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Federal Board Sets Sights on Economic Recovery for Puerto Rico Post-Bankruptcy

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San Juan, Puerto Rico. By. GETTY IMAGES

As the island emerges from an extensive bankruptcy process, a federal control board overseeing Puerto Rico's finances announced on Wednesday its intent to focus on fostering economic growth in the U.S. territory.

Robert Mujica, the board's new executive director and former New York state budget director, presented a new fiscal plan, which will serve as Puerto Rico's economic blueprint for the near future.

The proposed fiscal plan calls for an overhaul of the island's education, tax, and infrastructure sectors, as well as attracting more investors by reinforcing its fragile power grid and streamlining

business processes. Mujica emphasized the urgency of the situation during a press conference, stating, "There's no time to waste."

In recent years, the U.S. government allocated over \$120 billion to help Puerto Rico counteract the impact of the pandemic and various natural disasters, including earthquakes and major hurricanes. However, Mujica pointed out that these one-time infusions only temporarily boosted output and facilitated economic recovery.

Mujica highlighted that the island's real GNP is in decline, and economic growth is slowing as the funds dissipate. He added that these funds "mask underlying, persistent weaknesses in Puerto Rico's long-term economic outlook." The board also noted that high inflation, coupled with a shrinking and aging population, has contributed to the economic decline.

To enhance the island's economy, the board will collaborate with government officials, education leaders, and NGOs to strengthen Puerto Rico's education sector, which has long been underperforming. The fiscal plan also calls for an extensive review of the island's tax system, despite recent improvements.

The board stated in a press release, "While much progress has been made, significant reform is still required because Puerto Rico's current tax system has historically suffered from complexity, instability, and inconsistency." This focus on economic growth follows the board's oversight of a bankruptcy-like process, during which Puerto Rico's debt decreased from over \$70 billion to \$34 billion.

Mujica expressed that the board's new focus is on fiscal health and economic growth, stating, "That took all the oxygen of the room." Created by the U.S. Congress in 2016, the board will continue to oversee Puerto Rico's finances until the territory approves four consecutive balanced budgets. Mujica mentioned that it remains uncertain whether the first budget has been approved, as the government has not yet submitted audited financial statements.

In response to the news conference, Puerto Rico Governor Pedro Pierluisi said in a statement that his administration is still analyzing the fiscal plan received on Tuesday. He added that he supports reforms in various sectors and envisions a government with a "solid fiscal situation in the short and long term" and the board completing its work as soon as possible.