

Invest Puerto Rico

FY2021-2022 Strategy

INVEST
PUERTO RICO





FY2021-2022 Strategy/Promotion Plan

Promo Plan Context

Back in 2019, the Promo Plan was designed to serve as a flexible guide based on fundamental economic indicators to message, attract, and land companies and investors.

BACKGROUND & CONTEXT

OBJECTIVES OF THIS PROMOTION PLAN

The Promotion Plan will guide Invest Puerto Rico's efforts to attract investment and gain significance in global market growth

1 CREATING AWARENESS

- Project image of PR as opportunity-rich and open for investment
- Align stakeholders with the vision so they can act as promoters

2 GENERATING LEADS

- Target outreach to produce and track qualified leads
- Prioritize leads based on strategic vision in order to best target efforts

3 FACILITATING ACTION

- Provide proper service-level and follow-up in order to close deals and achieve desired outcomes

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OVERVIEW OF APPROACH

ALIGN TO BASIC ECONOMIC PRINCIPLES

A comprehensive macroeconomic assessment was used to identify top sectors for Puerto Rico's future economy in alignment to the basic economic principles below



ALIGN TO GLOBAL
MEGATRENDS



CREATE
TARGETING STRATEGY



USE INFORMED GEOGRAPHIC
TARGETING



ASSESS PUERTO RICO'S
COMPETITIVENESS



APPLY
THEORY OF CHANGE



FOLLOW ECONOMIC
DEVELOPMENT BEST PRACTICES



CREATE CLEAR ACTION
FRAMEWORK



RELY ON TRANSPARENCY &
CONTINUOUS IMPROVEMENT

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Promo Plan Context

A detailed analysis was conducted to determine where InvestPR could have the greatest impact and should focus in the near-term.

ANALYSIS OF ALL INDUSTRY SECTORS

ACROSS DETAILED CRITERIA



Global



Competitive Advantages and Disadvantages



Local

A. Growth Forecast (Global)

B. Growth Forecast (U.S.)

C. Tradable Sectors

D. Global FDI Trend by Sector (# Deals)

E. Access to U.S. Law & Stability

F. Post-Hurricane Maria Uncertainty

G. Tax Code Incentive Advantage

H. Shipping Cost

I. Direct Benefit to Rural Areas

J. Regional Multiplier Effect (Job Creation)

K. Current Industry Size (Employment)

L. Sector Employment Trend

M. Stakeholder Support

THROUGH RIGOROUS EVALUATION

ANALYSIS 1

Narrowing the Sector Targets

ANALYSIS 2

Defining Messaging

ANALYSIS 3

Optimizing Channels

ANALYSIS 4

Factoring Disruptive Factors

Promo Plan Context

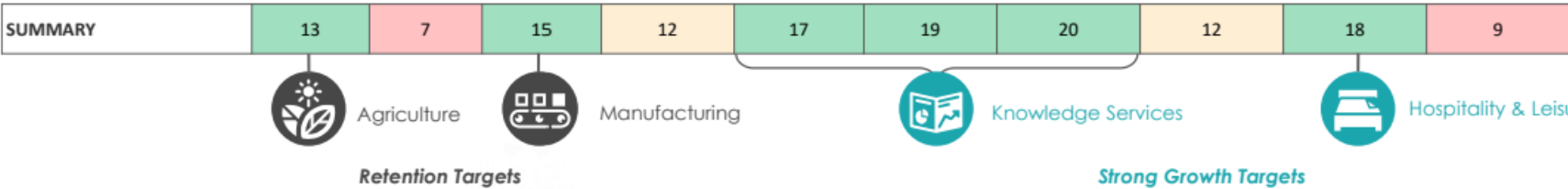
An evaluation scorecard was used to understand where efforts were best directed in terms of sectors and audiences that should be targeted for messaging, conferences, conventions, outreach, and local capacity building.

RESULTS

By evaluating with data the horizontal sectors through the vertical criteria, we can see which sectors are revealed as those that should be targeted for the attraction of New Businesses and investment

0	Low
1	Medium
2	High

Evaluation factors	Natural Resources & Mining*	Construction	Manufacturing	Trade, Transport, & Utilities	Information	Financial Activities	Professional & Business Services	Education & Health Services	Leisure & Hospitality	Other Services (except Pub. Admin.)
A. Growth Forecast (Global)	0	1	0	1	2	2	2	1	2	1
B. Growth Forecast (U.S.)	1	1	0	0	2	1	2	2	1	1
C. Tradable Sector	2	0	2	2	2	2	2	1	2	0
D Global FDI Trend by Sector (# of deals)	1	1	2	1	2	1	2	1	1	1
E. Access to U.S. Law & Markets	1	0	2	0	2	2	2	1	2	0
F. Post-Hurricane Uncertainty	2	2	0	1	1	1	1	0	1	2
G. Tax Code Incentive Advantage	0	0	1	0	2	2	2	0	1	0
H. Shipping Cost	0	0	1	1	2	2	2	0	1	2
I. Direct Benefit to Rural Areas	2	1	2	1	0	0	0	1	1	0
J. Regional Multiplier Effect	2	1	2	2	0	2	0	0	1	1
K. Current Industry Size (Employment)	0	0	1	2	0	1	2	2	1	0
L. Sector Employment Trend	0	0	0	0	1	1	2	2	2	1
M. Stakeholder Support	2	0	2	1	1	2	1	1	2	0



Promo Plan Context

The result of the analysis pointed towards Knowledge Services as the sectors where InvestPR could have the greatest impact in the near term.

INVESTPR'S FOCUS

A detailed analysis was conducted to determine where InvestPR can have the greatest impact and should focus in the near-term

ANALYSIS OF ALL INDUSTRY SECTORS

ACROSS DETAILED CRITERIA



Global

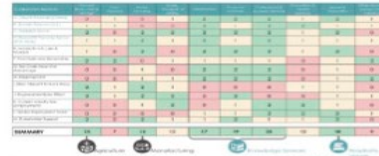


Competitive
Advantages and
Disadvantage



Local

THROUGH RIGOROUS EVALUATION



OUTPUT

GROWTH TARGETS



Knowledge
Services
(InvestPR)



Leisure and
Hospitality
(DMO)

RETENTION TARGETS



Manufacturing
(DEDC)



Agriculture
(DEDC)

REFINED SUBSECTORS

KNOWLEDGE SERVICES

Professional and
Technical Services

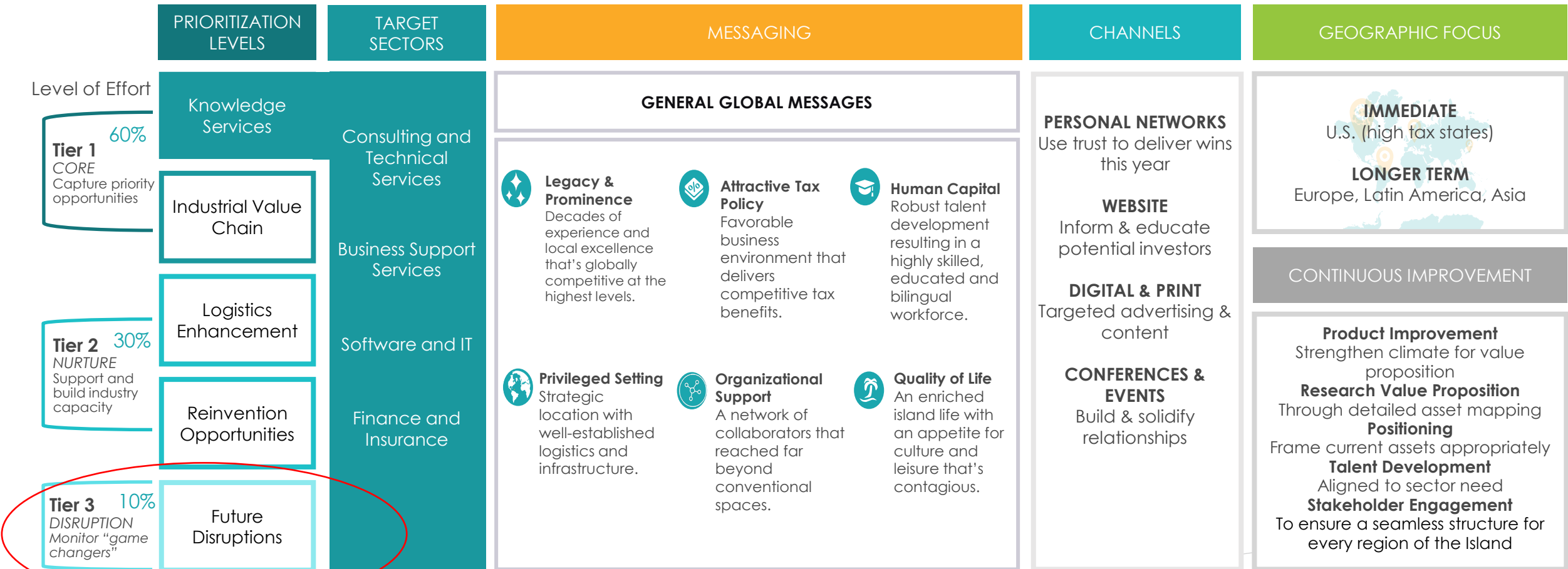
Business Support
Services

Software and IT

Finance and
Insurance

Original Promo Plan

InvestPR developed an action framework to deliver on its role, with built-in flexibility to account for potential future disruptors.



Factoring in Disruptors

InvestPR has continuously been monitoring and adjusting the promo plan since it was launched in 2019 to account for the following current and potential disruptors:

Covid-19

- Shift from 'just in time' to 'just in case' supply chains
- Accelerated corporate exodus from China and East Asia
- Increased attention on domestic production and access to critical materials
- Encouraged rapid digitization across all sectors
- Halted domestic and global travel
- Shift from in-person to virtual events

Federal Funds

- Increased flow and availability of federal funding for a variety of high-priority projects that impact competitiveness and IPR's ability to attract businesses, including:
 - Disaster relief and mitigation
 - Targeted sector relief due to COVID-19
 - Grid modernization

Transshipment Waiver

- Federal waiver granted for Puerto Rico's international airports to serve as global transshipment hubs can change the competitiveness profile of importers and exporters, as well as commercial routes.
- Interaction effects with other disruptors:
 - Expanded opportunity for critical good manufacturing based in PR
 - Regional distribution hub for bioscience products
 - Justifies critical infrastructure projects

GILTI

- GILTI is product manufacturing focused and would affect multinational manufacturing
- Could change PR's reshoring/near-shoring value proposition, as well as overall competitiveness
- Could be mitigated by amendment exempting Territories
- Could also be mitigated by amendment to exclude products on the supply chain Executive Order

Biden's Tax Plan

- Could negate the effect of local tax incentives for manufacturing
- Could influence Treasury Department's approach to 154 exemptions
- Could shift value proposition from focus on incentives to focus on more tangible built-in bioscience advantages and domestic re-shoring

Local Tax Policy

- How the interplay of GILTI/ Biden Tax Plan ends up affecting Act 154 could leave a big gap whole in the PR budget that would need to be mitigated with new local corporate taxing structures
- The reforms of CRIM and excise taxes, included in FOMB recommendations, could additionally impact local tax
- Increased scrutiny of incentive laws (ie Act 22) could lead to legislative reform


National Supply Chain Legislation

- Could help drive the consolidation of the manufacturing industry in Puerto Rico, creating new jobs and boosting the Island's local economy
- Meant to mitigate any potential damage from GILTI or Biden Tax Plan to PR
- Works under the scope of the \$2.2 trillion CARES Act. Requires a federal study with recommendations on ensuring the domestic supply of essential medial products


Refreshing Sector Evaluation

Based on the economic disruptors faced in the last year, the sector scorecard was refreshed from a qualitative perspective.


Evaluation factors	Natural Resources & Mining*	Construction	Manufacturing	Trade, Transport & Utilities	Information	Financial Activities	Professional & Business Services	Education & Health Services	Leisure & Hospitality	Other Services (except Pub. Admin.)
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G. Tax Code Incentive Advantage	0	0	1	1	2	0	2	0	1	0
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I. Direct Benefit to Rural Areas	2	1	2	2	0	0	0	2	1	0
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M. Stakeholder Support	2	0	2	1	1	0	1	2	2	0
SUMMARY	13	7	18	18	17	13	20	16	16	9




Agriculture



Manufacturing



Knowledge Services



Hospitality & Leisure

No Change

- Still **uncompetitive**: Construction, Natural resources and mining (Except Ag)
- Still **competitive**: Information, Professional and business services

Positive Change

- Manufacturing
- Trade, transportation, and utilities
- Education and health services

Negative Change

- Financial activities
- Leisure and hospitality

Revised Promo Plan

The results of the adjustments include renewed attraction focus on bioscience manufacturing and logistics/transshipment opportunities as well as more pointed geographic market efforts.

