, Isabela, Quebradillas, Arecibo

**Central Region**
- **Center of Excellence of Agriculture**, Utuado
- **Microgrids**: PRIDCO Industrial Parks, Jayuya

**Greater San Juan**
- **Science City**: San Juan
- **Cronos**: San Juan
- **District Live**: San Juan
- **Bahía Urbana**: San Juan
- **Medical Tourism**: San Juan, Bayamon, Guaynabo and Carolina

**South Region**
- **Port of Ponce**: Ponce
- **Redevelopment of the PR 127 Corridor (CORCO)**: Guayanilla, Peñuelas
- **AgBio Cluster**:
  - Lajas
  - Guanica
  - Sabana Grande
  - Juana Díaz
  - Santa Isabel
  - Salinas
  - Guayama

**Sunrise Hub**
- **Roosevelt Roads**: Ceiba
- **Puerto Rico Ocean Technology (PROTech)**: Arroyo, Mauá, Patillas, Humacao, Yabucoa
REDEVELOPMENT OF ROOSEVELT ROADS
ROOSEVELT ROADS REDEVELOPMENT
Projects location for immediate implementation

IN PROGRESS
✓ FERRY TERMINAL TO VIEQUES & CULEBRA
✓ ROOSEVELT ROADS INDUSTRIAL PARK
✓ HEALTH AND WELLNESS (2)
✓ RFP ENERGY
✓ EXPORT SERVICES (CALL CENTER)

NEW PROPOSALS UNDER EVALUATION
✓ MANUFACTURING (1)
✓ TOURISM (2)
✓ MIX-USE (2)
✓ WATER FRONT MASTER PLAN
✓ DOWN TOWN MASTER PLAN
✓ MRO YACHT
The purpose is to lease 100 acres of land at the Roosevelt Roads Base to develop an industrial park that meets modern demands and attract key tenants that lead to an economic ecosystem.

VISION
Build the industrial zone of the future with renewable energy services since the amount of land available is ideal for this type of project.

It will also include adequate potable water systems and telecommunications infrastructure focused on cutting-edge technology.

The land to be leased are close to the José Aponte de la Torre Airport, in sub-zone E1.

GOAL
achieve an economic ecosystem at the base and, as a consequence, in the Eastern region of Puerto Rico for the creation of jobs and the revitalization of this area.
FERRY TERMINAL TO VIEQUES & CULEBRA
Development of a maritime public transportation terminal on Pier 2 in Roosevelt Roads.

**PHASE 1**
Phase I of the project contemplates, in the short term, the removal of the current facilities of the Integrated Transport Authority (ATI) in Fajardo to Pier 2 in Roosevelt Roads, Ceiba. It is estimated that Phase 1 operations begin in Q3 of 2018.

**INVESTMENT ESTIMATE**
$25-$35 Millions

**SOURCE OF FUNDS**
US Department of Transportation

**PHASE 2**
In collaboration with the Public-Private Partnerships Authority, a proposal request process is underway to select a private operator to expand current ferry service operations to Vieques and Culebra to boost the tourism industry in the area. It is estimated that Phase 2 operations begin in late 2019. Flow of passengers and visitors will generate demand for services and amenities such as hotels, medical services for residents of Vieques and Culebra, supermarkets, pharmacies, etc.

Similarly, ATI vessel repair operations will move to the Dry Dock at Roosevelt Roads. This will complement the development of the "Maintenance, Repair and Operations" (MRO) industry in the old base.
PUERTO RICO OCEAN TECHNOLOGY INDUSTRIAL PARK (PROTech)
REGIONAL industrial park dedicated to the creation of industries derived from the use of deep sea water (DSW-Deep Sea Water), creating an ecosystem that integrates applied research, innovation and economic development.

**Location:** Southeast Region

**Municipalities to impact:** Arroyo, Maunabo, Patillas, Humacao and Yabucoa.

Family income Average area: $15,744  
% with income under Poverty level: 47.7%
IN HAWAII (OTECH)
REDEVELOPMENT OF THE PR127 CORRIDOR (CORCO)
REDEVELOPMENT OF THE PR127 CORRIDOR (CORCO)

The PR127 corridor represents 3,500 acres of land, the vast majority of which has been classified as "Brownfields" by the EPA

DDEC EXPECTATIONS
1. Development of an industrial park with Liquid Natural Gas (LNG) as energy supply. (Collaboration between PRIDCO and Eco Electrica).
2. Demolition of refinery facilities and equipment along the PR-2.
3. Establish the "BIO Economy Center of Excellence" (Center for applied research and incubator of new products, services and processes associated with biofuels, sustainable agro-industries, etc.).

POTENTIAL ECONOMIC IMPACT (PRELIMINARY) – SHORT TERM
- $500 million in private investment of new industries
- 200 direct jobs
- 850 construction jobs
MICROGRIDS –
PRIDCO INDUSTRIAL PARKS
PRIDCO is working on a **strategy in conjunction with the Department of Energy (DoE)** to develop a conceptual design and financial model to provide energy service to the PRIDCO industrial parks through Microgrids.

DoE will provide PRIDCO with the energy models to follow in the various industrial parks depending on the characteristics of the site, as well as the technology to be implemented, the cost of the investment, and the technical support necessary for the development of request and evaluation of proposals, etc.

This work will be carried out with the cooperation of Sandia National Laboratory in New Mexico and the Oak Ridge National Laboratory in Tennessee.

**SITES SELECTION**

PRIDCO and DoE are evaluating ten (10) industrial parks around the island that represent the various manufacturing sectors, with the purpose of replicating energy solutions in other similar areas.

At the moment, the next five (5) municipalities have been selected:

- ✔ AGUADILLA
- ✔ AÑASCO
- ✔ JAYUYA
- ✔ JUANA DÍAZ
- ✔ SANTA ISABEL
CRONOS PROJECT
PURPOSE

The Industrial Development Company of Puerto Rico (PRIDCO) is in the process of developing a Class A "Multi-story" building. As part of this effort, PRIDCO is working on the preparation of the land that is located in the middle of the metropolitan area next to the largest commercial buildings and offices in Puerto Rico.

Once the land preparation is completed, PRIDCO will look for a Developer to finance, build and operate this facility.

The long-term project will provide office space of up to 120,000 square feet and will represent an investment of more than $45 million.

Currently this project is in the negotiation process with the lowest bidder for the demolition process.

SPECIFIC PROJECT DETAILS

- Estimated time of demolition and site preparation is approximately 8 months
- Multistory buildings (Two Towers)
- Investment in site preparation: $500k - Funds from the Environmental Reserve
To position, at an international level, the Port of Ponce as destination for cargo shipping operation, multipurpose port, as well as cruise Call Port.

a. At the operational level, Crowley, among others, is using our facilities located at Ponce; and

b. related to cruises, Royal Caribbean already has an itinerary of stops for 2018 and 2019 where Ponce is the first stop before touring other islands; each stop translates into an average of $200,000 in economic injection to merchants directly.

Parallel to this, at this moment the Puerto de Ponce Authority is in the process of updating the Port Master Plan in which its Free Trade Zone will be the starting point for the extended industrialization of Puerto Rico’s southern region (Value Added Zones).
SCIENCE CITY
VISION
Become a globally recognized innovation hub connecting and integrating Puerto Rico science and technology ecosystem.

As a multidisciplinary international center of collaboration, it will inspire new ideas, inventions and enterprises, resulting from its vibrant and rich environment to innovate, work, and live.
WHY PUERTO RICO?
- Second highest employer in the Life Sciences in the U.S.
- Puerto Rico stands out as one of the only two U.S. jurisdictions that are specialized in 4 of the 5 Bioscience Industries.

PUERTO RICO IS A GLOBAL CENTER OF BIO-PHARMACEUTICAL MANUFACTURING
- 25% of all pharma products shipped worldwide are manufactured in Puerto Rico

PUERTO RICO IS HOME TO CENTERS OF SCIENTIFIC INNOVATION AND EXCELLENCE
- University of Puerto Rico (9,000 graduates in the Sciences)
- New molecular science lab + Cancer Center
PROJECT OBJECTIVES

1. Research or development (R&D) activities.

2. Education, training and professional development in research or development.

3. Provision of services and technology including consultancy, studies, analysis, collection, management and management of intellectual property, management of incubators and the financing of innovations and inventions.

4. Attraction of scientific human resources to Puerto Rico.

5. Development of science parks and adequate social infrastructure for research or development activities.

6. Research projects and development of renewable energy technology.

7. Other activities that will contribute to research growth, development of science and technology, and/or economic development of Puerto Rico.
An all-in-one dining and entertainment destination for locals, tourists and visitors of all ages

**Anchor 1:** Concert/Event/Performance Venue with 6,000-person capacity and four bars to be leased and managed by AEG Facilities (approximately 105,000 SF)

**Anchor 2:** 8-Screen Premium Cineplex by Caribbean Cinemas, Caribbean Cinemas VIP “A Premium Experience” (approximately 34,000 SF). The Cineplex will feature a 300-seat, large-format theater, fully-reclining, reserved seating and a restaurant, bar and lounge area

**Anchor 3:** 177-room Aloft Hotel by Marriott with approximately 6,000 square feet of meeting space and approximately 40,000 square feet of public areas, a swimming pool and outdoor terraces
Additional Gross Leasable Area of approximately 90,000 SF across 20 venues, including:

- **Puerto Rico’s first Las Vegas-style dayclub/nightclub**, to be operated by Puerto Rico’s longest-running nightclub operator, Shimmy McHugh

- A **new urban zip line** attraction from Toro Verde, operators of the world’s longest zip line in Orocovis, Puerto Rico

- A Puerto Rican **rum micro distillery** offering a unique experience designed by Roberto Serrallés (from Destilería Serralles) that will allow visitors to interact with the world of rum in an unforgettable manner

- **KidzZone**, a place for children of all ages, offering entertainment, childcare services and art classes, among other programs, day and night

- **District Live Studios**, a radio and television production facility with views of the central plaza
Virtual tool for investment analysis and data search that provides potential investors, both external and local, with the necessary information to decide where to establish their business, exposing the different existing industrial economic sectors and investment potential in Puerto Rico.

**WHAT CAN WE FIND?**

- Airports
- Ports
- Government buildings *(sale / rent)*
- Hospitals
- Universities
- Land
- Research centers
- Industrial Conglomerate
- Marines
- Schools
- Agriculture fields
- Roads
- Gas stations
- Malls
- Floodplains
- Among others

**OBJECTIVES**

To offer investors the possibility of visualizing in advance a viable business model in Puerto Rico, contemplating its ecosystem.

- Location
- Suppliers
- Relocation
- Development opportunities
- Others

Maximize the use of the properties of the Government of Puerto Rico to increase business opportunities on the island and promote economic development.

Provide assertive information on the assets of Puerto Rico in order to expedite new investment in the island.
ASSETS MAP
SMALL & MEDIUM ENTERPRISES
SMEs: AREAS OF OPPORTUNITIES AND ROADMAP

AGRO INDUSTRIES

VISITORS ECONOMY

ADVANCE MANUFACTURING

LOGISTICS

AEROSPACE

BIO ECONOMY

INFORMATION TECHNOLOGY

OCEAN TECHNOLOGY

CREATIVE INDUSTRIES
SMALL & MEDIUM ENTERPRISES: KEY INITIATIVES

- Innovative Start-ups
- Woman Business Portfolio
- Federal Procurement
- Medical Tourism
- Small & Medium Enterprises in Food and Beverage
- Industrial Hemp
- Medical Cannabis
INNOVATIVE START-UPS
The Innovative SMEs Program seeks to redirect incentives and efforts to develop a high impact local business class with export potential in strategic sectors. Designation of 10% of the Special Fund for Economic Development (FEDE) to offer tax incentives to SMEs that encourage innovation in economic sectors.

An Innovative SME is a company with gross sales under $3,000,000 that invest in innovation based on science and technology as part of its business model.

Eligibility
Innovative SMEs with internal management or subcontracted in strategic sectors such as:

- Advanced manufacturing
- Aerospace
- Bio economy (pharmaceutical, biotechnology and medical devices)
- Environmental sciences
- Energy
- Technology

whose business is directed to serve as a critical supplier, substitute imports or export goods or services and that are not participants of other incentive programs of the Puerto Rico Industrial Development Company (PRIDCO).

The company must establish and maintain operations in Puerto Rico. A company not established in Puerto Rico may request the incentive for operations that will be established in Puerto Rico and they must comply with all the requirements.
Requirements
All petitioners with less than three (3) years of operations must have gone through a training process or have previous business experience. Examples of these programs include, but are not limited to:

- Incubators and accelerators (at least six months of participation or a complete cycle if its format is by cycles)
- Programs of Grupo Guayacán
- Obtaining at least Phase 1 of a Small Business Research Grant (SBIR)
- Another program approved by the Committee

Incentives
The petitioner will be granted up to a maximum of $100,000, which will be disbursed according to the needs established in the petitioner's business plan proposal and as recommended or approved by the Committee.

The total amount to be approved and disbursed must be commensurate with the use of funds defined in the business plan and as approved by the Committee. The Committee may grant advances up to 50%, subject to the signing of a promissory note. Said promissory note will be canceled with the fulfillment of the approved business plan, proceeding with 100% of the applicable payment.
(The alternative may be advances up to a maximum of $50,000).
PROGRAM OVERVIEW

- We have identified that the **export of goods and services** is one of the key pieces for the development and economic growth of Puerto Rico. We believe it is necessary to insert women in the effort to convert Puerto Rico into a sophisticated service export axis. We understand that we must move so that more women see the world as their market, that they think beyond the territorial extension of Puerto Rico to export products and services of great quality and high creative content.

- This program seeks to empower women with all the necessary tools to be successful starting their own business and create new jobs in the sector of Small and Medium Enterprises (SMEs).

OBJECTIVE

- Program focused on supporting Puerto Rican women who wish to develop a business in the areas of technology and innovation.

- Main objective of the program portal is to provide the future female entrepreneur with an online "one-stop-shop", with the necessary tools to guide her during the process of forming her company, starting from her business idea, to insertion in SMEs and also providing support required in the first steps of opening your company.
W O M A N  B U S I N E S S  P O R T F O L I O

The Woman Business Portfolio seeks to provide women with the basic assistance free of cost listed below:

- Continuous support from the beginning to the end of the establishment of the company. Serve as a facilitator entity.
- Business training through web training.
- Help in the development of business plan.
- Guides to promote business through social networks and the internet.
- Orientation of the permits needed and the effective way to obtain them to establish the company.
- Identify the budget required for the initial phase of the project.
- Orientation of the incentives that are offered in the different agencies or entities that apply. Including the properties offered by PRIDCO, CCE at preferential prices.
- Orientation and preparation to apply for loans.
- Integration of entrepreneurship curricula that already exist in the Academy.
- Collect information on the aids, laws and regulations that may be offered to the business woman.
- Make an inventory of all laws and regulations in the government, related to assistance to entrepreneurs and women.
- Inventory of federal funds for minorities and women.
- Evaluate the processes necessary to establish a business and implement a time projection to complete the steps.
Federal Procurement
FeCC focuses in assisting local businesses to sell their goods and services to the federal government.

Overview

- U.S. Federal Government’s procurement market is over $400 billion
- U.S. is one of the largest single buyer of goods and services in the world, buying everything from manufactured products, professional and non-professional services to construction
- Puerto Rico's historic participation in the federal market is between .10% and .15%

Objectives

- Position PR Industries as key players in the Federal and global market
- Increase level of skills and knowledge on how to do business with the Government
Roadmap for Economic Development through Federal Contracting

STRATEGIES

✓ Promote PR’s value proposition
✓ Promote “PR First” Program
✓ Address challenges that reduce our ability to compete
✓ Strengthen relationships with federal and industry officials
✓ Promote Mentor/Protégé relationships
✓ Increase socioeconomic certifications
✓ Increase contract vehicles (GSA, GWACs…)
✓ Strengthen industry clusters
✓ Improve access to capital
✓ Develop a targeted support program
Medical Tourism
Objective

- To position Puerto Rico as the #1 choice for Medical Tourism in the Caribbean
- To reach 1% of our target markets in the next 24 months

Target Markets

- Crew members
- Citizens from the Caribbean Islands
- Active members of Self Insured companies in US
- Puerto Rican Diaspora

Why Medical Tourism for Puerto Rico?

- Medical Tourism is a segment that has been growing a 25% in the past 10 years
- 2019 it will be a $32 billion market and for 2025 a $3 trillion market
- It is projected that 3-4% of the world’s population will travel internationally for a health treatment or health related treatment
STRATEGIES

MISSIONS
- Coordinate missions with self-insurers in the United States and Puerto Rico
- Visits to the different Secretaries of Health in the Caribbean

MARKETING & PUBLIC RELATIONS
- Develop a direct marketing plan
- Develop a public relations plan
- Design a website that serves as a referral page for certified suppliers

PARTICIPATION
- Improve relationships with certified health providers and hotels (Round Table Meetings)
- Participate in Trade Shows, Conventions, Annual meetings related to the niche markets
- Presence in the social networks used by our target markets

DISCOVER PUERTO RICO (aka DMO)
- Promote the Program to markets related to Medical Tourism (branding)
- Give support in the participation of identified events
SMALL AND MEDIUM ENTERPRISES IN FOOD AND BEVERAGES
BACKGROUND
Currently PRIDCO has a total of 148 industries operating in the food and beverage sector. This figure represents approximately 9,000 jobs.

OBJECTIVES
Program to support food or beverage companies that can develop their products using the assistance offered by CITAI: food safety and compliance, innovation and technology, economic viability (industrial scale). Project aims to achieve the establishment of > 20 new companies, food or beverage manufacturers.

✓ Increase local production of food and beverages by promoting import substitution.

INVESTMENT
With an investment of $215,000 from the Special Fund for Economic Development (FEDE), we seek to create 60 direct jobs 180 indirect jobs.

COURSES AND WORKSHOPS
Project will provide guides and technical support for the progress of their businesses. Among the courses and workshops that will be offered are: How to Establish a Manufacture of Food and Beverages; Good Manufacturing Practices; Prevented Control Qualified and a Workshop for Qualified Individual in Preventive Controls.
INCUBATION PROGRAM

This program has the purpose of creating 20 food or beverage companies that can develop their product using the support offered through CITAI so that their product is safe, economically viable and reproducible on an industrial scale. It is pursued through this program that the participants develop products using the scientific knowledge that results in innovative products either in their processing, labeled packaging or business model.

The incubation of the companies will consist of training phases, individual work, mentoring and technical support. Finally, they will produce their products at the CITAI facilities in Mayagüez.
INDUSTRIAL HEMP
With DEDC’s help, the Department of Agriculture will create an “Industrial Hemp Research Pilot Program” in order to study the growth, cultivation, and marketing of industrial hemp.

**Bill 1071** for the cultivation, research and commercial development of Industrial Hemp in Puerto Rico

**VISION**

Industrial Hemp is an extremely renewable resource with unlimited potential; it can be grown for food or non-food purposes with little to no reliance on toxic chemical fertilizers, herbicides and pesticides. Recent estimates calculated the total retail value of all hemp products sold in the U.S., per year, to be at least $688MM.

**MISSION**

Due to Puerto Rico’s climate, the Island’s fertile soil is able to yield a minimum of 2 industrial hemp crops* per year. Armed with the Land Authority of Puerto Rico’s Real Estate Office portfolio and Puerto Rico’s new Incentives Code, DEDC will implement an aggressive marketing plan to attract large-scale industrial hemp investment firms to establish themselves in the Island.

*500 acres = up to $9MM
INDUSTRIAL HEMP PROGRAM

- SOAP
- HAY
- FURNITURE
- HOUSES
- SHAMPOO
- PAINT
- FOOD
- CLOTHES
- OIL
- OTHERS
MEDICAL CANNABIS
CALLING ALL “CANNAPRENEURS” TO JOIN DEDC’S EFFORTS IN ASSISTING LOCAL DISPENSARIES TO REACH NEW PATIENTS.

Medical Cannabis Overview

- As a primarily self-funded economic niche, the U.S. Medical Cannabis retail market is over $3 billons annually.
- Puerto Rico’s Medical Cannabis Regulatory Board’s office receives near 600 new patients per week.
- At this moment, Puerto Rico has over 25,000 medical cannabis registered patients.

- Cultivation Crops 17
- Dispensaries 48
- Manufacturers 14
- Laboratories 2
- Transportation 3
- Training providers 11

As of June 2, 2018
MEDICAL CANNABIS

Economic Development through PyMES: Creation of Jobs –
Average, 5 full-time jobs per dispensary

MEDICAL CANNABIS PRODUCTS MANUFACTURED IN PUERTO RICO

- Tinctures
- Edibles (Ex. Brownies, Cookies & Besitos de Coco, among others)
- Refreshments
- Body Creams
- CBD Oil
- Extracts
- Promptly, the Medical Cannabis Regulatory Board will conduct a public hearing to discuss its regulation’s draft.

OBJECTIVE

With DEDC’s help, the MedicalCannabis Regulatory Board will help the general population deconstruct stigmas related to cannabis users.

GOAL

Gradually increase the amount of dispensaries, production facilities and cultivation crops in Puerto Rico

Regulation approved 7/29/18
THANK YOU

Manuel A. Laboy Rivera, Eng.
Secretary
Department of Economic Development and Commerce

P.O. Box 362350
San Juan, PR 00936-2350

PHONE: 787-765-2900
EMAIL: secretario@ddec.pr.gov