

**Think
Strategically**



BIRLING
CAPITAL ADVISORS, LLC

The Impact of Shuffling and Ever-Changing Political Appointees in Puerto Rico's Key Agencies

July 23, 2023

by Francisco Rodríguez-Castro
frc@birlingcapital.com

Success is within our reach and failure to act is fatal.

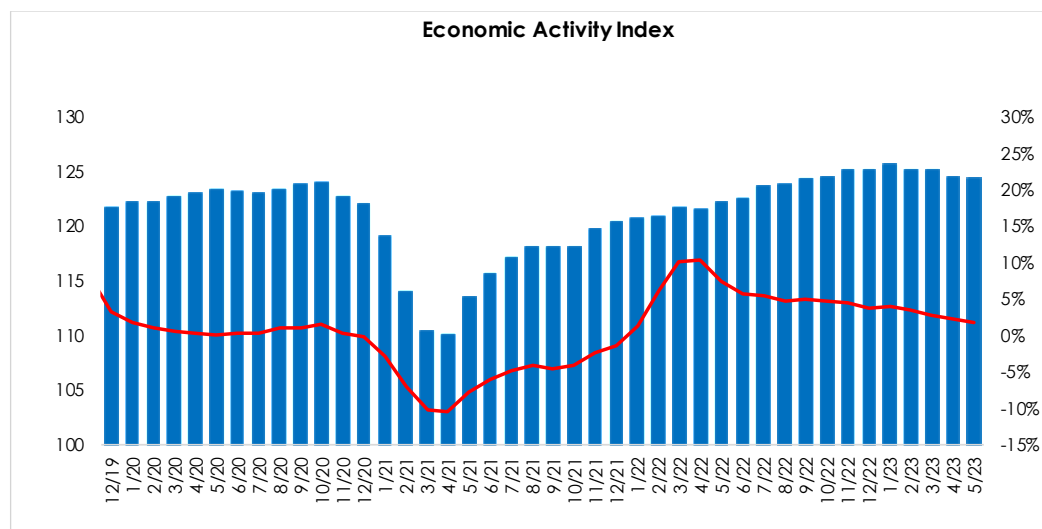
The people of Puerto Rico have long endured the consequences of ever-changing political appointees in critical agencies governing the island. This perpetual leadership rotation has affected the economy, education, utilities, health, and security sectors. This analysis aims to shed light on the negative implications of this practice and calls for a fundamental change in how appointments are made to ensure stability, expertise, and long-term development for the betterment of Puerto Rico. We shall concentrate our analysis on five key areas, which are, in my opinion, essential to the success and well-being of all Puerto Ricans; success is within our reach and failure to act is fatal; let's begin.

1. Economic Development:

Between 2000 and 2023, Puerto Rico had an average tenure of political appointees in crucial economic agencies of approximately 2.2 years and 9 Secretaries.

The constant shuffling of political appointees disrupts long-term economic planning and hinders the implementation of sustainable economic policies. With each new appointee comes a shift in priorities, undermining ongoing projects and leaving room for political influence over crucial economic decisions. A stable and qualified leadership is necessary for prudent fiscal management, strategic investment, and consistent economic growth. At the very least, the Bankruptcy of Puerto Rico and the Financial Oversight and Management Board should have made us realize this reality.

- The island's GDP growth rate has been inconsistent, with years of economic contraction coinciding with changes in economic agency leadership. This volatility hinders investor confidence and discourages long-term investments.
- The Unemployment rates have fluctuated significantly over the past decade, partly due to shifting priorities in economic policies and a lack of sustained efforts toward job creation, According to the Puerto Rico Labor Department.
- Puerto Rico requires a Country Plan that would withstand the test of both time and political changes; the current Secretary of Economic Development has pushed forward the plan named "PRoposito", and we all hope that it becomes a plan for all private sector members for years to come.



2. Puerto Rico's Education System:

A nation's education system is the foundation of a prosperous society. Frequent leadership changes lead to inconsistent policies and ineffective reforms. This prevents the implementation of a coherent long-term vision for education, resulting in diminished student outcomes, teacher morale, and inadequate support for educational institutions. Stable and experienced leadership in the education sector is vital to ensure a well-rounded and equitable learning experience for all Puerto Rican students.

- Over the past 20 years, Puerto Rico has seen an average turnover of education agency leaders every 2.5 years, with about 14 Secretaries in the same period. This rapid change disrupts the implementation of educational reforms and negatively impacts student performance.
- Standardized test scores in reading and math for Puerto Rican students are the worst of any U.S. educational system, with signs of worsening over the last decade, reflecting the lack of consistent leadership and long-term strategies in the education sector. According to the National Assessment of Educational Progress, Puerto Rico's mathematics average scores for public school are more than 24% below the national average of 235, and Puerto Rico's score was 178 for 2022. In all periods examined, Puerto Rico was significantly behind the U.S. average.

	Year	US	Puerto Rico
○	2022	235	178
○	2019	240	185
○	2017	239	190

- Teacher attrition rates have increased due to changing policies and a lack of support and training, resulting in a shortage of experienced educators. (Source: Puerto Rico Teachers' Union).

3. Electricity and Water Utilities

The essential services of utilities, such as water and electricity, are necessary for citizens' well-being and economic development, and, until recently, bankrupt monopolies are the best example of mismanagement of government resources and political disruption. The revolving door of political appointees in the Puerto Rico Aqueducts and Sewers Authority or PRSA and the Puerto Rico Electric Power Authority or PREPA agencies creates an environment of uncertainty, affecting long-term planning, infrastructure maintenance, and investment decisions. This instability leads to deteriorating infrastructure and unreliable services, hindering daily life and business operations on the island.

While the good news is that the Puerto Rico Power Authority, or PREPA, has been divested into two private operators that run distribution and transmission, which is LUMA Energy's job, and electric power generation, which is Genera PR's mandate and the legacy PREPA is now in charge of the hydroelectric plants and other projects.

PRASA, for now, remains in the government's hands, but the preference is also to divest the authority into private sector operators.

- Here the same pattern repeats itself. The average tenure of political appointees in utility agencies has been approximately 2 years, leading to a lack of continuity in infrastructure projects and maintenance.
- Frequent leadership changes have hindered the adoption of renewable energy sources and sustainable practices, impacting the island's energy resilience and environmental goals.
- Inconsistent investment in water infrastructure has led to water shortages, contamination issues, and inadequate sanitation in some areas.

4. Healthcare:

Healthcare is a fundamental human right, and its effectiveness relies on stable leadership and long-term planning. Frequent changes in political appointees within health agencies disrupt the continuity of healthcare programs, hinder resource allocation, and impede the implementation of evidence-based policies. This reduces access to quality healthcare services and negatively impacts Puerto Rican citizens' overall health and well-being.

- The average tenure of political appointees in health agencies in Puerto Rico has been around 2.3 years, with 12 Secretaries of Health from 2000 to 2023, affecting the continuity of public health programs and response to health crises.
- Puerto Rico has faced challenges in addressing public health issues, such as rising rates of chronic diseases, due to the lack of sustained efforts and focus on preventative care.

- Disparities in healthcare access and quality persist across the island, partly due to inconsistent policies and leadership in the health sector.
- The U.S. Congress Discriminates against Puerto Rico by sending 69% less Healthcare Funding than the 50 States, which amounts to \$29.9 billion in less funding per year for Puerto Rico, USA; the result is that Healthcare discrimination costs Puerto Rican Lives.

5. Security:

Public safety is a critical aspect of any thriving society. Constantly changing leadership within security agencies can create a lack of institutional knowledge, hinder effective law enforcement strategies, and weaken efforts to combat crime and maintain public order. A stable and well-trained leadership is essential to address security challenges effectively and provide a safe environment for the people of Puerto Rico.

- The average tenure of political appointees in security agencies in Puerto Rico has been approximately 2.1 years, with 14 Police commissioners from 2000 to 2023, leading to disruptions in law enforcement strategies and limited progress in combating crime.
- Homicide rates have fluctuated over the years, with periods of increased violence coinciding with changes in security agency leadership.
- Public confidence in law enforcement has been affected by perceived political influence and a lack of consistency in addressing corruption issues.

The Final Word: Stability and solid management are the keys to success.

The ever-changing political appointees in key agencies in Puerto Rico have had far-reaching and detrimental effects on the economy, education, utilities, health, security, and more. The data presented in each area clearly illustrates the negative impacts of ever-changing political appointees in critical agencies in Puerto Rico. The frequent rotation of leadership has led to inconsistent policies, disrupted long-term planning, and hindered progress in economic growth, education, utilities, healthcare, security, and more.

The evidence is resounding - stability and solid management are the keys to success in every facet of Puerto Rico's development. The ever-changing political appointees in critical agencies have repeatedly shown the detrimental consequences of their transient leadership. To unlock the true potential of our beloved island, we must embrace stability and commit to nurturing solid management practices.

In the realm of economics, consistent leadership enables the formulation and execution of long-term strategies that pave the way for sustainable growth, attract investments, and provide stability for businesses and citizens alike. In education, stable leadership allows for the continuity of educational reforms, the empowerment of educators, and the enhancement of student performance, molding a brighter future for future generations.

While expertise and experience lay the foundation, and long-term planning and development build the framework, it is the unwavering commitment to these principles over designations of at least ten years that unlocks the true potential of progress. The key question lies not in the readiness of the

political establishment for such an approach, but rather in their willingness to embrace the transformative power of continuity and vision, shaping a better future for generations to come.

American Futurist Joel A. Barker said it best, "**Vision without action is merely a dream. Action without vision just passes the time, Vision with action can change the world**".

Think Strategically, © is a weekly column prepared by Birling Capital LLC and is a summary of recent geopolitical, economic, market, and other developments that may be of interest to clients of Birling Capital LLC. This report is intended for general information purposes only, is not a complete summary of the matters referred to, and does not represent investment, legal, regulatory, or tax advice. Recipients of this report are cautioned to seek appropriate professional counsel regarding any of the matters discussed in this report considering the recipients' particular situation. Birling Capital does not undertake to keep the recipients of this report advised of future developments or changes in any of the matters discussed in this report. Birling Capital. The man and log symbol and Birling Capital are among the registered trademarks of Birling Capital. All rights reserved.