

WAVERLEY GATEWAY GUIDE

Connecting International Capital with Emerging & Frontier Markets

PUERTO RICO

America Caribbean

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WHERE AND HOW TO ENTER

KEY INVESTMENT LOCATIONS

Location / Region	Strategic Importance	Priority Sectors
San Juan metropolitan area (capital)	Puerto Rico's financial, commercial and government center, and the principal base for Act 60 export-services and individual-investor beneficiaries	Financial services, professional/export services, commercial real estate
Dorado and Condado high-end real estate enclaves	Favored residential locations for Act 60 individual resident investors, now at the center of local debate over rising housing prices and displacement	Luxury residential real estate, hospitality, concierge/professional services
Pharmaceutical and life-sciences manufacturing belt (Barceloneta, Caguas, Manatí)	Puerto Rico's historic and still-significant pharmaceutical and medical-device manufacturing base, a sector the current administration is actively courting for reshoring investment	Pharmaceutical and medical-device manufacturing, life-sciences R&D, advanced manufacturing
Archipelago-wide electrical grid (LUMA Energy transmission/distribution service area)	A privatized grid that has suffered repeated major blackouts, including a New Year's Eve 2024 islandwide outage and a June 2026 event leaving over 1.3 million customers without power	Grid-modernization investment, distributed generation, battery storage, microgrid development
Old San Juan and the cruise/tourism corridor	Historic tourism core and cruise-port gateway, where a prior pier-privatization decision was itself vetoed by the federal fiscal oversight board, illustrating the board's reach into non-fiscal municipal matters	Hospitality, historic-property redevelopment, cruise-tourism infrastructure
University of Puerto Rico and public healthcare facilities	Public institutions that have absorbed roughly a 50% budget cut (UPR) and a wider school-closure and municipal-austerity programme under fiscal-oversight-board conditions, with the healthcare system described as in crisis	Education partnership and healthcare-infrastructure investment opportunities tied to modernization and public-private partnership models
Reshoring and advanced-manufacturing zones (islandwide, under Executive Order 2025-012)	Zones targeted by Governor Jenniffer González's industry-attraction and permitting-streamlining initiatives aimed at buffering the economy against external shocks	Advanced manufacturing, reshoring-linked supply-chain investment, logistics

INVESTOR ENTRY ROUTES

- Act 60 tax-incentive decrees for export services, individual resident investors and qualifying manufacturing, now operating under the clearer (if more compliance-intensive) private-capital-fund rules of Administrative Order DDEC 2026-002
- Direct US-market access as a US territory, using the US dollar and operating under US federal law, with no currency-conversion or capital-control risk
- Public-private partnership participation in grid-modernization, distributed generation and healthcare-infrastructure projects
- Reshoring-linked manufacturing investment under Governor González's Executive Order 2025-012 and related permitting-streamlining initiatives

- Direct equity or facility investment in the established pharmaceutical and medical-device manufacturing base
- Engagement with Puerto Rico's Department of Economic Development and Commerce (DDEC) for incentive structuring and compliance support

MARKET-ENTRY OBSERVATION

Puerto Rico occupies a genuinely distinctive position in this series: as a US territory, it offers US-dollar currency stability, US federal legal protections, and direct access to the US consumer and capital markets, all without the sovereign or currency risk that affects independent Caribbean states. A decade into the federally imposed PROMESA fiscal oversight board, the island has restructured its central-government debt down 58% (from US\$73 billion to US\$31 billion), avoided default, and stabilized its economy, while Governor Jenniffer González's administration has pursued permitting reform and reshoring incentives that the Planning Board credits with supporting modest growth (a base-case 0.5% GNP growth projected for fiscal 2026).

The honest complication is that this fiscal stabilization has come at a visible cost, and the island's basic infrastructure has not kept pace. Austerity measures tied to the oversight board's conditions have closed roughly a third of public schools and cut the University of Puerto Rico's budget by about half, the healthcare system remains under severe strain, and the privatized electrical grid (LUMA Energy) continues to suffer major, headline blackouts, including one in June 2026 that left over 1.3 million customers without power. The oversight board itself, despite Puerto Rico having arguably met its own stated conditions for winding down, shows no clear timeline for doing so - a genuine governance-legitimacy question that only the US Congress can resolve. Act 60's individual-investor program, meanwhile, faces its own backlash over rising housing costs and displacement, alongside renewed federal scrutiny of its tax exemptions.

INVESTOR RISK & MARKET ACCESS

KEY ENTRY BARRIERS

Issue	Potential Impact	Possible Mitigation
Persistent electrical grid unreliability	LUMA Energy's privatized grid has suffered repeated major blackouts, including a New Year's Eve 2024 islandwide outage and a June 2026 event affecting over 1.3 million customers, directly threatening operational continuity for any grid-dependent business	Budget for backup generation, battery storage or microgrid solutions for any operationally sensitive investment; treat grid reliability as a standing, not incidental, risk factor
Unresolved fiscal oversight board legitimacy and tenure	The federally appointed Financial Oversight and Management Board retains veto power over budget and some non-fiscal decisions a decade after PROMESA's enactment, with no clear timeline for winding down despite Puerto Rico meeting the board's own stated exit conditions, and public support for the board has collapsed	Treat any government-counterparty commitment as subject to board-level review; monitor congressional action on the board's tenure directly
Austerity-driven public-service and infrastructure strain	Roughly a third of public schools have closed, the University of Puerto Rico's budget has been cut by about half, and the healthcare system is described as in crisis, constraining the skilled-labor pipeline and public-infrastructure quality	Budget for private healthcare, training and infrastructure solutions where public capacity is insufficient; engage specifically with sectors less exposed to austerity-affected public services
Act 60 compliance intensification and federal scrutiny	New Administrative Order DDEC 2026-002 imposes clearer but more demanding operational and compliance requirements on Act 60 private-capital funds, while IRS audits and congressional proposals threaten certain federal tax exemptions tied to the programme	Engage specialized Act 60 compliance counsel; structure new decrees to anticipate continued tightening rather than assuming current terms are permanent
Act 60-linked housing-cost and displacement backlash	Rising housing prices in favored investor enclaves (Dorado, Condado) have been publicly linked to Act 60 in-migration, fueling local political and social backlash that could affect the programme's durability or public reception of new investment	Engage local communities and consider investment structures that demonstrably support, rather than displace, local housing and employment
Modest and uncertain growth trajectory	The Planning Board's own base-case GNP growth projection for fiscal 2026 is just 0.5%, with a pessimistic scenario showing outright contraction, reflecting sensitivity to US federal policy, tariffs, and global economic conditions	Model Puerto Rico-exposed investment on modest-growth assumptions; monitor US federal trade and fiscal policy as a direct input to the island's own outlook
High restructuring and governance costs	Over US\$2 billion has reportedly been spent on consultants and lawyers under the oversight board process, far above original federal estimates,	Factor elevated transaction and advisory costs into any project involving government counterparties or oversight-board-adjacent processes

Issue	Potential Impact	Possible Mitigation
	reflecting the practical cost and complexity of Puerto Rico's fiscal-governance structure	

INVESTOR RISK NOTE

Puerto Rico's risk profile is unusual in combining US-level currency, legal and market-access certainty with genuine, unresolved governance and infrastructure dysfunction. The fiscal restructuring under PROMESA has demonstrably worked by its own numeric standards - debt cut 58%, default avoided, budgets balanced - yet the oversight board that engineered this shows no clear path to winding down, and the austerity required to get there has visibly degraded public education, healthcare and municipal capacity. The electrical grid, now in private hands, remains the single most tangible operational risk: major, headline-making blackouts continue in 2026 with no clear resolution timeline. None of this threatens the US dollar or the basic rule of law, but it does mean that any Puerto Rico-exposed investment should independently plan for grid unreliability, budget for the possibility of continued oversight-board involvement in government decision-making, and watch the Act 60 programme's political durability given its linkage to local housing-cost grievances.

MARKET ACCESS

As a US territory, Puerto Rico offers unrestricted access to the US market under the US dollar, US federal commercial law, and (for qualifying Act 60 beneficiaries) some of the most competitive effective tax rates available anywhere under the US flag. It also retains CARICOM-adjacent logistical relevance as a potential regional distribution hub, though it is not itself a CARICOM member. Its legal and banking system is fully integrated with the US federal system, simplifying compliance relative to independent Caribbean jurisdictions, even as the island's own fiscal governance remains under federal oversight.

WHO SHOULD THE INVESTOR MEET?

INSTITUTIONAL LANDSCAPE

Actor	Why It Matters	Waverley Engagement Angle
Office of the Governor (Jenniffer González-Colón)	Sets the current administration's growth agenda, including permitting-streamlining and reshoring-incentive executive orders credited with supporting recent modest growth	Relevant for understanding current policy direction and reshoring/industry-attraction initiatives
Financial Oversight and Management Board (FOMB / "the Board")	The federally appointed body retaining veto power over Puerto Rico's budget and certain non-fiscal decisions, now in its second decade with no clear exit timeline	Critical to monitor for any project involving government budgeting, financing or major public decisions
Department of Economic Development and Commerce (DDEC)	Administers Act 60 incentive decrees and has issued the 2026 administrative order tightening private-capital-fund compliance requirements	Primary counterpart for Act 60 structuring, compliance and incentive applications
LUMA Energy	The private operator of Puerto Rico's electrical transmission and distribution system, at the center of continued major blackouts and public criticism	Essential counterpart for understanding grid reliability and any grid-dependent project's risk exposure
Puerto Rico Planning Board	Produces the island's official GNP/GDP growth projections and tracks key economic drivers and risks	Key reference point for macroeconomic due diligence
US Congress (relevant committees)	The only body empowered to end the FOMB's tenure or resolve Puerto Rico's long-term political status, including pending status-plebiscite and PROMESA-reform legislation	Relevant for monitoring long-term political-status and oversight-board developments
University of Puerto Rico and public hospital system	Public institutions directly affected by a decade of austerity, relevant to assessing the skilled-labor pipeline and healthcare-infrastructure landscape	Relevant for workforce-development and healthcare-investment due diligence

CURRENT INTERNATIONAL BUSINESS CHANNELS

DDEC is the standard channel for Act 60 incentive applications and compliance, typically engaged through specialized local tax and legal counsel given the programme's increasing complexity. The Puerto Rico Manufacturers Association and the Chamber of

Commerce of Puerto Rico provide broader business-community networking, while grid-dependent or public-infrastructure-linked investors should expect to engage directly with LUMA Energy and relevant public corporations alongside DDEC.

INVESTOR PROFILE BEST SUITED

Puerto Rico suits investors who value US legal and currency certainty combined with competitive tax incentives, and who can independently manage grid-reliability and public-infrastructure risk: export-services and individual-investor beneficiaries under Act 60 (compliance-ready and reputationally mindful of the housing-cost debate), pharmaceutical and advanced-manufacturing investors building on an established base, and infrastructure investors specifically targeting grid modernization, distributed generation or healthcare-system improvement. It is less suited to investors seeking frictionless public-sector partnership free of oversight-board involvement, or those unable to underwrite standing grid-reliability risk.

FROM INTELLIGENCE TO ENGAGEMENT

STEP 1: Engage DDEC and specialized Act 60 counsel early

Confirm current decree requirements under Administrative Order DDEC 2026-002 before structuring any Act 60-linked investment.

STEP 2: Independently assess grid-reliability exposure

Budget for backup power, battery storage or microgrid solutions for any operationally sensitive project, regardless of LUMA Energy's stated reliability improvements.

STEP 3: Clarify oversight-board involvement for government-linked projects

Determine whether any planned government partnership or financing requires Financial Oversight and Management Board approval, and plan timelines accordingly.

STEP 4: Consider community and housing-impact framing for Act 60-adjacent real estate

For residential or hospitality investment in favored investor enclaves, proactively address local housing-cost and displacement concerns in project design.

STEP 5: Monitor US federal policy and status-plebiscite developments

Track US Congress's engagement with PROMESA reform and Puerto Rico's political-status debate as a standing input to the island's long-term investment climate.

WAVERLEY'S ROLE

- Independent assessment of Act 60 compliance requirements and their evolving federal and local scrutiny
- Grid-reliability and infrastructure risk framing for operationally sensitive investment
- Due diligence and introductions across DDEC, LUMA Energy and relevant public corporations
- Ongoing monitoring of the Financial Oversight and Management Board's tenure and US congressional action on Puerto Rico's fiscal and political status

INVESTOR CALL TO ACTION

Puerto Rico pairs US-level currency and legal certainty with a genuine, well-documented infrastructure and governance-legitimacy challenge - Waverley can help investors capture the former while actively managing the latter.

US dollar/legal certainty + Act 60 incentives → grid-reliability and oversight-board risk management → durable, compliance-ready investment structuring

WAVERLEY INVESTOR INTELLIGENCE & OPPORTUNITY PIPELINE

Near-term opportunities concentrate in grid-modernization and distributed-generation infrastructure, pharmaceutical and advanced-manufacturing reshoring under current executive-order incentives, and Act 60-compliant export-services and fund structures navigating the new DDEC compliance regime. Pipeline visibility on government-linked and public-infrastructure projects will depend on the Financial Oversight and Management Board's continued involvement and on US congressional action regarding its tenure and Puerto Rico's broader fiscal and political status.

POSITIONING

Puerto Rico offers something no other market in this series can: full US-dollar and US-legal-system certainty, paired with genuinely competitive tax incentives. A decade of federally mandated fiscal discipline has delivered real, measurable debt reduction and avoided default, which is a substantial achievement by the oversight board's own stated terms.

That achievement sits alongside an honest cost: degraded public education and healthcare capacity, a privatized grid that keeps failing at scale, and an oversight board whose legitimacy has eroded even as its own exit conditions appear to have been met. Waverley's view is that Puerto Rico rewards investors who plan explicitly around grid and governance risk rather than assuming US-territory status alone guarantees frictionless infrastructure or public-sector partnership.

SELECTED SOURCES

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