



**STATEMENT OF THE FINANCIAL OVERSIGHT AND MANAGEMENT BOARD ON THE OCCASION OF THE
CERTIFICATION OF A FISCAL PLAN FOR PUERTO RICO UNDER THE PUERTO RICO OVERSIGHT,
MANAGEMENT AND ECONOMIC STABILITY ACT**

Monday, March 13, 2017

The Financial Oversight and Management Board for Puerto Rico is made up of seven people from very different backgrounds, different political affiliations, different professions, and different areas of expertise. We were chosen by the President, upon the recommendation of congressional leaders from different political parties in Washington who are often at odds with each other. But the Board itself has been unified since its inception, working to fulfill our duty and charge under PROMESA for the benefit of the people of Puerto Rico.

We have worked to understand the facts on the ground, the options available to the government, and the implications of different approaches to addressing the financial and economic crisis facing the Island. Throughout, we have sought to partner with the Government of Puerto Rico and to use the tools made available to us under the law to help provide a better future for the people of Puerto Rico, not just for today, but for our children and future generations. Our people love their home and they deserve to be able to build a future on it, not forced to move away to support their families and their dreams.

But we must realize—truly understand in our hearts—that the problems facing Puerto Rico are massive. Overtime, the government has made commitments to everyone—including employees, pensioners, college students, enrollees in health care programs, bondholders and others—that cannot be met based on a realistic measure of the tax revenues the economy can currently support. However we define the problem, whether in terms of budget deficits, indebtedness, unfunded pensions, or the imminent risk of simply running out of money to pay bills, Puerto Rico faces a nearly existential financial shortfall. The financial problems facing the government and the Island did not develop overnight and the solutions will not be implemented overnight.

PROMESA was enacted to build a path to fiscal stability, economic growth, equitable restructuring of the government's debt and restored access to capital markets. Make no mistake: without the bipartisan PROMESA legislation, the island would be facing a financial and legal chaos right now, without hope of reversing the economic decline, and the sad exodus of more Puerto Ricans seeking to build a prosperous life for their families. Without truly massive changes, though, and without using the tools provided under PROMESA, we will face continued decline and deprivation. The people of Puerto Rico deserve better than that, and the Board has pledged its efforts to work toward a better future for Puerto Rico.

What is our judgment of what is required?

In any financial crisis, there is the temptation to believe that one can emerge without sacrifice, or with less sacrifice, if only others would bear the costs or if the elusive turn around finally happened. The fact is

that any real solution must involve all parties sharing in the effort, especially if it's painful. But all should also share in the opportunity for a better, more secure and prosperous future. It is always tempting to avoid difficult choices by assuming that the economy will grow faster, that tax revenues will increase or that government spending will come in under budget. But in the past, this wishful thinking has almost always served to make problems worse by putting off solutions.

If the Island is forced through multiple rounds of financial restructuring, it will be because we did not do enough today. Our many meetings with individuals and groups from throughout the island showed that Puerto Ricans understand the problems that have held the economy back. For too long, the government has spent more than it collects and has been unwilling to tax to adequately fund the services it provides. Regulations have protected some jobs and some businesses, but reduced the growth of new jobs and the creation of new businesses. Welfare and labor laws have protected those in need, but penalized those who choose to work. Incremental reforms may be tempting. But the residents of Puerto Rico, and the investors who can build jobs on the Island, could not be blamed for giving up hope if we fail to seize a single rare opportunity for far-reaching reforms. Putting off change means a future of liquidity crises, of government checks that one cannot cash, or more debt to be borne by Puerto Rico's children and grandchildren.

The Board has proposed actions on all fronts to ensure there are sufficient funds to finance essential services to the public and put the budget on a path to structural balance. Specifically, over the course of three years, we aim to partner with the Government of Puerto Rico to balance the budget, restructure long-term debt obligations, and take the decisive action necessary to restore economic growth.

What are the Board's aspirations?

While we have emphasized the need for a "once and done" approach, this does not mean that future reforms will not be necessary, nor that we cannot redirect the path we have now charted. But PROMESA offers a rare opportunity for the government to restructure its debts in an orderly way, free from the chaos of legal suits. It is in human nature to procrastinate, to put off for tomorrow decisions that are difficult to make today. But if we delay much-needed reforms into the future, we will face these problems without full access to the tools that PROMESA has provided.

We are all in this together. And we must work together to do what is needed for a better future for Puerto Rico. Without a return to growth, prosperity and opportunity, there will be no money for healthcare, for pensions, for debts, or for other needs.

The Board is hopeful for the future of Puerto Rico. The Island's spirit and resources, if properly applied, foretell a much better life for our children and grandchildren. But one cannot spend hope. We cannot expend resources today in the hopes that tomorrow's economy will pay for them. Rather, we must build tomorrow's economy by making now the difficult choices we have long known are necessary and start building a better Puerto Rico for this and future generations.