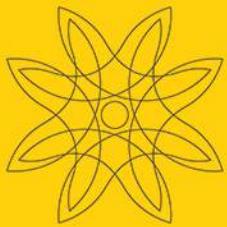


CASE STUDY:

# SMALL BUSINESS CASH GRANT PROGRAM

Designed by:



Foundation  
for Puerto Rico



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# Small Business Cash Grant Program

Due to the significant impact of Hurricane Maria and the lack of existing programs for small businesses after the storm, Foundation for Puerto Rico (FPR) quickly designed, developed, and deployed what came to be known as the Small Business Cash Grant Program (SBCGP). The SBCGP supports existing business owners to remain open, retain employees and optimize their business through immediate business assistance and relief. Likewise, this project seeks to promote the local economy in areas with a high impact to the Island tourism. To implement and strengthen this initiative, FPR joined forces with Centro para Emprendedores (CPE) and the Puerto Rico TechnoEconomic Corridor (PRTECH) to support and provide different types of assistance during the interventions. Eligible businesses within a selected commercial districts would receive half of the cash grant amount upon completing a thorough needs assessment and then receive the second installment three weeks later upon demonstrating progress with program requirements. Technical support accompanied the cash grant to assist business owners with recovery planning. The second installment was only given to business owners that completed four hours of coaching and that maintained the business open. The first phase of this grant program was started with a \$89,000 fund to revive key commercial neighborhoods in Santurce, Aguadilla and Ponce. Given the success of the first phase and the ongoing need for technical assistance, FPR expanded the program to more communities and sectors in Puerto Rico, reaching 200 small businesses in 13 commercial districts across the island.



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Foundation for Puerto Rico seeks to unleash the Island's full potential as an active participant in the world economy with sustainable programs that drive social and economic development. From knowledge to action, our goal is to transform Puerto Rico into a destination for the world. We want more people to visit, live, work and invest in Puerto Rico, resulting in multimillion economic growth for the island.

Foundation for Puerto Rico is a non-profit organization since 2011 with a 501(c)(3) public charity designation.

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# Acknowledgements

## EXECUTIVE TEAM

### *Chairman & Chief Executive Officer*

Jon Borschow

### *President & Chief Operating Officer*

Annie Mayol

### *Executive Vice-President / Collaborations & Mobilization*

María "Baby" Jaunarena

### *Chief Financial Officer*

Damaris Ocasio

### *Director of Research & Analytics*

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Centro para Emprendedores (CPE)  
Puerto Rico Technoeconomic Corridor (PRTEC)

## DESIGN

M2B Digital

## TO ALL OF OUR DONORS & VOLUNTEERS

Our most sincere appreciation to everyone who donated to our Hurricane Maria Relief and Recovery Fund. This would not have been possible without you. And thank you to all our volunteers, specially to *Sandra Levy* and *Yaliz Sanquiche*.

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# Message from the Chairman of the Board



Jon Borschow, Founder, Chairman of the Board & CEO of Foundation for Puerto Rico.

Since 2011, Foundation for Puerto Rico has established its vision of what it means for our Island to fully integrate into the opportunities offered by the global economy. For our economy to grow, it needs to generate new revenues that come from outside our geographical space; otherwise, the economy will continue to shrink. For Puerto Rico, tourism and the Visitor Economy that it generates, represents the greatest opportunity for growth in the short to medium term. One of the pillars for this economic growth are our small businesses. They are a fundamental part of the ripple effect of the Visitor Economy, and their absence would inhibit economic activity.

September 21st, 2017. Puerto Rico woke up to the greatest devastation our Island had gone through in almost everyone's lifetime, the consequence of two major hurricanes making landfall only days apart. Having power (via generators), clean water, and internet via fiber optic cable; Foundation for Puerto Rico's home, the Colaboratorio was up and running and we shared this resource with over 100 organizations involved in relief efforts. We attended people and their immediate needs first but October came and it became evident that the backbone of our communities, the small and medium sized businesses, had been left to fend for themselves. We began researching similar events such as Andrew, Sandy and Katrina. Official numbers on the adverse impact on these businesses were alarming and local data coming in on the situation with these businesses was even worse.

Understanding the implications and consequences to long term economic recovery, our organization quickly designed and implemented a plan to bring much needed aid to our local businesses to help keep them from becoming another statistic. We were first on scene in almost all of the cases and the majority of business owners' stories seemed to be the same: they had lost almost everything, and no help had come their way. They were devastated, not only because of the loss of most of their savings and investments; but because they had no way of helping their employees whom they felt responsible for. They knew they needed to reopen as quickly as possible, and we knew it as well. The **Small Business Cash Grant Program** had one initial main objective: to stop the "snowball effect" of the collapse of local businesses from happening across the Island.

\$500,000 in cash grants later, and our organization continues to work towards accelerating Puerto Rico's recovery and preparing for any future adversity that might come our way, taking into account what we've learned this past year. We must focus on making Puerto Rico's infrastructure resistant to future vulnerabilities through sustainable solutions to support energy, telecommunications, and the viability of small businesses, to create a reformed and resilient Puerto Rico. We continue to focus on helping our small and medium businesses because we believe in their imperative role in helping their communities recover and grow stronger. We're very thankful for everyone that has been a part of it all and we encourage those who haven't, to join us. We can and will create our own "snowball effect".

Sincerely,

A handwritten signature in black ink, appearing to be 'JB', written in a cursive style.

Jon Borschow  
Chairman & Chief Executive Officer  
*Foundation for Puerto Rico*

---

# Message from the President



Annie Mayol, President & COO of Foundation for Puerto Rico.

As part of our immediate disaster response efforts after hurricane Maria, Foundation for Puerto Rico organized relief missions to almost all municipalities and noticed that small businesses that used to be the backbone of our local communities were closed or practically inoperative. As we sat down with business owners, we listened to stories narrating the difficulties encountered in their efforts to turn the lights on and keep their doors open. Many of them had no hope of reinitiating operations, while others struggled to barely survive. The dramatic situation and their vulnerability concerned us significantly: we knew we had to find a way to support them. As we do for all our initiatives, we researched best practices and lessons learned from other regions impacted by natural disasters, prepared a survey to collect data and learned about different ways in which we could support the several generations of small business owners to reopen, stabilize and expand their operations.

In Puerto Rico, one of the most important federal resources available to small businesses is the Small Business Administration (SBA), which provides low-interest loans. However, merchants were not soliciting their help. Because many were already experimenting financial difficulties before the hurricane due to the decade long pre-existing economic depression, heightened now by the increasing uncertainty of local markets due to emigration which left them little confidence of being able to repay them. According to a study carried out by SBA, of the 86,171 applications that FEMA distributed to small businesses, 68,394 (74%) were never completed or submitted.

It is in this context that we designed and implemented the '**Small Business Cash Grant Program**', allowing us to support small businesses through a cash grant in the amount of up to \$5,000 per business. For this program we strategically partnered with Centro para Emprendedores and Puerto Rico TechnoEconomic Corridor to include with the cash grant consulting and mentoring to the businesses identified in the program, providing the necessary business tools so they could continue to grow their sales.

The program, which began in mid-October 2017, was originally piloted in small business hub areas. After the first three months of implementation and confirming the success of the program, we quickly expanded it to 10 additional commercial districts. In total, we have supported 200 small businesses in 11 municipalities with an investment of more than half a million dollars and more than 850 hours of individual technical assistance. Today we are excited to report that our results demonstrate impressive numbers – only 7% of the businesses have closed which is a striking contrast to the 40% benchmark of small businesses closures after a natural disaster of the magnitude experienced in Puerto Rico. Foundation for Puerto Rico is inspired by these resilient generations of local small businesses and the commitment they have demonstrated to keep servicing their communities.

This is why we are expanding the program to 24 communities around the island with the goal to reach 300 businesses. Supporting small-businesses is important to the economic recovery and long-term sustainability of Puerto Rico – the expansion of the program means more small businesses will be able to gain the tools and access resources needed to grow and thrive, fueling the economic development all around Puerto Rico.

Sincerely,

A handwritten signature in black ink, appearing to read 'Annie Mayol'. The signature is fluid and cursive, written over a white background.

Annie Mayol  
President & Chief Operating Officer  
*Foundation for Puerto Rico*

# Executive Summary



Small business owner receiving a cash grant.

The **Small Business Cash Grant Program (SBCGP)** was created after hurricane Maria to support existing business owners to remain open, retain employees, and optimize their business through immediate assistance and relief. In Puerto Rico, small businesses are the backbone of the local economy, employing more than 80% of all private sector workers. While working on numerous relief efforts, Foundation for Puerto Rico (FPR) noticed that many businesses in these communities were closed or operating with significant struggles. **The Federal Emergency Management Agency (FEMA) reports that roughly 40% to 60% of small businesses never reopen following a disaster, and another 25% fail within one year.** Three weeks after the storm, FPR began crafting the SBCGP program and by the middle of October the first checks were distributed to small business owners. The program was piloted in three locations: Calle Loíza in San Juan, Ponce Town Center, and #110 road in Aguadilla. By the end of November, more than \$89,000 had been distributed to 39 businesses. Of the 39 businesses targeted, 38 remained open and completed the program. Data collected at the time showed businesses were improving their sales and employment levels leading to an expansion of the program to more locations.

FPR expanded the program to 10 additional commercial districts. The expansion of the pilot began in December 2017 and ended in July 2018. In total, 200 businesses received assistance, with over \$500,000 distributed across the Island. Although the program was originally intended to run for a few months as emergency relief support, grants were distributed through July 2018, about 10 months after the hurricane due to ongoing need for cash support and technical assistance.

In July 2018, FPR tracked the status of program participants. According to the assessment, **93% of SBCGP businesses remain open today**. When business owners were asked about the assistance received, 91% responded that the program helped them keep their business open. Also, 48% said that it helped them increase their business hours at the time upon receiving assistance.

However, not everything is encouraging, as 38% of businesses report having less employees now and 51% reported a drop in their sales relative to the same time last year. This validates the expansion of the program through July of this year, and a need to keep supporting small businesses, as many are still struggling to get back to Pre-Maria levels. The main challenge, according to most businesses in the program, is the reduction in client base due to outmigration in their local community and lack of visitors.

FPR compared sales reports within the 11 districts that participated in the evaluation to see if there were any significant differences across districts. According to program evaluation, Humacao, Culebra, and Juncos were the districts that are currently struggling, while both districts in Orocovis seem to have recovered the most from the impact of the hurricane. The data gathered within the businesses in Orocovis, where the cash grant component was part of a larger and more comprehensive business support program within the Bottom Up Destination Recovery Initiative (Bottom Up Program), shows that those businesses experienced quicker business recovery relative to the other districts. Thus, it is fair to conclude that these additional support components helped accelerate that recovery.

Important lessons learned from the program should serve policy makers as a guide for future disasters. We recommend developing more short-term financing vehicles within the ecosystem that could be readily available after emergencies like Maria; integrating economic resilience planning within available technical support programs to ensure business continuity, and strengthen local NGOs and local business associations so that they can become functioning Economic Developing Organizations within their communities. What we have learned from our Bottom Up Program work is that a decentralized response can be more effective at providing the necessary support and assistance to small businesses after a natural disaster. FPR will be incorporating these lessons learned into future small business programs within the Bottom Up Program. The Bottom Up Program has been deployed in the municipalities of Orocovis and Humacao. Given that many more communities are falling significantly behind in their recovery, FPR will expand the Bottom Up Program to 24 new communities in 12 municipalities, all outside the metro area, over the next two years. FPR will partner with local business development organizations in Puerto Rico to improve and accelerate program design and implementation to ensure sustainable economic development in communities across Puerto Rico.

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# CHAPTER 1

## Background: Foundation for Puerto Rico

Given the potential of the Visitor Economy for Puerto Rico, in 2015 FPR began to work on making it a priority for Puerto Rico.

Foundation for Puerto Rico established a research strategy to help guide tourism policy on the Island, conducted events and educational campaigns to create awareness and appreciation about the importance of the Visitor Economy for Puerto Rico.



# The Visitor Economy

Foundation for Puerto Rico (FPR) is a local non-profit organization founded in 2011, that promotes opportunities for social and economic development in Puerto Rico, by promoting the Visitor Economy and transforming Puerto Rico as a destination for the world. FPR decided to focus on expanding the Visitor Economy due to its short-term economic impact. Properly executed, a Visitor Economy strategy could significantly impact the economy of Puerto Rico and provide economic opportunities to many Puerto Ricans. The FPR vision is for Puerto Rico to become a unique, desired, and accessible destination; that inspires millions of people from all over the world to visit. Puerto Rico has many assets and resources that allow the Island to create a wide network of authentic experiences. These range from its natural resources (that go way beyond sun and beaches), to its history, art, culture, and fine cuisine. They are all available in a compact, convenient, and accessible destination; both in proximity and affordability, equipped with state-of-the-art digital and physical infrastructure, among other advantages.

Despite these advantages, the World Tourism Organization (OMT) stated that Puerto Rico currently receives a little over 3.7 million visitors, plus 1.4 million that arrive in cruise ships, which only represents about 15% of the total market in the Caribbean, behind the Dominican Republic and Cuba. During the 1980's, Puerto Rico was the top destination in the Caribbean, with over 26% share of visitors in the region. If Puerto Rico had maintained its 26% market share in the Caribbean, it would be receiving about 5.6 million visitors per year or double the current number. It is also important to point out the surprisingly low contribution the Visitor Economy makes to the general economy of Puerto Rico, compared to other destinations.

According to the World Travel and Tourism Council (WTTC), the total contribution of

tourism to the Puerto Rican economy in 2017 was around \$7,100 million, or 7.2% of Gross Domestic Product (GDP), which is significantly less than other destinations.

| Puerto Rico | World Ave. | Caribbean Ave. |
|-------------|------------|----------------|
| 7.4%        | 10.4%      | 15.2%          |

Table 1. Total Contribution of Tourism as a percentage of GDP.

The tourism industry has experienced continued expansion and diversification over the past six decades, becoming one of the largest and fastest-growing economic sectors in the world. Tourism has boasted virtually uninterrupted growth over time, despite occasional shocks, demonstrating the sector's strength and resilience. Despite this growth, Puerto Rico's tourism sector has underperformed relative to other destinations.

In 2014, FPR began to work on making the Visitor Economy a priority to all stakeholders in Puerto Rico. This effort began by establishing a Visitor Economy Research Strategy to help guide tourism policy discussion on the Island. A series of research papers were published around various Visitor Economy topics, ranging from destination management, sharing economy, and national tourism statistics.

FPR also conducted a series of events and workshops around the research and policy recommendations to promote dialogue among the various stakeholders of the ecosystem. In addition, FPR worked on creating awareness and appreciation about the importance of the Visitor Economy for Puerto Rico through educational events.



FPR's Director of Research and Analytics, Arnaldo Cruz and FPR's President & COO, Annie Mayol, accompanied by Joaquin Villamil, Chairman & CEO of Estudios Técnicos, Inc.

Most of these efforts led to an important coalition building exercise among the various Visitor Economy stakeholders, spearheaded by FPR. This coalition included members from the public and private sector with the ultimate goal of developing a destination plan for Puerto Rico. The coalition had the task of identifying short-term projects with a high return for the destination. FPR's stakeholder engagement work was critical for the establishment of an independent, non-governmental Destination Marketing Organization (DMO) to lead marketing efforts for Puerto Rico, an idea that had been proposed for over a decade but never materialized.

FPR's unwavering commitment into this effort was critical for its success, as it provided backbone support to the founding board of directors and supplied resources to enable the development of the organization. FPR was also working in two critical Visitor Economy projects, the Visitor Information and Experience Warehouse (VIEWPR), an online platform that aggregates and

validates information about points of interest and experiences around the Island, and a National System of Tourism Statistics, an effort to develop robust indicators to measure the performance of the Visitor Economy in Puerto Rico.

# CHAPTER 2

## Hurricane Maria: Emergency Relief

After hurricanes Irma and Maria made landfall in Puerto Rico, Foundation for Puerto Rico directed all of its resources to facilitate response and coordinate recovery initiatives to aid our communities.

# Hurricanes Irma & Maria



Image via businessinsider.com

The aftermath of hurricanes Irma and Maria included the complete destruction of the Island's infrastructure, interrupting businesses.

Hurricane Irma made landfall September 6, 2017 as a category 5 storm. Two weeks later, hurricane Maria made landfall September 20, 2017, as a category 4 storm. According to the National Oceanic and Atmospheric Administration (NOAA), hurricane Maria recorded winds up to 155 miles per hour, triggered massive mudslides and caused catastrophic flooding. The National Hurricane Center (NHC) recorded storm surge levels that reached a maximum inundation, of six to nine feet above ground level along the coasts of various municipalities such as: Humacao, Naguabo, and Ceiba.

These storms caused severe damage to Puerto Rico's already deteriorated electrical grid. While Irma caused a power outage for nearly 50% of the Island, Maria caused the complete loss of power in all 78 municipalities. Unfortunately, the restoration of power was

hampered due to the scale and complexity of the damage and a poorly maintained, severely deteriorated and obsolete electrical grid. Four months after hurricane Maria, about 450,000 of 1.5 million electricity customers in Puerto Rico still had no service. Communications were also disrupted across the Island, leaving everybody incommunicated and hindering the spread of critical information. Days after the storm, the Federal Communication Commission (FCC) issued a status report which stated that 91% of the Island's cell sites were out of service.

# Small Businesses & The Emergency

Due to the significant impact Hurricane Maria had on the Island, FPR immediately directed all its resources to facilitate and coordinate response and recovery initiatives. With the help of many volunteers, FPR launched an intensive relief program, organizing and deploying a series of missions to deliver water, food, and other critical supplies to many communities across the Island. FPR also created the *Hurricane Maria Relief and Recovery Fund*, to directly support relief and recovery work. While working on numerous relief efforts, FPR noticed that many businesses in these communities were closed or operating with struggles. In Puerto Rico small business are the backbone of the local economy, employing more than 80% of all private sector workers.<sup>1</sup> The disruption produced when businesses are affected by disasters, not only causes direct business losses, but also indirect losses and economic ripple effects that are very damaging in a community.<sup>2</sup> Destruction and damage to businesses, along with disaster-related closures, result in the loss of jobs, creating even greater challenges for households, neighborhoods, and communities as they attempt to recover from disasters.<sup>3</sup> This was precisely the scenario that countless small business owners in Puerto Rico were likely to face after the aftermath of hurricanes Irma and Maria.

After meeting with some of the business owners, we were able to confirm the struggles we witnessed. FPR was concerned about the potential loss of small businesses given the magnitude of the situation as well as about several commercial districts that had become major economic hubs for local residents and visitors in Puerto Rico over the past few years. Research on this topic was not encouraging. As stated by researchers of the Disaster Research Center at the University of Delaware, "direct physical damage is only one of many factors influencing business loss and recovery; disruption to infrastructure services,

difficulties with supplies and shipment, or drops in customer traffic and demand, could have a significant impact as well."<sup>4</sup> According to the Institute for Business and Home Safety (IBHS), at least one in four businesses does not reopen after a catastrophic event. This is due to many factors, including the lack of working and long-term capital, being underinsured, inventory and property damaged, limited workforce options, and a diminished customer base. As reported by the Federal Emergency Management Agency (FEMA), the numbers were even less encouraging, roughly 40% to 60% of small businesses never reopen following a disaster, and another 25% fail within one year. Using updated data from VIEWPR, FPR was able to validate that many businesses were in fact closed. Business closures can have a devastating impact on the economy and hamper the community's recovery. At the community level, business destruction and damage can result in lost tax revenues for communities and can undermine the viability of business and commercial districts.<sup>5</sup> FPR was determined to minimize these closures in order to make recovery efforts more viable.

During the relief efforts, FPR began gathering data about the various approaches to help small business owners after a disaster. The most important federal aid resource for small businesses in Puerto Rico is the Small Business Administration (SBA), which makes low-cost disaster loans available to qualified businesses. In early October, the FPR staff met with SBA officials to discuss the program and to get an update on applications. SBA officials were astonished by the lack of applications at the time, as it was significantly lower than other states after a natural disaster. The Centro para Emprendedores (CPE), an FPR collaborator that provides consulting and coaching services to small business, indicated that many small business owners would not consider a loan after an emergency due to the

uncertainty of not being able to repay it. Not surprisingly, according to a recent report from SBA, of the 86,171 applications that FEMA distributed to small businesses across Puerto Rico, 68,394 were never filled and returned. This significantly low rate of application should concern all stakeholders, as it does not seem it will change much in future emergencies.

Given the low demand for SBA loans, FPR looked at local resources at the time, only to discover that the local government lacked proper short-term financing vehicles for small businesses like the ones used in other states. Some examples of these are gap financing and grant programs or Revolving Loan Funds (RLFs). These short-term loan programs were impactful in New Orleans after Katrina, Florida after Andrew and North Dakota following their flood. The funds are typically made in smaller amounts than long-term financing. The most well-known bridge loan program was established in Florida after hurricane Andrew in 1992. The Florida Small Business Emergency Bridge Loan Program is activated by the Governor only after declaring a state of emergency, which provides interest-free loans to devastated businesses ranging from \$1,000 to \$25,000. Grand Forks, North Dakota established an RLF after their flood in 1997 using Community Development Block Grant Disaster Recovery funds (CDBG-DR), which provided bridge financing, funding for disaster-related needs and support for businesses who were denied a loan from SBA. Unfortunately, none of these vehicles were available in Puerto Rico after the emergency.

CPE was conducting surveys of local businesses and at the time, advocating for short-term relief and immediate action. Meanwhile, there were several ideas floating among local stakeholders that went from supplying power generators to distributing diesel vouchers.

FPR discarded those ideas given the logistical challenges of getting and distributing generators to multiple locations. However, it was counterproductive to restrict support to a

particular item like diesel, given the multiple needs businesses had at the time. Moreover, all the literature available on disaster relief pointed access to cash as the best way to help small businesses during a natural disaster. Due to the lack of existing programs for small businesses and to minimize the number of business closures, FPR quickly designed, developed, and deployed what came to be known as the Small Business Cash Grant Program (SBCGP).



Nerma Albertorio, Founder & Executive Director of *Centro para Emprendedores*.

*"After supporting so many entrepreneurs to establish their businesses, we began to receive calls and messages from many of them asking us what to do next. After interviewing the first 26 business owners, we realized that the urgent need was to mobilize funds that could allow them to quickly replace the lost inventory. In all the interviews conducted, business owners asked us for access to cash, for them to start operating as quickly as possible. While this was happening, FPR was receiving donations to their newly establish fund and the possibility of helping these small businesses began. When we found out FPR was working on a relief program for businesses, we quickly shared the information we had collected and collaborated with them on the Small Business Cash Grant Program."*

There are several key aspects of the program design that are worth mentioning. First, FPR did not create an open application process for these grants, as it wanted to strategically crowd together funds around key commercial districts in Puerto Rico. By bundling the grants, FPR could impact an entire geographic area, as supposed to having one single grant within a dense commercial district. This element was

essential as the goal of the program was to jumpstart these districts, in order for them to act as recovery hubs for surrounding communities. The second component of the program was the two-installment arrangement. Eligible businesses within a selected district would receive half of the grant amount upon completing a thorough needs assessment and then receive the second installment three weeks later upon demonstrating progress with program requirements. Progress was met when a business was able to show evidence of growth in sales and employment relative to the time when it received the first installment. Last, and most important, was the technical support that accompanied the cash grant to assist business owners with recovery planning. The second installment was only given to business owners that completed four hours of coaching and that maintained the business open. This was a key complement to the cash assistance as businesses often need guidance following a major incident regarding critical decisions they should take to reconstruct or salvage their operation.

Another important aspect of the program design was a rapid deployment, meaning no long waits or overly bureaucratic processes that could delay assistance. FPR wanted the first installment to be distributed within two weeks of selecting a commercial district. It was vital to get cash out as quickly as possible. Although FPR was committed to accelerate assistance, it also

wanted internal controls and protocols to guarantee the integrity of the program and some common standards for eligibility. Priority was given to businesses that were closed but could open upon receiving the grant, as well as businesses that were operating with less than half of their pre-Maria workforce. Priority was also given to micro-businesses, meaning businesses with less than one million dollars on annual sales.

Given that FPR did not have the internal infrastructure or expertise in place to execute the program right away, it partnered with CPE for the implementation. They were hired and responsible for completing the business census, conducting in-depth needs assessment interviews, providing business coaching, and certifying progress so that FPR could issue the second installment.

As FPR is accustomed, the program was piloted first before expanding to the entire Island. The selected sites were:

- Calle Loíza (Santurce)
- Ponce Town Square
- Gastro District, road #110 in Aguadilla

FPR began the pilot in mid-October of 2017 and by the end of the first month, it was issuing the first checks to business owners at Calle Loíza and Ponce. By November, FPR had distributed over \$89,000 in cash grants to 39 businesses. A full evaluation of the pilot program was

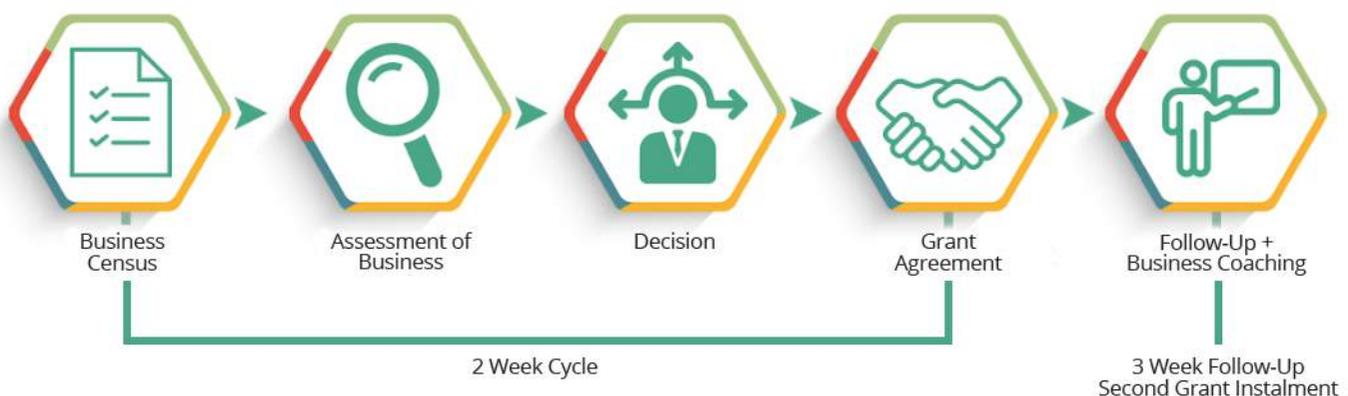
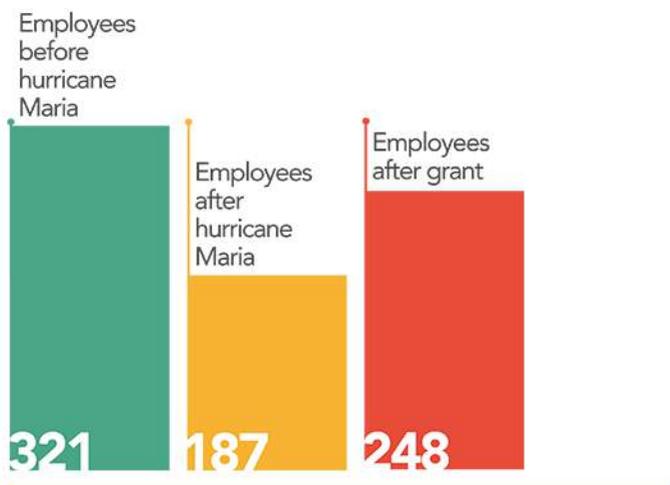


Figure 1. SBCGP framework and timeline

conducted in late November with encouraging results. Of the 39 businesses selected, 38 maintained operations and completed the technical support portion of the program. There were two additional metrics that were used to evaluate the program, rate of employment, and a sales report.

As you can see on the graph below, businesses on these sites lost almost half of their workforce after hurricane Maria. Data collected showed that these businesses were able to reach 77% of employment levels by the time they received the second installment. Additionally, sales reports demonstrated participants reaching 90% of pre-Maria levels. Interviews with business owners participating in the program were also revealing. Many stated that they were “playing catch-up,” delayed on payments to suppliers, and having to choose between bringing back employees that were on the fence about leaving to the U.S. mainland, or buying loss inventory.

### Employment levels (pilot phase)



Graphic 1. Number of employees at SBCGP pilot commercial districts.

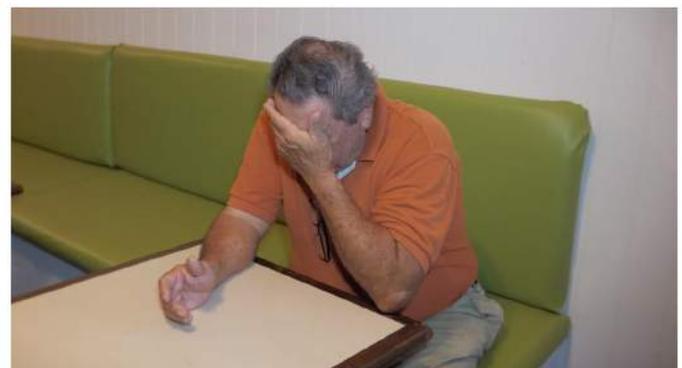
Through video documentation, FPR captured many of the grant awards. It was moving to see business owners overwhelmed and emotional about the help received. One of them was Saúl Rivera, who had a skate bar in the heart of Ponce, called *Anonymous SK8 Bar*.

His establishment was severely damaged by the storm and was closed at the time CPE reached Ponce. FPR provided a grant of \$4,000 to Saúl that he then used to make major repairs to the roof and to buy inventory. Within two weeks of the first installment, Saul was reopening his business with a live concert.<sup>6</sup>



Saúl Rivera, owner of Anonymous SK8 Bar, receiving a cash grant.

The same thing can be said about José Rodríguez, owner of *El Nuevo Coquí*, whose restaurant was destroyed after the storm. José decided to invest all he had left from his savings to open in a new location a couple of doors down. He was missing some startup funds to buy chairs, tables, and new inventory. FPR's \$5,000 grant allowed José to open within three weeks of the first installment.



José Rodríguez, owner of *El Nuevo Coquí*, full of emotion after receiving a cash grant.

# SBCGP Pilot Impact Summary

 Aguadilla - Gastro District, road #110

 \$33,000.00



 San Juan - Calle Loíza, Santurce

 \$20,250.00



 Ponce - Ponce Town Square

 \$36,500.00



Total Businesses:  
**39**



Total Grant Disbursement:  
**\$89,750.00**

# CHAPTER 3

## Small Business Cash Grant Program: Post Pilot

Foundation for Puerto Rico expanded the program to 10 additional commercial districts. The expansion of the pilot began in December 2017 and ended in July 2018. Although the program was originally intended to run for a few months as emergency relief support, grants were distributed through July 2018, about 10 months after the hurricane due to ongoing need for cash support and technical assistance.

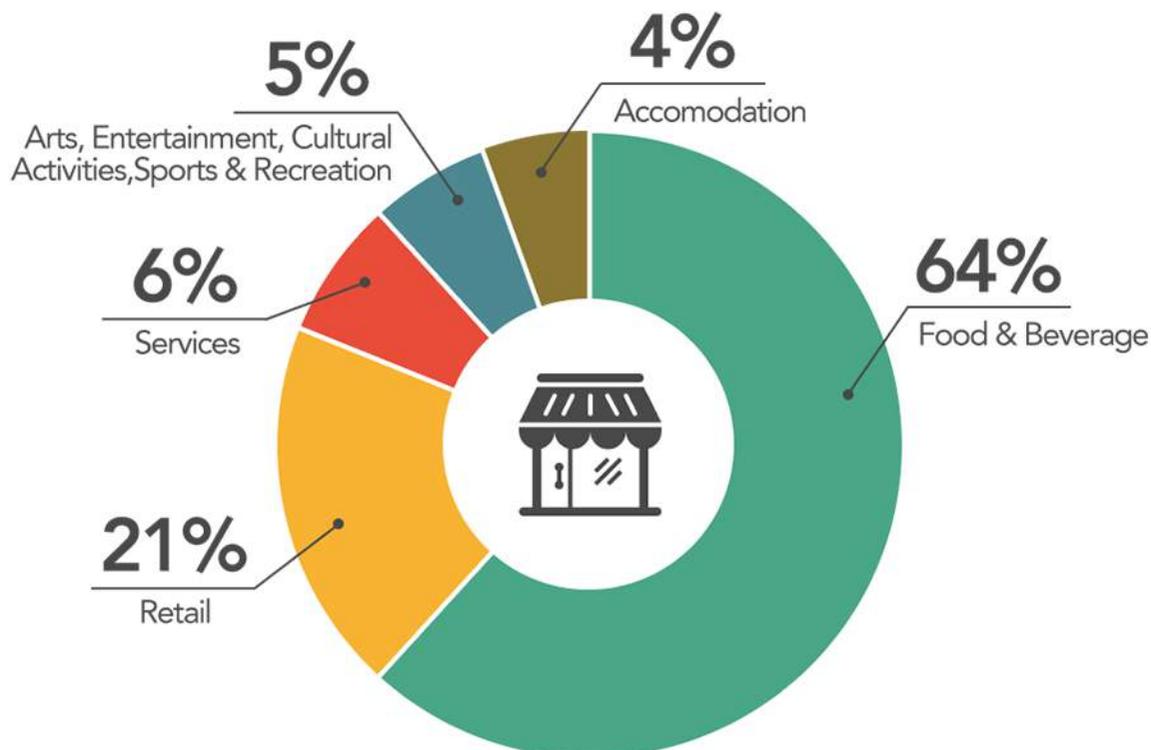


# Program Expansion

In early December 2017, given the early successes, FPR decided to expand the program to ten additional commercial districts across the Island. To select the districts, FPR looked at commercial clusters within Puerto Rico, focused on, geographic concentrations with Visitor Economy assets. Clusters needed to include a mix of products and services related to Visitor Economy linkages. The agglomeration of related economic activity was the central feature in the selection process. The cluster analysis was qualitative in nature, using information from the VIEWPR database, business directories, U.S. Census data, commercial mapping applications, and online travel platforms. Our operational partners, Centro para Emprendedores (CPE) and the Puerto Rico TechnoEconomic Corridor (PRTEC)<sup>7</sup>, also visited these districts several times to validate the information. The final commercial clusters selected were:

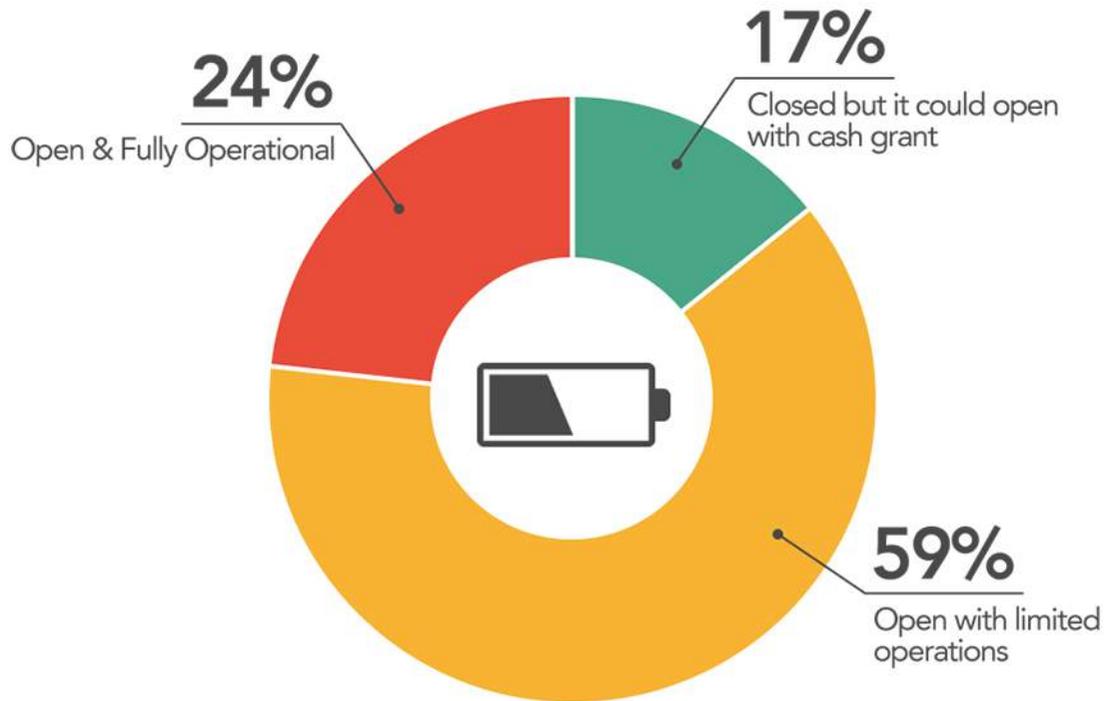
- Poblado de Boquerón - Cabo Rojo
- Joyudas Area - Cabo Rojo
- Guavate, "Ruta del Lechón" - Cayey
- Jobos Area - Isabela
- Culebra
- Calle Loíza - San Juan (Round II)
- Punta Santiago - Humacao
- Ruta de la Loganiza - Orocovis
- Orocovis Plaza - Orocovis
- Piñones Area - Loíza
- Juncos Town Square- Juncos

The expansion of the pilot began in December 2017 and ended in July 2018. In total, 161 businesses received a grant after the initial pilot ended, with over \$414,250 distributed. In sum, FPR invested over \$500,000 on the program, benefiting 200 businesses in 13 commercial districts across the Island. As with most of the highly dense commercial clusters in Puerto Rico, most of the business establishments in the program were within the food and beverage and retail sectors.



**Graphic 2.** Sectors impacted in the SBCGP.

The food and beverage sector was mostly composed of restaurants. On average, the business participants had five employees with annual sales of \$192,000. These numbers varied across sectors, with small retail stores averaging two to three employees with annual sales of \$159,000, while food and beverage businesses averaged about six to eight employees with \$214,000 in annual sales. The average amount of cash grant was around \$2,550. Given that the program guidelines restricted grants to micro businesses, none of the program participants had annual sales surpassing the \$1 million mark. As in the pilot, businesses were classified in three categories:



**Graphic 3.** Initial Assessment - Small Business Status.

As the program progressed, it became less likely to have closed businesses participating in the program. That been said, **60% of the businesses in the program that were closed, opened after the assistance.** Most of those closed businesses participated in the program after March 2018, six months after the hurricane. The fact that business owners were able to open after six months of business interruption speaks volumes about their tenacity.

When CPE and PRTEC arrived at each commercial district, the state of most businesses was unfavorable. Although the majority of the businesses interviewed were open, confidence among owners was low as they were still juggling with many challenges, from lost inventory to damaged equipment. On top of all these challenges, most

businesses were dealing with a diminishing client base, forcing business owners to reduce their workforce. According to the initial intake, businesses had reduced their workforce by 40% after the Hurricane.

As in the pilot, all businesses were required to take two sessions of technical support from the program's partners before receiving their second grant installment, as well as report progress with sales and employment levels.<sup>8</sup>

**96% of the business owners in the SBCGP completed the individual coaching sessions and received the second installment. More than 850 hours were completed within all the commercial districts.**

Below a summary with statistics of the program (pilot and post pilot):

| Item                             | Data         |
|----------------------------------|--------------|
| Total of Grants                  | 200          |
| Total Municipalities             | 11           |
| Total of Commercial Districts    | 13           |
| Total Amount of Grants Disbursed | \$503,500.00 |
| Average Grant                    | \$2,520.00   |
| Coaching Hours                   | > 850h.      |

**Table 2.** SBCGP Summary of results.

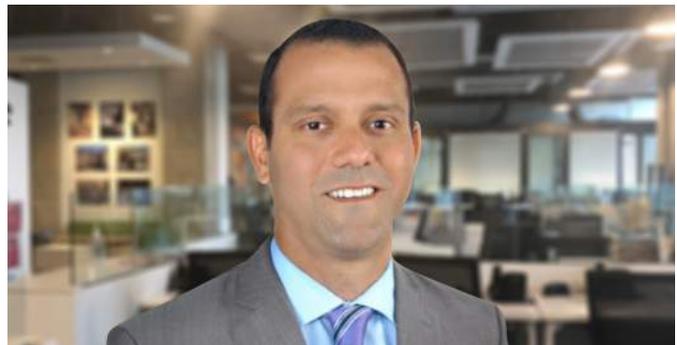
Although the program was originally intended to run for a few months as emergency relief support, grants were distributed through July 2018, about 10 months after the hurricane. This was due to the ongoing need for cash grants and technical support as FPR was receiving constant calls to expand the program. The impacted commercial districts in Cabo Rojo were an example of this, not only the cash assistance was helpful, but also, the technical support was crucial in order to mitigate business interruption. *“Businesses in the region of Cabo Rojo were in need of individualized advice on issues of business preparedness, cash management and other sources of financial support, with the collaboration of Foundation for Puerto Rico we could address those needs”*, stated the PRTEC Executive Director, Nelson Perea.

Upon arriving at these new commercial districts, FPR and their partners were finding similar patterns to the commercial districts from the initial part of the program. After more than sixth months, most of these small businesses had not fully recovered from the hurricane, significantly behind Pre-Maria sales and employment levels.



Nerma Albertorio, Founder & Executive Director of Centro para Emprendedores.

*“We were very surprised to hear the same stories over and over again as the program was implemented in 2018. Most businesses were similarly situated on our assessments, reporting the same challenges we saw during the pilot. A recurrent theme was the lack of assistance. We heard so many times “you are the only ones helping us.” There were just too many businesses with need, and not enough recourses available to them, even to this date.”*



Jaime Morales, Program Manager at PRTECH.

*“There is no doubt that the support of many businesses in both districts was an important factor in their recovery. The experience gathered through the visits vary in terms of access to financing. Most of the owners depended on claims made to insurances companies and savings to make improvements. By March 2018, the vast majority had not obtained the payment of their insurance claims. When asked if they would request financing for the recovery of the damages, very few answered that they will appeal to the Small Businesses Administration (SBA) or to traditional banks since it would commit them with a long-term loan payment. This program was not only a booster of financial resources but of confidence and support at a time of extreme crisis and despair.”*

# SBCGP Post-Pilot Impact Summary

 Jobs, Isabela

 \$40,000.00



 Piñones, Loíza

 \$39,250.00



 Calle Loíza, Santurce  
(second round)

 \$35,000.00



 Town Square, Juncos

 \$34,000.00



 Joyuda, Cabo Rojo

 \$48,000.00

 Boquerón, Cabo Rojo

 \$40,000.00



 Orocovis Plaza

 \$28,000.00

 Ruta Longaniza, Orocovis

 \$49,000.00



 Guavate, Cayey

 \$30,250.00



 Punta Santiago, Humacao

 \$38,000.00



 Culebra

 \$32,250.00



Total Businesses:  
**161**



Total Grant Disbursement:  
**\$413,750.00**

# CHAPTER 4

## Program Evaluation

Upon completing the program, Foundation for Puerto Rico developed a survey to track the status of all program participants. Here are some of the results.

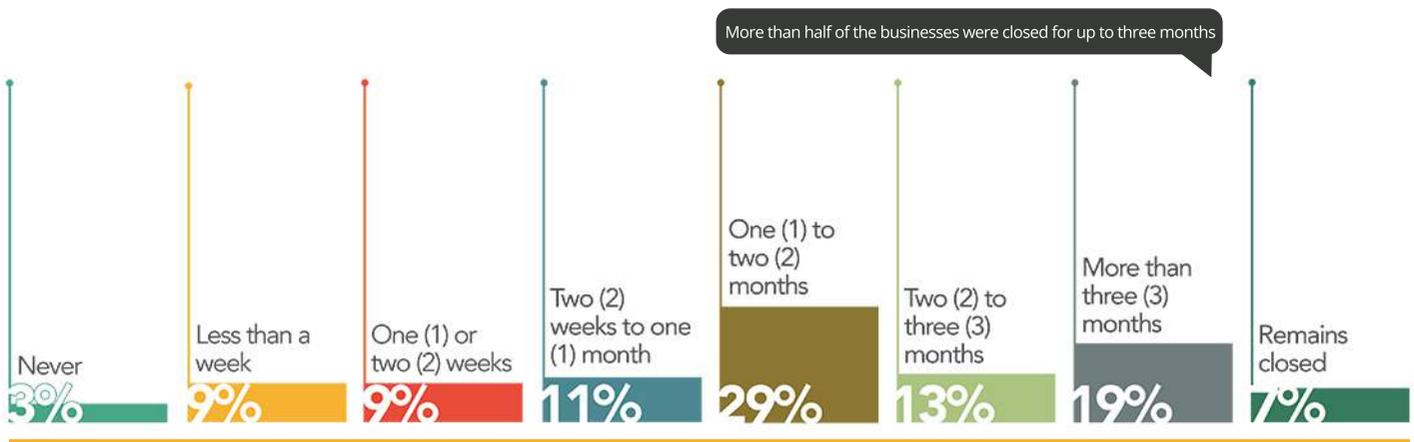


# SBCGP Survey

Upon completing the program, FPR developed a survey to track the status of all program participants. FPR wanted to verify if businesses were still open months after receiving the aid, as well as to check the status of sales and employment levels. Lastly, FPR wanted to learn how helpful was the aid received. At the time FPR was conducting the survey, businesses at Loíza and Cayey had not completed the program, hence they are not included in the evaluation. Therefore, the universe of SBCGP program participants was 159; of those, 131 completed the survey (81%).<sup>9</sup> FPR conducted these interviews during the months of June and July of 2018.

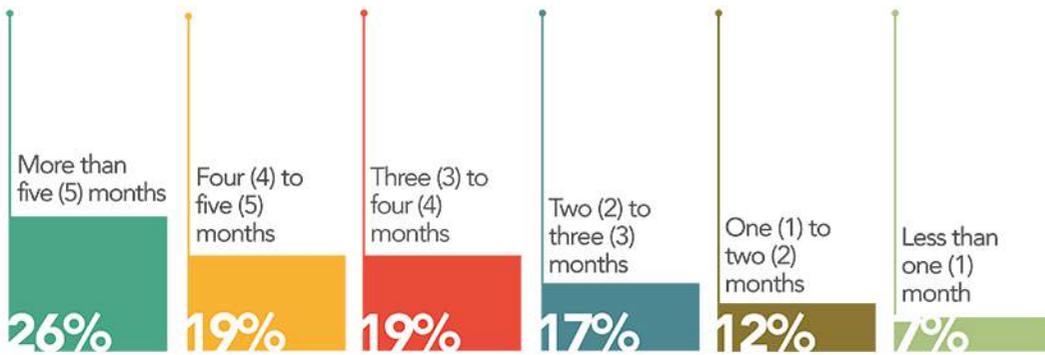
The first set of questions was intended to get a better sense of the situation right after the Hurricane.

## After hurricane Maria, for how long was the business closed?



Graphic 4. Status of businesses surveyed.

## After hurricane Maria, for how long did the business operate with limitations? (I.e. without power; business interruption; limited merchandise available; limited employee capacity)

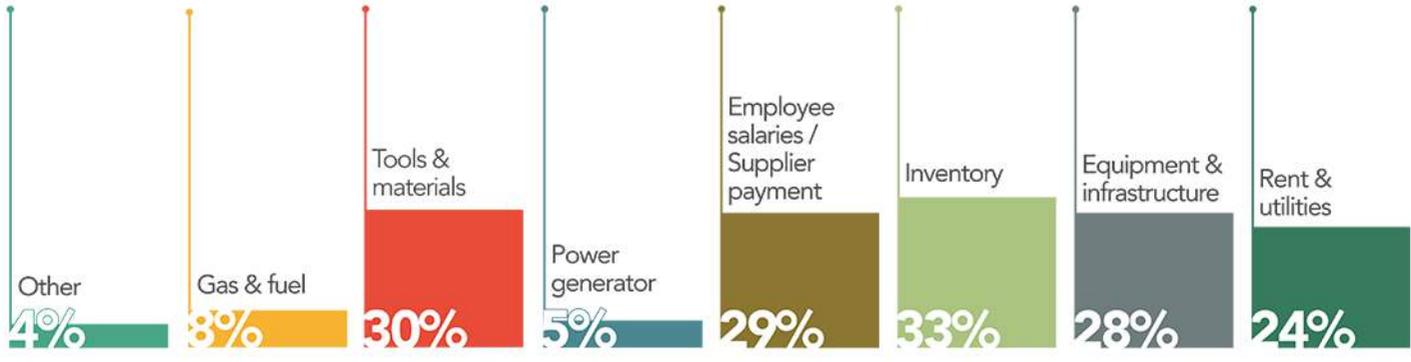


Graphic 5. Period of businesses operating with limitations.

More than two-third of businesses were closed for at least a month, and about one-third were closed for up to two months. More than half of the businesses reported operating with limitations for up to three months after the hurricane. This validates FPR’s decision of expanding the program beyond the original three month period, given the significant challenges small businesses were facing months after the storm. Lack of power was one of biggest challenges informed, 42% reported not having electricity by the time they received the cash grant.

When asked about utilization of the grant, the majority used it to repair equipment and replenish inventory, many of them also used it to pay for rent and utilities. This validates the helpfulness of the grant and the impact on these small businesses, as \$2,500 was in most cases enough to pay for one month's rent, buy inventory and purchase critical equipment.

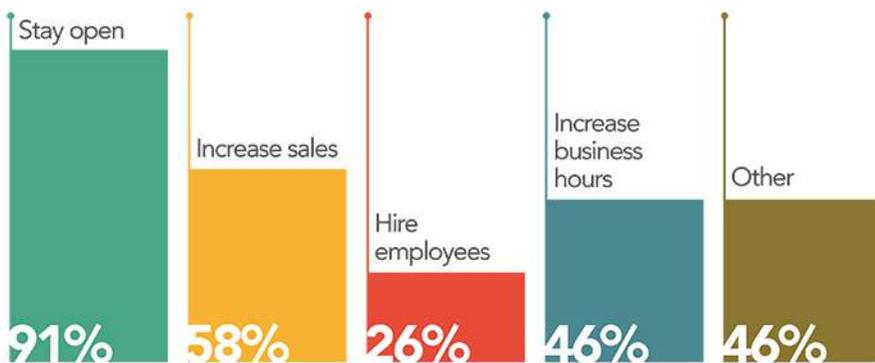
**Use of cash assistance**



**Graphic 6.** Utilization of the grant.

When asked about the assistance received, 91% responded that it helped them keep their business open and 48% said that it helped them increased their business hours during the time.

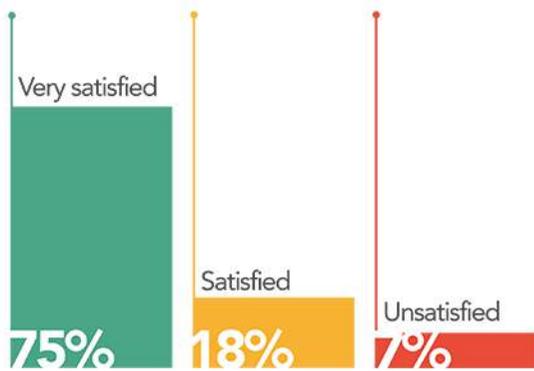
**The assistance helped you to...**



**Graphic 7.** Assistance received.

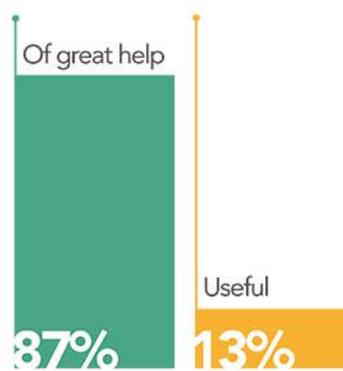
In terms of overall program satisfaction, 87% stated that the program was of great help and 93% were satisfied with all components of the program, including the technical assistance.

**How satisfied are you with the program?**



**Graphic 8.** Program's rating.

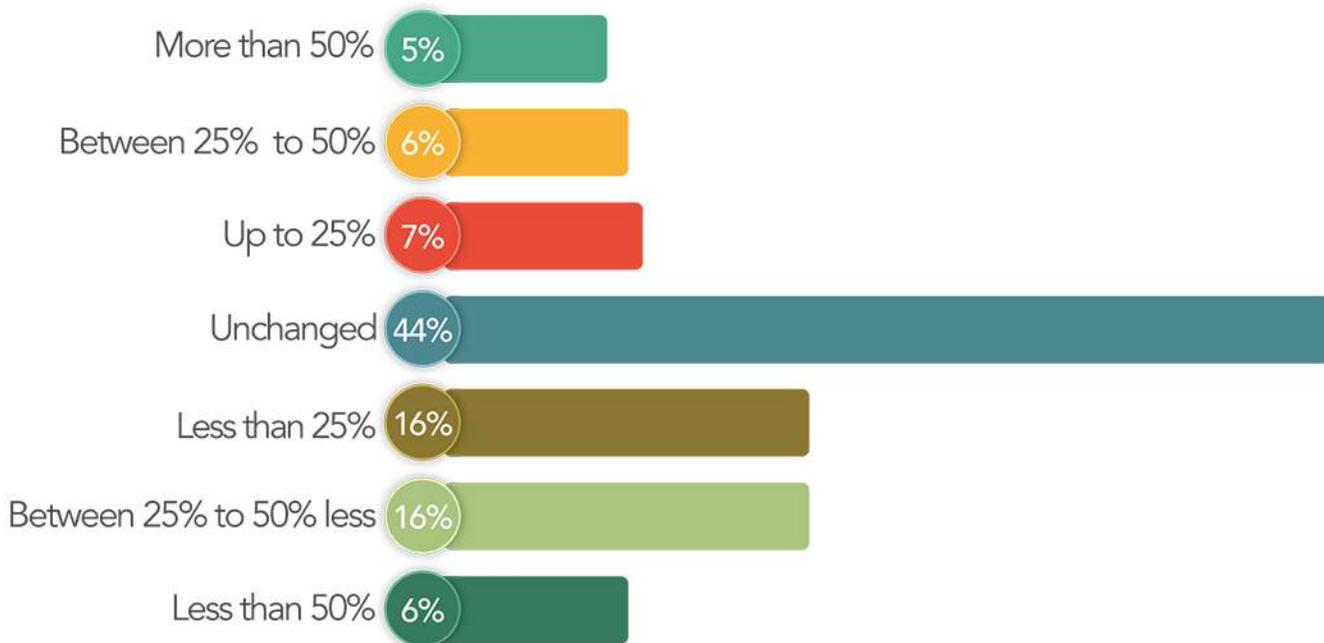
**At the moment you received the grant, it was...**



**Graphic 9.** All business owners were thankful for the assistance received

FPR wanted to learn about the status of these businesses months after they participated in the program. One of the questions asked was related to actual employment levels in comparison to employment levels before hurricane Maria. The graph below summarizes the responses.

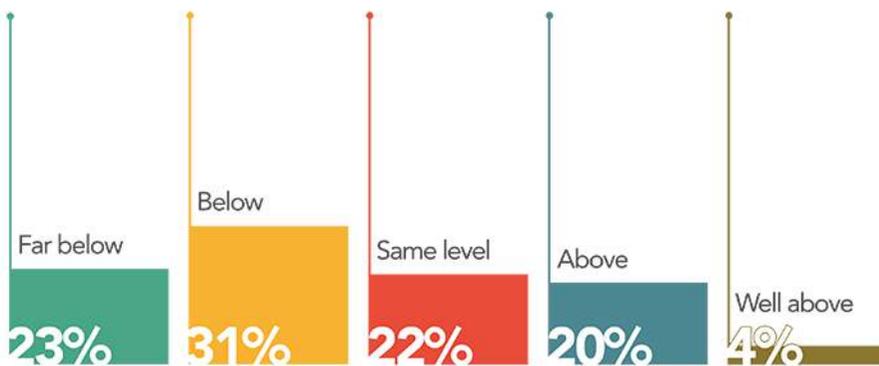
**Actual employment levels**



**Graphic 10.** Actual employment levels compared to employment levels before hurricane Maria.

When these businesses received the first installment of the grant, they were operating with an average 40% less staff. Today, on average they are working with 20-25% less employees. That been said, 38% of businesses reported having less employees now. Sales are also down, with 51% reporting a drop in their sales relative to the same time last year. This validates the expansion of the program through July 2018, and a need to keep supporting small businesses, as many are still struggling to get back to Pre-Maria levels.

**Current sales level compared to the time of hurricane Maria**

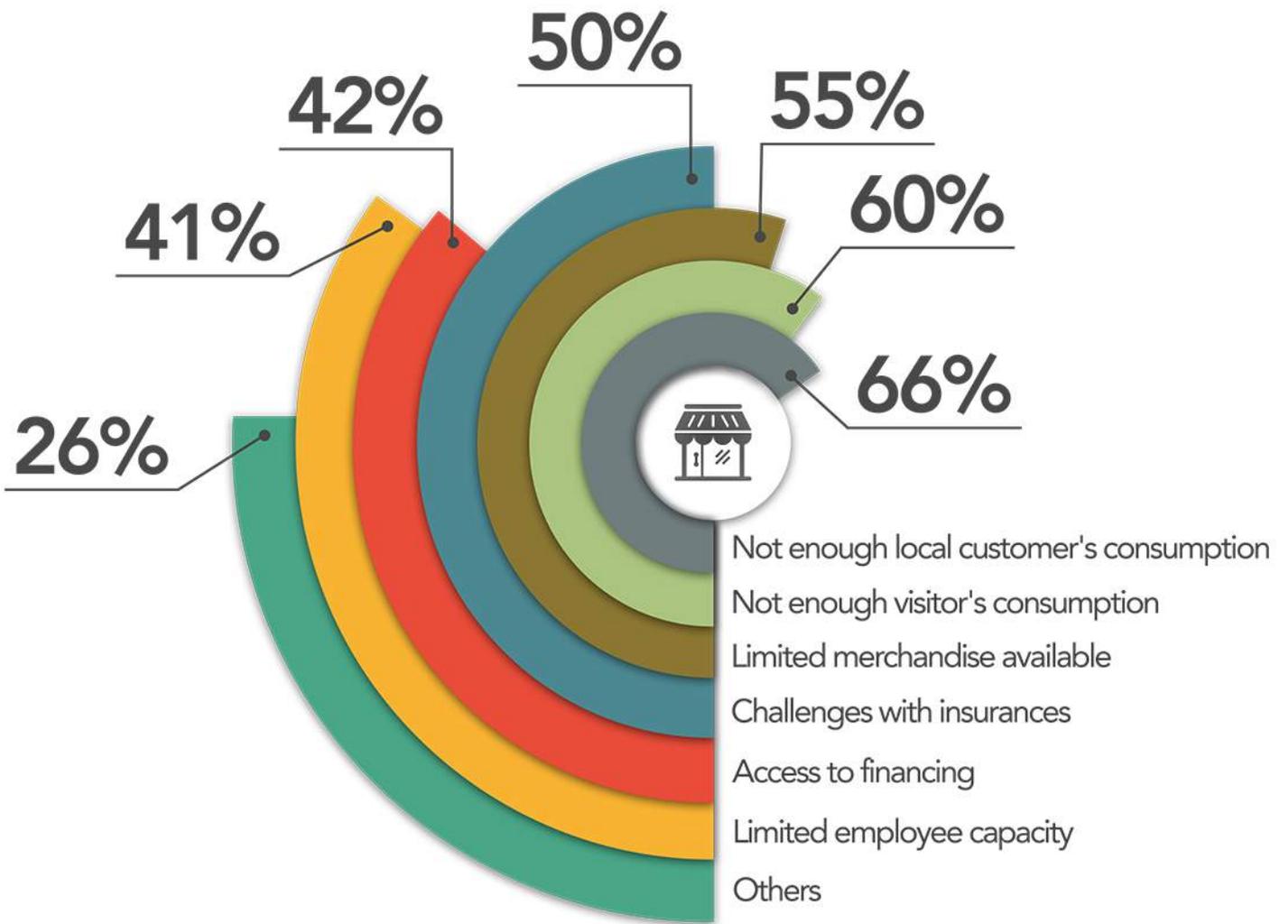


**Graphic 11.** Businesses current sales levels.

Program participants were asked if they knew of multiple business closures in their district; 84% stated that they did, which supports some of the FEMA estimates. Although the FPR program was successful at minimizing business closures, it is fair to think that most businesses in Puerto Rico could have much higher closure rates, in some cases similar to the ones stated by FEMA.

**When asked what is their most pressing issue today, they stated: it was businesses reduction or reduced client base due to outmigration in their local community and lack of visitors. Another pressing challenge was dealing with their insurance claims.**

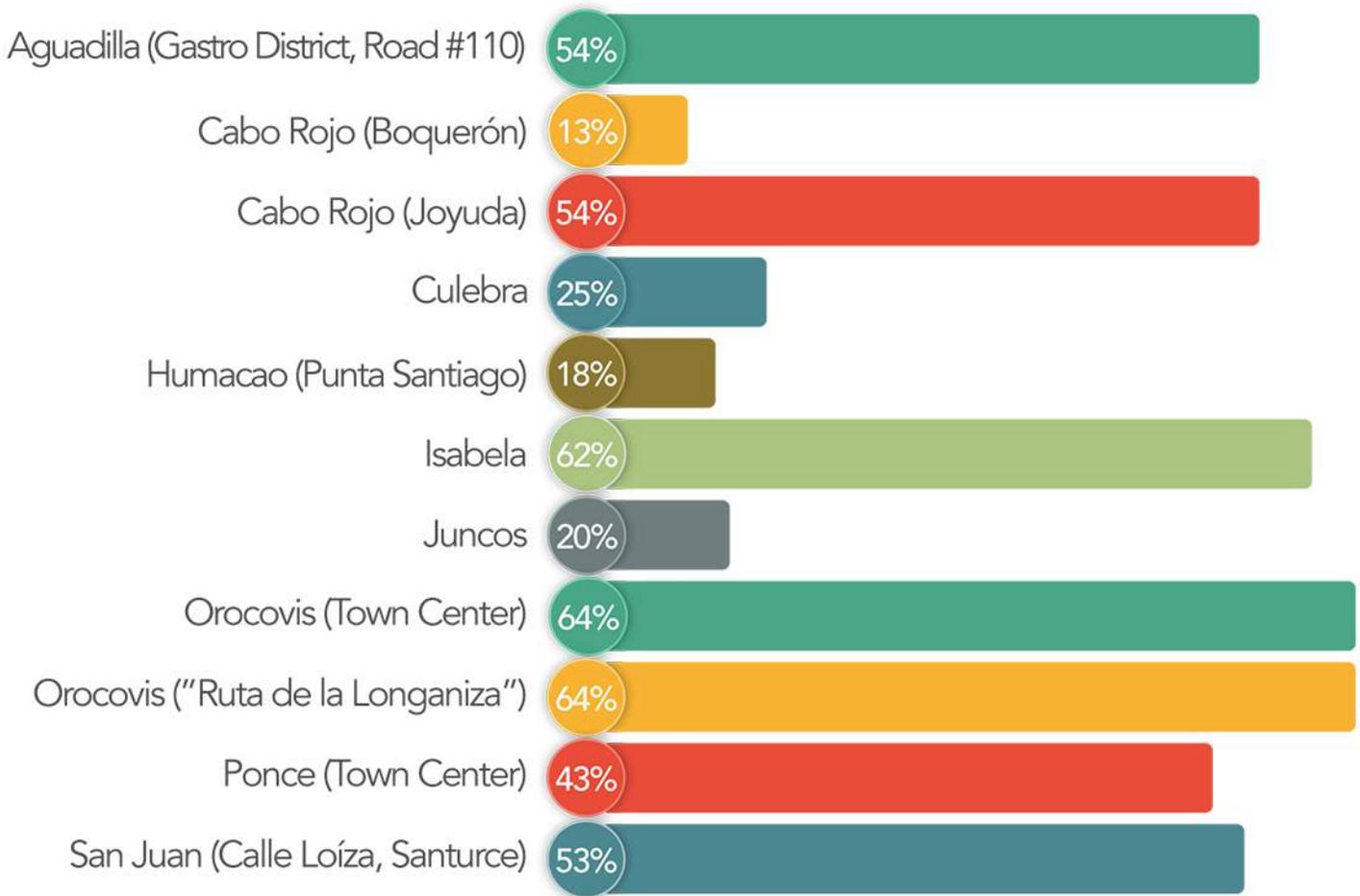
What issues are you facing currently?<sup>10</sup>



**Graph 12.** Businesses current issues.

Ultimately, FPR wanted to compare sales reports within the 11 districts that participated in the survey to see if there were any significant differences across areas. According to the survey, Humacao, Culebra, and Juncos were the districts that are still most affected, while both districts in Orocovis seem to have recovered the most from the hurricane.

**Current sales level per district**



**Graph 13.** Current sales levels per commercial districts.

The data gathered within the **businesses in Orocovis** is very telling as these districts were part of the first Bottom Up Destination Recovery Initiative (Bottom Up Program), a new community-based, economic development program created by FPR early 2018.<sup>11</sup> The cash grant program was part of a larger and more comprehensive business support program within the Bottom Up Program. The Business Support Component of this program included additional hours of technical assistance and coaching, resiliency equipment donations, and a program training on sustainability.

**Therefore, it is fair to conclude that these additional Bottom Up Program Components were partly responsible for the quicker business recovery in Orocovis relative to other districts.**

# CHAPTER 5

## Conclusion, Recommendations, and Next Steps

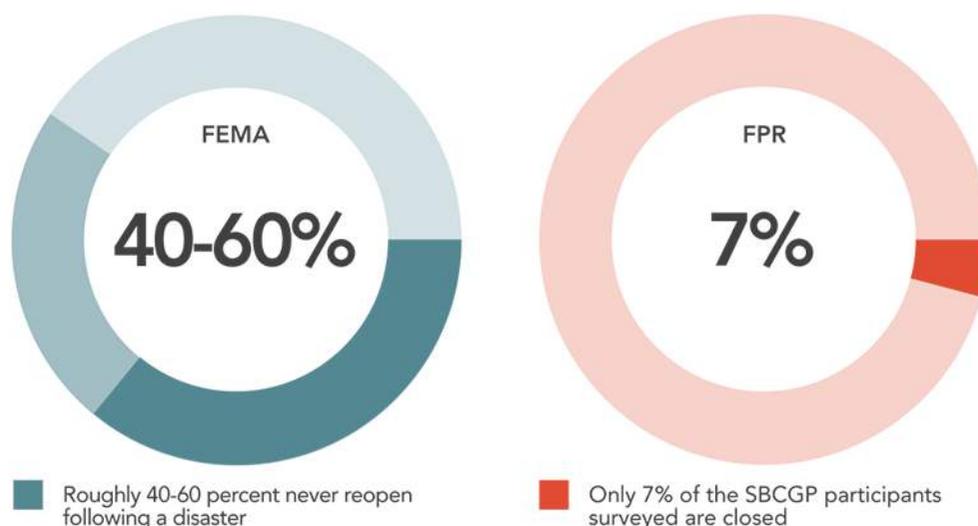
There are some important recommendations from the program that should serve policy makers (local and federal) as a guide for future disasters.



# SBCGP Final Thoughts

After distributing more than \$500,000 to 200 small businesses across the Island, FPR wanted to validate the program assumptions through an evaluation. One of the assumptions was that the cash grant would minimize the likelihood of a closure of a small business in Puerto Rico. **According to FEMA, 40% of small business closes after an emergency, but only 7% of the participants in FPR's SBCGP closed.** The other assumption was that it would help businesses recover sales and employment levels, data from the survey did reflect significant progress. Although you cannot associate the entire increase in sales to the SBCGP program, (given that sales could have increased due to other unrelated factors), 91% of survey respondents did indicate that the program helped them stay open, while 58% indicated that it helped increase sales at their shop.

## FEMA statistics versus SBCGP results



**Graphic 15.** Business closure rates (FEMA vs SBCGP)

As stated before, 100% of businesses said the program was helpful, while 87% stated that it was very helpful. During the survey, business owners were asked to give a general opinion about the program. Below are some of their answers:

- *"If it wasn't for this help, I would have closed my store and left to the States"*
- *"Foundation was the only organization that came to help"*
- *"I closed my establishment, but with the help and coaching offered in the program I was able to open a new business."*
- *"The help came at the right time, it lifted the spirits of everyone at the restaurant"*
- *"The help came out of nowhere, it pushed us through a very difficult time".*



Lysbell Araujo, owner of Prros Locos in Calle Loíza, Santurce

*"We were faced with so many challenges, so many mixed emotions, not knowing what to do, what to expect and even how to react. Every day was a struggle. We were the only restaurant open in our block for many weeks and with no communication. Receiving the cash grant from Foundation for Puerto Rico and CPE has been one of the most humbling experiences I have had. They gave me hope, they believed in me, in my business, in so many other local businesses and gave us an opportunity to survive."*

Local stakeholders from the business development ecosystem were also asked about the program's value.



Laura Cantero, Executive Director of Grupo Guayacán, Inc.

*"At Guayacán, we recognize the strong leadership role that Foundation for Puerto Rico (FPR) took after the devastating impact of Hurricane Maria, providing immediate emergency access to capital to Puerto Rico's small businesses. Through its Small Business Cash Grants Program, the Foundation impacted many businesses which are key drivers of local and regional economic activity. We commend FPR for their agile response to local business owners' most pressing needs after Maria, providing not only capital, but also much needed technical assistance and support. Thanks to the Program, these businesses were able to survive a period of critical need and be better prepared to face the road to recovery ahead. We look forward to collaborating with FPR to continue serving the needs of local businesses, which will be at the heart of building a robust and sustainable economic recovery and a more resilient Puerto Rico for generations to come."*Program, these businesses were able to survive a period of critical need and be better prepared to face the road to recovery ahead. We look forward to collaborating with FPR to continue serving the needs of local businesses, which will be at the heart of building a robust and sustainable economic recovery and a more resilient Puerto Rico for generations to come."



Lucy Crespo, CEO of Puerto Rico Science, Technology & Research Trust.

*"Foundation for Puerto Rico is an organization that has had the capability to match needs with solutions in a consistent manner. It also has the ability to bring together key players from all ecosystems in a collaborative manner. The Puerto Rico Science, Technology and Research Trust has been part of its stakeholders consistently. After the emergency with Hurricane Maria FPR had a crucial role in supporting the recovery of the Island, especially with the opportunity of grants to business owner. Their proactivity and results define them as organization. FPR is also the leader in the Visitor Economy topic, and we are looking forward to continuing our collaboration in this area."*

# Lessons Learned - Program Design

The SBCGP was successful in several fronts, particularly its timely implementation given the lack of financial tools available to small businesses at the time. The ability to identify this gap, design, and implement a cash grant program within a few weeks after hurricane Maria, is a testament of FPR's vision and agility in the face of crisis. **Several design elements** were critical for the rapid deployment and program results:

- **No open solicitation:** Instead of opening the program to all businesses in Puerto Rico through an open solicitation process, FPR pre-selected the geographic areas of impact. The decision was made for two reasons. First, by choosing the areas beforehand, FPR could better control program costs and logistics. For example, FPR did not have to create a call center or build a web portal to process thousands of applications, nor be forced to go to a remote location to evaluate a single business. This is what allowed FPR to implement the program quickly and put cash in businesses' hands within weeks of the hurricane. Second, by aggregating funds within a dense geographic area, FPR increased the spillover effects of individual grants. In other words, the impact of one single grant in Ponce Town Center was not going to be nearly as much as 14 grants simultaneously distributed within that location.

- **Worked with partner organization instead of establishing new program structure:** Once the program was designed, FPR partnered CPE and PRTEC on the implementation, as both had the infrastructure in place to perform the business census, conduct needs assessment, and provide technical support. If FPR had attempted to build capacity to operate all components of the program, grants would have not been distributed within a month after the storm. The partnership with an

existing subject matter expert allowed for quick deployment of the program and assured quality of services delivered.

- **Supplementing the cash assistance with technical support:** The merger of cash and coaching was crucial in the program design. To provide the second installment of the cash assistance, the business owner had to receive technical support from the partner organization.

# Lessons Learned - Policy Recommendations

There are some important recommendations from the program that should serve policy makers (local and federal) as a guide for future disasters.

- **Puerto Rico needs short-term financing vehicles readily available for an emergency like Maria.** One recommendation is to leverage CDBG-DR and Economic Development Administration (EDA) funding to create a Business Loan Program (BLP) and/or Revolving Loan Fund (RLF) to use for future occurrences. The Florida program mentioned before has been activated thirteen times since it was first established in 1992.

- **Conditioning part of the grant to receiving technical support.** Is a good way of nudging businesses into receiving the necessary guidance during this time, as some business owners might think they do not need it. This ensures funding is well invested and that the business is successful.

- **Integrating economic resilience planning within the technical support.** Ensures business continuity, and moreover, risk management components are vital to the business preparedness in future natural events. As stated in the *Colorado Flooding Resilience Economic Development Planning Report*, “business continuity plans are an important part of keeping the local economy resilient following disasters.” The report also suggests local governments assist by promoting continuity planning and by connecting businesses to emergency management preparedness planning efforts.

- FPR found few locally based privately funded Economic Development Organizations (EDOs) around the Island. According to the International Economic Development Council (IEDC), Organizations (EDOs) around the Island. According to the

International Economic Development Council (IEDC), EDOs are the best suited to lead economic recovery efforts in the community. During the emergency, the government’s EDOs, the Puerto Rico Department of Economic Development and Commerce (DDEC), showed that it lack the infrastructure to provide support throughout the Island. This was evident by the lack of local financing programs for small businesses and feedback from participant of the SBCGP. While state and federal government can bring significant resources after a disaster, a locally based response is vital for recovery operations to be more effective at providing necessary support and assistance. **As a result, federal funds should be used to strengthen local NGOs and business associations to become functioning EDOs in their communities.** The DDEC or any other NGO could provide technical assistance to these EDOs in matters such as organization development, emergency management planning, and business development. Given the commonwealth’s fiscal woes and the fragility of the infrastructure in Puerto Rico, the government should not rely on a centralized recovery operation. These local EDOs (once fully capable of operating) could be given the responsibility of establishing a Business Recovery Center for business assistance in their communities, as recommended by the IEDC. These locally based recovery centers would be mainly responsible for helping impacted businesses return to operations as soon as possible.

As far as what is next for the SBCGP, FPR will be transitioning the program to a more comprehensive business support strategy aligned to the Bottom Up Program.

# FPR's New Business Support Program

As previously stated, businesses in the Orocovis districts outperformed other districts thanks in part to additional services provided in the Bottom Up Program. The technical support component was expanded to incorporate training in the following areas: marketing, sales, operations, human resources, and entrepreneurship. Based on each individual assessment, our partner in Orocovis, INprende provided specific recommendations to each business. They also provided a handbook to each business owner to help them continuously assess their operations. Simultaneously, an entrepreneurship program was deployed including a business incubation module and a series of entrepreneurial events in the community. As part of the program, FPR provided seed funding to ideas that could help increase demand of visitors and improve local linkages. According to our partners in the field, the entrepreneurship spirit had “kickstarted” in Orocovis after all business support components were implemented. This sort of environment had a huge impact on the business recovery in Orocovis, as evidenced by the surveys conducted in the SBCGP evaluation. Thus, FPR will be incorporating those additional elements in future small business programs within the Bottom Up Program, along with lessons learned.

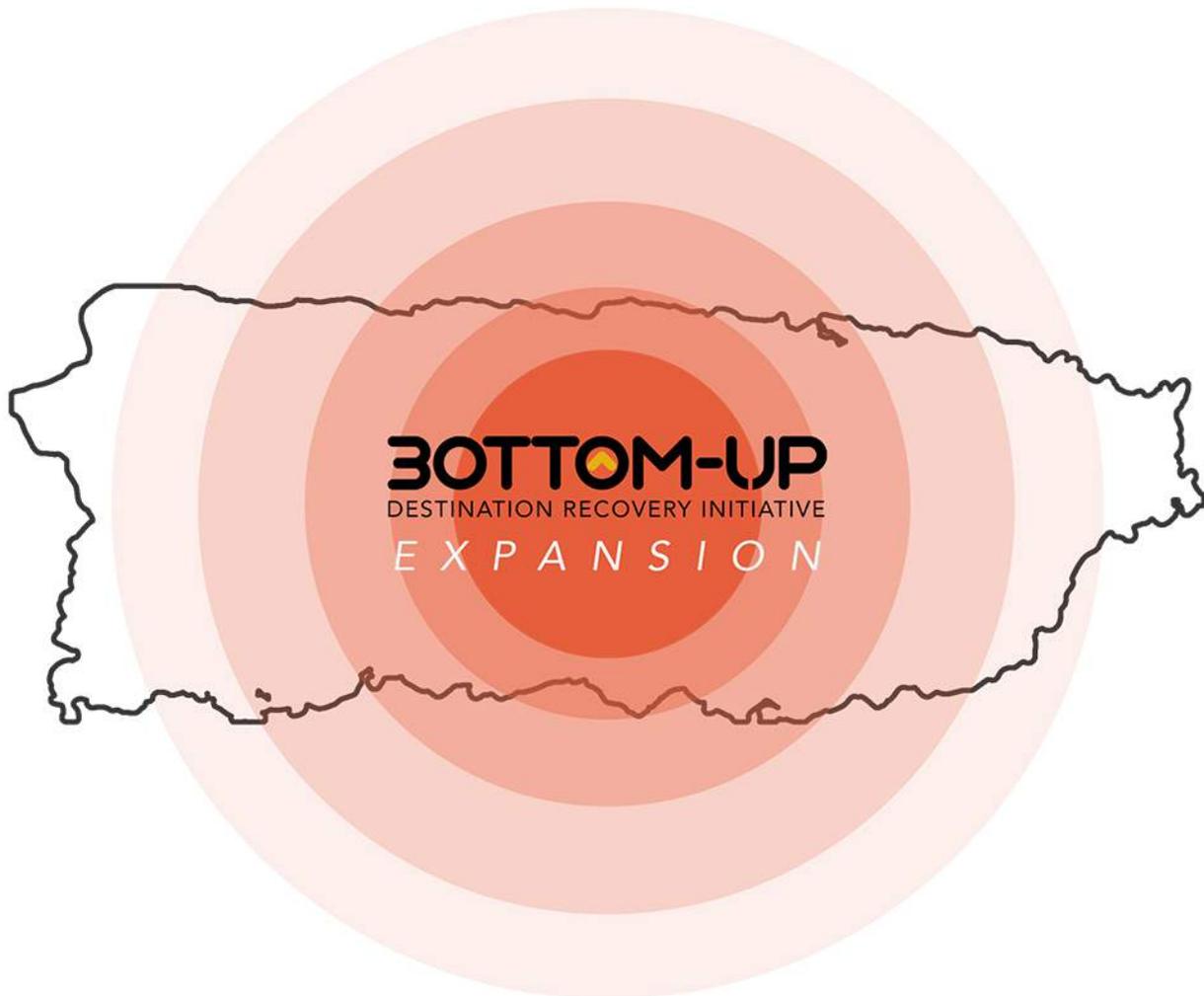
**The elements of the business support component implemented in Orocovis.**



**Figure 3.** FPR's business support components

# Bottom Up Program Expansion

The Bottom Up Program has been deployed in the municipalities of Orocovis and Humacao. Given that many more communities are falling significantly behind the recovery, FPR will expand this program to 24 new communities in 12 municipalities, all outside the metro area, over the next two years. FPR will partner with key business development organizations in Puerto Rico to improve and accelerate program design and implementation. FPR will fundraise for the project expansion, add partners, document progress, and evaluate and publish results for each community implementation.



**Figure 4.** FPR's Bottom Up Program expansion



**Figure 5.** FPR's Bottom Up Program expansion impact summary

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# Endnotes

1. Federal Reserve Bank of New York (2016) "Puerto Rico Small Business Survey" From: U.S. Small Business Administration Office Advocacy (2016) "2016 Small Business Profiles for States and Territories."
2. Tierney, K. (2007) "Businesses and Disasters: Vulnerability, Impacts, and Recovery" from book Handbook of Disaster Research. Springer, New York, NY.
3. Ibid.
4. Huang, Lifang, Lin Wang and Jie Song. "Post-Disaster Business Recovery and Sustainable Development: A study of 2008 Wenchuan Earthquake." MDPI Sustainability (2018), 10, 651.
5. Tierney, K. (2007) "Businesses and Disasters: Vulnerability, Impacts, and Recovery" from book Handbook of Disaster Research. Springer, New York, NY.
6. Saúl Rivera told FPR that thanks to the assistance received, he could sell his business and opened a new one in Ponce.
7. PRTEC conducted the business census, needs assessment and technical support in the commercial districts of Joyuda and Boquerón in Cabo Rojo.
8. An average of 2.5 hours per individual session.
9. In addition to Loíza and Cayey FPR did not survey those who had not received the coaching session and/or the second installment of the cash assistance.
10. Other issues identified were: Frequent blackouts; intermittent water service; sporadic telecommunications system impacting payment methods; public safety issues; closed roads; difficulty to get construction materials.
11. Foundation for Puerto Rico -Destination Recovery Initiative – Orocovis Phase 1. June 2018. <https://static1.squarespace.com/static/59e4cf35a8b2b019331ce112/t/5b5f327a575d1fa8d6642114/1532965529019/Bottom+Up+Orocovis+Results+Research+Paper.pdf>