



# The NiLP Report

on Latino Politics & Policy



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25 West 18th Street  
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800-590-2516  
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[www.latinopolicy.org](http://www.latinopolicy.org)

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NiLP Guest Commentary

## Addressing the Puerto Rico Debit Crisis: The Need for Greater Philanthropic Investment

By Karina Claudio Betancourt (November 21, 2015)

The severe economic crisis in Puerto Rico (PR) has led to rising poverty and unemployment rates, budget cuts in the nonprofit and public sector, and the emigration of thousands of Puerto Ricans[1] for one, am part of these figures-in 2007 I came to New York City with plans to complete a Master's Degree and then return to the island. But the economic situation in Puerto Rico looked so dire that I decided to stay.

In 2008, I voted for the President for the first time and, through my work at [Make the Road NY](#), also helped turn out hundreds of Puerto Rican voters in Queens and Staten Island. But, had I lived in Puerto Rico at that time, I would not have had that opportunity. Puerto Rican residents living in the island cannot vote for the President and have no voting representation in Washington, D.C. This leaves the island in a very weak position to influence the federal government, including Congress and the Treasury. Although President Obama recently called for legislative reform to allow the island to file for Chapter 9 (bankruptcy protection) like other US municipalities, a conservative-leaning Congress makes this unlikely. Most recently, Hispanic [lawmakers have also turned to the U.S.](#) Treasury to help advance the bill in Congress.

Even if Chapter 9 protection becomes available, Puerto Rico will still need to [negotiate its debt](#) --- mostly comprised of special revenue bonds --- with powerful bondholders and has little legal standing to defend itself. The island is also affected by federal policies that cap benefits for its residents --- such as health benefits under Medicare, Medicaid, and the Affordable Care Act that are entitlements on the mainland --- and that exclude its residents from income supports such as the Federal Earned Income Tax Credit. Economic development is compromised by the end of tax incentives that once attracted pharmaceutical companies to the island, the Jones Act (which requires companies to use US vessels for shipping), and the absence of a comprehensive economic development plan that extends beyond the ambition and needs of whichever political party is in power.

### ESPACIOS ABIEROS/OPEN SPACES INITIATIVE

In my current position as a program officer at the Open Society Foundations (OSF), I can dissect and help to address some of the challenges the island now faces. In 2013, OSF



chose Puerto Rico, from among 16 different sites, to be part of its Open Places Initiative (OPI) which aims to build local capacity to bring about change that increases justice, equality, and democratic practice. Working through a newly established program, [Espacios Abiertos](#), OSF will invest in reform and capacity efforts for up to ten years. To date, OSF has awarded \$2 million over two years to the effort.

While the government of Puerto Rico has responded to the crisis with [short-term austerity measures](#) and high taxes, especially [burdening the most vulnerable, OSF's partners are also focusing on the development of a long-term economic development strategy that could move the island forward](#). To advance this work, OSF has also awarded a grant to the [Center for New Economy](#) (CNE), an independent and well-regarded think tank in Puerto Rico, to collaborate with Joseph Stiglitz at Columbia University and other development experts at the Brookings Institute, Brown University, and the McKinsey Global Institute.

Espacios Abiertos will also play an important part in this project, helping convene a series of "country dialogues" so that myriad stakeholders can comment and improve on proposals, helping to build eventual support for the final recommendations. The OPI team successfully held a meeting to complement this strategy that connected folks in the diaspora to this and other initiatives underway on the island. The meeting had over 40 leaders of organizations ranging from advocacy groups, to research and think tanks from Puerto Rico and the US.

We hope this will be the first of many conversations that continue to spark connections between the island and mainland groups. A separate meeting held the next day, briefed US-based foundations on urgent and longer-term needs in Puerto Rico, with an eye to encouraging their investment in the island. Greater philanthropic investment is sorely needed as the few local foundations are now strapped as they seek to fill gaps created by cuts in government support for NGOs.

#### **A LARGER FAILURE OF MUTUAL ACCOUNTABILITY**

In many ways, Puerto Rico's current fiscal crisis-and many of its other problems (e.g., police abuse, high levels of poverty and unemployment, and environmental degradation)-are symptoms of a larger failure of mutual accountability on the part of government, business, media, and NGOs to serve the island's best interests. Espacios Abiertos has used this moment as an opportunity to organize hundreds of NGOs to protest budget cuts against the nonprofit sector. With growing public willingness to conduct business differently-as evidenced by the recent vote against the Governor's proposed tax reform by his own party members and by the mobilization of hundreds of [non-profits that protested budget cuts](#). Espacios Abiertos and its partners have encouraged debate and [created new platforms](#) through which citizens can critique government policies and call for greater transparency and equity. Its core partner Centro de Periodismo Investigativo, for example, has [sued the government for lack of transparency](#) regarding its economic plans and is helping to connect and [train journalists](#) on their right to access government information. Also, Espacios Abiertos has launched a citizen-led group, called [GRUCORPO](#), which will be monitoring the implementation of a consent decree with the federal Department of Justice to curb police abuses.

My family and friends are feeling the effects of the crisis on their everyday life. They have higher consumer taxes to pay, fewer job opportunities, and limited services to get them through in these tough times. Nevertheless, I remain hopeful, knowing that Puerto Ricans are resilient, creative and strong people and that new efforts in the island and the diaspora will help move the island forward. My role as a program officer at OSF is to help

connect these dots and to encourage other funders to invest in promising initiatives to address the island's dire conditions in a manner that supports the island's long-term economic viability and respects the dignity and potential of all of its residents.

### **Endnote**

1. A recent study reveals that, in 2013 alone, 74,000 people fled the island. Approximately 45% percent of Puerto Rico's population lives below the federal poverty line. The unemployment rate is over 12 %, and only 40% of its labor force works in the formal economy. A mere 27% of its population obtained a high school degree or equivalent, while 17% has less than a ninth-grade education.

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***Karina Claudio Betancourt** is a Program Officer with the Open Places Initiative of the Open Society Foundations in New York City. Karina was Senior Director for Community Engagement with the NYC Council, and Lead Organizer with Make the Road NY. She can be reached at [karina.claudiobetancourt@opensocietyfoundations.org](mailto:karina.claudiobetancourt@opensocietyfoundations.org).*

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