



COMMONWEALTH OF
PUERTO RICO

Government Development Bank
for Puerto Rico

PRESS RELEASE

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THE WORKING GROUP FOR THE FISCAL AND ECONOMIC RECOVERY OF PUERTO RICO RELEASES UPDATED FISCAL AND ECONOMIC GROWTH PLAN

*Updates Include Latest Projections Based On Most Current Fiscal and Liquidity Data and Projections
For Fiscal Years 2021 To 2025*

*Larger Than Previously Estimated Financing Gaps Occurring Over The Course Of The Next Decade
Underscore Necessity of Congressional Action and a Restructuring of Puerto Rico's Obligations*

San Juan, P.R. – Today, the Working Group for the Fiscal and Economic Recovery of Puerto Rico released an update to the Fiscal and Economic Growth Plan (FEGP), a comprehensive set of economic growth and reform measures aimed at achieving long-term fiscal stability and growth for the Commonwealth and its residents that was first released in September 2015. The updated version has been modified to reflect updated projections for fiscal years 2016 to 2020 to account for year-to-date actual results and, in response to creditor requests for additional information, to extend the projection from fiscal year 2020 to fiscal year 2025.

Since the release of the FEGP in September, the fiscal and humanitarian crisis on the Island has worsened, and the Commonwealth is now facing even larger estimated financing gaps in both the near and long term. Specifically, the General Fund revenues included in the FEGP have decreased from a previous estimate of \$9.46 billion for FY 2016 to \$9.21 billion; the estimated five-year projected financing gaps increase from approximately \$14 billion to \$16.1 billion, even with the inclusion of economic growth and the implementation of all of the proposed measures in the FEGP; and the ten-year projections estimate a \$23.9 billion aggregate financing gap.

The Commonwealth's deteriorating liquidity position has required it to continue certain extraordinary liquidity measures—including the deferral of tax refunds, the stretching of payments to suppliers, and the implementation of the constitutional "clawback" of revenues assigned to certain governmental entities—in order to honor its obligations in a manner consistent with the Puerto Rico Constitution while continuing to provide essential public services to the 3.5 million American citizens of Puerto Rico.

"Continuation of these measures is neither sustainable nor in the interest of any stakeholder, as they will only deepen the financial gaps that the Commonwealth and its creditors will need to resolve, while at the same time placing the full burden of the crisis on the residents of Puerto Rico," said Victor A. Suarez, Secretary of State. "Moreover, the failure of the government to make timely payments for the delivery and provision of essential government services is putting at risk the health, welfare and safety of the people of Puerto Rico."

The Working Group's plan proposed a wide range of reforms to confront the fiscal challenges facing the Commonwealth. However, even with the full enactment of the proposed reforms, the Commonwealth will run deficits for the foreseeable future. The extended projections, which show significant financing gaps that continue year after year, underscore the previous statements of the Working Group and Commonwealth officials as the Commonwealth's fiscal condition has further deteriorated: a restructuring of the

Commonwealth's obligations is imperative, and action from Congress will ensure that a reduction in Federal programs does not exacerbate the already daunting fiscal adjustment the Commonwealth must undertake.

"The information contained in the updated plan makes all the more clear that actions must be taken before the Commonwealth runs out of options to pay its debt and provide essential services to the people of Puerto Rico," said Melba Acosta Febo, President of the Government Development Bank. "As previously indicated, we expect to sit with our creditors shortly and put forth a comprehensive restructuring proposal. The proposal requires the Commonwealth to take action to grow its economy, address long-standing structural issues and manage its economy in a responsible manner. But it also includes a comprehensive adjustment of its debt that reflects the Commonwealth's actual capacity to pay its creditors over the long term—a capacity which the updated FEGP makes clear is limited across all credits. Solutions that seek to kick the can down the road, burden the economy with unsustainable debt levels or allocate all of the debt restructuring burden to one class of credits over another will not work and instead will merely prolong this crisis. The updated FEGP emphasizes that time is running short, and, while we do not expect the lobbying efforts of those seeking to lock in speculative gains to end, we do hope that our creditors will sit and work with us on a solution that will allow us to invest in Puerto Rico and repay our creditors as we grow our economy over the long run."

The updated plan is available at <http://www.gdbpr.com/>.

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