



# press release

## PUERTO RICO FISCAL AGENCY AND FINANCIAL ADVISORY AUTHORITY

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### GAO report underlines success and challenges in Puerto Rico's fiscal and economic recovery

[SAN JUAN, P.R.] - The U.S. Government Accountability Office (GAO), an independent agency within the federal government, recently released an analysis highlighting the progress achieved so far in Puerto Rico's government debt restructuring.

The GAO analysis on Puerto Rico, part of an updated report discussing the outlook for public debt in the territories of the U.S., also detailed the remaining challenges in the island's fiscal and economic recovery process, particularly the restructuring of the Puerto Rico Electric Power Authority (PREPA) debt and the transformation of the electricity system, as well as maintaining the continuity of structural and fiscal reforms in areas such as debt management and the timely issuance of financial reports.

"The most recent GAO report validates the steps the Government of Puerto Rico has taken to advance Puerto Rico's recovery and put the fiscal crisis behind us," said Omar J. Marrero, Executive Director of the Puerto Rico Fiscal Agency and Financial Advisory Authority (AAFAF). "The collaboration between AAFAF and the different components of the Government, as well as the Fiscal Oversight Board, has also allowed us to establish the foundations for sustained economic growth, as well as fiscal safeguards against possible future emergencies," he added.

The Puerto Rico section of the GAO report - entitled "U.S. Territories Public Debt Outlook - 2023 Update" and which includes coverage of the territories of Guam, U.S. Virgin Islands, Mariana Islands and American Samoa - begins with a summary of the Title III PROMESA process to restructure the Central

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Government's debt, which concluded in March 2022 and reduced the debt from \$34.3 billion to \$7.4 billion, a 78% decrease.

"This most recent restructuring is another significant step in [Puerto Rico's] recovery from the fiscal crisis and represents the largest municipal debt restructuring in U.S. history," the report reads, adding, "The completion of the debt restructuring means that the cost to Puerto Rico of servicing the current outstanding debt-including interest and principal payments-is significantly lower, falling from 25 percent of pre-PROMESA revenues to 6.1 percent in 2022. This cost, now about \$1.15 billion per year, is fixed until 2049.

The report also reviews the steps that have been taken to reform the public employee retirement system, including a transition from the retirement plan model to a defined contribution model, where future benefits are based on employee contributions to retirement accounts, as well as the establishment of a retiree reserve fund, which to date totals some \$1.4 billion.

On PREPA's pending debt restructuring, the GAO report highlights the difficulties in concluding that process, as well as the changes associated with the entry of private companies such as LUMA Energy to take over distribution and transmission grid operations and GeneraPR to manage most of the generation assets. "Improving the reliability and costs of Puerto Rico's energy infrastructure is critical to attracting and retaining long-term business and supporting sustained economic growth," the report says.

Finally, the report goes into detail on steps to improve financial reporting, highlighting efforts by agencies such as the Treasury Department to obtain reliable information from the various components of the government, as well as the creation of an office to streamline the issuance of financial statements. "The commitment to transparency and financial management will be important as the Government of Puerto Rico works to achieve a balanced budget on a recurring basis, one of the conditions required for the Oversight Board's termination," adds the report, the full version of which is available at the following link: <https://www.gao.gov/assets/gao-23-106045.pdf>.

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