

ECONOMIC STABILITY ACT ‘WILL HELP PUERTO RICO TO RESTRUCTURE DEBT’

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Recent legislation will accelerate much-needed power, road, and water infrastructure projects – meanwhile, law firms are winning more work from clients that have relocated to Puerto Rico

Lawyers in Puerto Rico are confident that recent legislation aimed at improving the country's economic stability will prove effective in helping the country to restructure its debt. The Puerto Rico Oversight, Management and Economic Stability Act (PROMESA) – which was enacted by the US Congress in 2016 (though officially the Commonwealth of Puerto Rico, the Caribbean island is an unincorporated territory of the United States) – will provide the legal and procedural framework needed to underpin the government of Puerto Rico's finances and restructure its debt, lawyers say. "This [legislation] is necessary for Puerto Rico to move forward and enter the path towards

sustainable, long-term economic development,” says Iván G. Marrero, partner at Pietrantoní Méndez & Álvarez. Meanwhile, PROMESA will also accelerate the permitting and execution of much-needed power, roads, water and solid waste infrastructure projects, according to Carlos Santiago, partner at Cancio Covas & Santiago.

High energy costs

However, there are challenges for investors doing business in Puerto Rico, with many lawyers highlighting the decade-long economic contraction, the high costs of energy and labour, and the state of the government's finances as major issues. Heriberto Burgos Pérez, president of Puerto Rico law firm Casellas Alcover & Burgos, says the constant change in tax laws and regulations have forced businesses to devote resources to keeping up with the changes, he adds that such resources could have been better used for running or expanding their operations. Burgos Pérez also expresses concern that as access to capital markets becomes more difficult, it may stop infrastructure projects – which are urgently needed to modernize aging facilities – being financed.

Local firms best placed

Local law firms are betting on the government's aggressive push for public partnerships and financial restructuring to generate business. There will be opportunities for firms with expertise in corporate, transactional, restructuring and financing practices, says Santiago. Lawyers argue that, due to the fact Puerto Rico is a hybrid jurisdiction – with elements of the US/Anglo-Saxon legal system and the civil law system that is more common in Latin America and Europe – local knowledge is key and local law firms are best placed to navigate the nuances of doing business in such an environment.

Instructions increasing

Marrero emphasises that, despite ongoing economic issues negatively impacting certain law firms, the volume of work generated from clients that have relocated to Puerto Rico has increased significantly in recent years. “Many such clients have begun to use Puerto Rico counsel for their business activities outside Puerto Rico,” he says, adding that his law firm, Pietrantoní Méndez & Álvarez, has expanded its offering across several practice areas, including finance and tax.

Growth strategies

Other law firms have adopted different strategies for growing business, with some establishing alliances with 'government relations' specialists, says Heriberto Burgos Pérez at Casellas Alcover & Burgos PSC. He predicts that firms who specialise in high-value work (as opposed to those firms focused on commodity work), who are capable of providing the advice required in an increasingly complex legal market, will gain competitive advantage and be better able to navigate, and even benefit from, the current financial crisis.