



press release

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The Government of Puerto Rico puts an end to bankruptcy after restructuring its debt

(San Juan, P.R.) – The Puerto Rico Fiscal Agency and Financial Advisory Authority (AAFAF, its acronym in Spanish) announced today that the Debt Adjustment Plan (DAP) comes into effect today, reducing the central government's total debt by 78%, from \$34 billion to \$7.4 billion.

"Today we begin a new fiscal era for Puerto Rico. With the transaction that comes into effect today to make said Adjustment Plan a reality, Puerto Rico marks a transcendental moment in its effort to leave behind the bankruptcy that has burdened us for more than five years and begin the era of the new Puerto Rico with a new future of fiscal stability, economic opportunities, and sustainable growth for the benefit of these and future generations," said Omar Marrero, Secretary of State and Executive Director of AAFAF.

In addition to reducing the central government's total, the DAP also reduces the annual debt service (what the island will have to repay annually in principal and interest on the central government's and COFINA's debt) from \$4.2 billion to \$1.15 billion, which represents a reduction of 73%.

"Today we move from fiscal instability to a future of opportunity and growth. Our economic recovery is on track and our pensioners, the University of Puerto Rico, and the municipalities are protected. By significantly reducing our government debt to a sustainable level, we can meet our obligations while having the resources to fuel our economy," Marrero noted.

On the other hand, this transaction involves reducing the ratio of debt to gross product (an important economic indicator) from 101% to 53%. In addition, the restructuring of the debt promotes the investment climate and creates opportunities by eliminating the uncertainty caused by the bankruptcy, and in turn, restores investors' confidence in Puerto Rico, as well as facilitates the island's return to capital markets.

According to Marrero, the government of Puerto Rico managed to restructure the largest debt in the history of the municipal bond market in the United States.

“We now have a cleaner, clearer, and more certain debt profile for creditors and the market. We have established fiscal solvency for the future, with a sustainable plan to repay our obligations to our creditors,” Marrero pointed out.

The Secretary of State also detailed other debt restructurings that have taken place in the last five years. These are:

- In 2017, the Government Development Bank's debt was restructured. Debt reduction of more than \$2 billion (from \$5 billion to approximately \$3 billion), lowering the face value of claims by 45%.
- In 2019, COFINA's debt was restructured. Puerto Rico's consolidated debt was reduced by approximately 32%, with savings of more than \$17 billion in debt service.
- In 2019, PRASA's debt was restructured. (1) Reduction in debt service payments of approximately \$380 million over the next 10 years. (2) The elimination of \$1.0 billion in guarantee claims against the Government of Puerto Rico. (3) Access to \$400 million in new federal funds.

“When all is said and done, today we mark the end of a chapter, and we look to the future with optimism and hope for Puerto Rico,” he concluded.

About AAFAF:

The Financial Advisory and Fiscal Agency Authority is an independent public corporation and government instrumentality with its own legal personality, fiscal and administrative autonomy. Its main responsibility is to act as fiscal agent, financial advisor, and reporting agent for the Government of Puerto Rico, its agencies, instrumentalities, subdivisions, public corporations, and municipalities. AAFAF is also an important link that facilitates collaboration and communication between the Government of Puerto Rico and the Fiscal Oversight Board for Puerto Rico, established by the Puerto Rico Oversight, Management, and Economic Stability Act. (PROMESA).



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