The Administration is implementing an integrated Economic Development Plan that will generate a new phase of economic growth in Puerto Rico.

**COMPETITIVENESS**
Eliminate competitive barriers and reduce costs of doing business by revamping certain governmental procedures and re-defining the role of government in the economy.

**REGIONAL DEVELOPMENT**
Establish regional economic development centers that will allow for targeted geographical investment.

**RESTORE ECONOMIC GROWTH**
Restore economic growth in the short and long-term by providing stimulus and focusing on strategic and productive sectors of the economy.

Fiscal Stabilization Plan and Credit Strength

TRANSPARENCY
Overview of Puerto Rico Fiscal Stabilization Plan
The Fiscal Stabilization Plan is based on a combination of measures

Distribution of Fiscal Stabilization Measures

- Revenue Measures 20% (temporary & permanent)
- Tax Enforcement 10%
- Expense Measures 70%

Financial Stabilization Measures
(COFINA: $5.3 Billion successfully placed in June 2009)
## Expense Reduction Measures

**Goal:** $2,000 million savings

### PAYROLL EXPENSES
- 30% reduction of non-career personnel
- Salary reduction of agency heads
- Salaries freeze, ban of new posts and elimination of vacant posts
- PHASE I: Incentivized resignations and work load reduction
- PHASE II: Transition of employees
- PHASE III: Temporary freeze in economic conditions

### OPERATIONAL EXPENSES
- Austerity: 10% of operational expenses, including cell phone use, credit cards and official vehicles.
- Executive Branch reorganization, supported by budgeting and accounting processes and IT.

### Public Employees Alternatives Program

<table>
<thead>
<tr>
<th>Program</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Educational Voucher</td>
<td>50% salary subsidy for transition to private or non profit sector job up to $15,000</td>
</tr>
<tr>
<td>Retraining / Vocational Voucher</td>
<td></td>
</tr>
<tr>
<td>Self-Employment Voucher</td>
<td></td>
</tr>
</tbody>
</table>
We are following a strict calendar in implementing the expense measures

<table>
<thead>
<tr>
<th>Event</th>
<th>Date</th>
<th>Status</th>
</tr>
</thead>
<tbody>
<tr>
<td>Enactment of Act No. 7 and Phase III become effective (temporary freeze of economic conditions)</td>
<td>Mar-09-09</td>
<td>Completed</td>
</tr>
<tr>
<td>Creation of Fiscal Restructuring &amp; Stabilization Board (FRSB)</td>
<td>Mar-09-09</td>
<td>Completed</td>
</tr>
<tr>
<td>Release of Circular Letter with details on Expense Reduction Program</td>
<td>Mar-20-09</td>
<td>Completed</td>
</tr>
<tr>
<td>Public Agencies Notify Employees about Phase I (Voluntary)</td>
<td>Mar-27-09</td>
<td>Completed</td>
</tr>
<tr>
<td>Orientation about Transition Alternatives to Public Employees</td>
<td>Apr-18-19</td>
<td>Completed</td>
</tr>
<tr>
<td>Eligible Employees Submit Form for Phase I</td>
<td>Apr-27-09</td>
<td>Completed</td>
</tr>
<tr>
<td>Voluntary Resignations Effective</td>
<td>May-29-09</td>
<td>Completed</td>
</tr>
<tr>
<td>Notification of first round of Phase II</td>
<td>Jun-01-09</td>
<td>Completed</td>
</tr>
<tr>
<td>Voluntary Workday Reduction becomes Effective</td>
<td></td>
<td></td>
</tr>
<tr>
<td>First round of Phase II is effective</td>
<td>Jul-10-09</td>
<td></td>
</tr>
</tbody>
</table>
The approved FY10 budget reveals the multi-year basis for achieving a fiscal balance

Multi-year vision

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Net Revenues – General Fund</td>
<td>7,600</td>
<td>7,670</td>
<td>7,788</td>
<td>7,942</td>
</tr>
<tr>
<td>Expenditures – General Fund + Stabilization Fund</td>
<td>(10,833)</td>
<td>(10,170)</td>
<td>(8,247)</td>
<td>(8,095)</td>
</tr>
<tr>
<td>Net Revenues vs. Expenditures</td>
<td>(3,233)</td>
<td>(2,500)</td>
<td>(459)</td>
<td>(153)</td>
</tr>
</tbody>
</table>

Transition Expenditures:

- Costs of Payroll Reduction | 1,000
- Act 7 Expense Reduction Savings not Realized in FY10 | 1,000
- Governmental Efficiency and Restructuring | 200 | 153

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>(3,233)</td>
<td>(500)</td>
<td>(259)</td>
<td>-</td>
</tr>
</tbody>
</table>
Overview of Puerto Rico Economic Development Plan
The Economic Development Plan is jumpstarted by significant amount of stimulus and investment.

Jun-09 → 2011

(\$ billions)

$5.0 \text{ PHASE Ia} + $0.5 \text{ PHASE Ib} + $2.0 \text{ PHASE II} = \$7.5 \text{ BN}

- **Federal Stimulus**
  - Capital Improvements $0.8 \text{ BN (16\%)}
  - Tax Relief $1.3 \text{ BN (27\%)}
  - Relief for Individuals $2.2 \text{ BN (44\%)}

- **Local Stimulus**
  - Capital Improvements $0.21 \text{ BN (42\%)}
  - Merchants Stimulus $0.18 \text{ BN (36\%)}
  - Gov. Expense $0.02 \text{ BN (3\%)}
  - Consumer Relief $0.09 \text{ BN (9\%)}

- **Supplemental Stabilization**
  - Economic Development Investment $2.0 \text{ BN}

4% of GNP Annually FY10-FY11
The proposed Economic Development Plan tackles the main challenges affecting Puerto Rico

### The Global Competitiveness Report 2008-2009

The most problematic factors for doing business in Puerto Rico

<table>
<thead>
<tr>
<th>Factor</th>
<th>Percent of Responses</th>
</tr>
</thead>
<tbody>
<tr>
<td>Inefficient government bureaucracy</td>
<td>27.4</td>
</tr>
<tr>
<td>Restrictive labor regulations</td>
<td>14.0</td>
</tr>
<tr>
<td>Inflation</td>
<td>10.3</td>
</tr>
<tr>
<td>Tax rates</td>
<td>9.8</td>
</tr>
<tr>
<td>Tax regulations</td>
<td>7.0</td>
</tr>
<tr>
<td>Access to financing</td>
<td>6.5</td>
</tr>
<tr>
<td>Poor work ethic in national labor force</td>
<td>5.5</td>
</tr>
<tr>
<td>Inadequate supply of infrastructure</td>
<td>5.1</td>
</tr>
<tr>
<td>Corruption</td>
<td>3.1</td>
</tr>
<tr>
<td>Policy instability</td>
<td>2.9</td>
</tr>
<tr>
<td>Others</td>
<td>8.3</td>
</tr>
</tbody>
</table>

The chart presents those factors seen by business executives as the most problematic for doing business in their economy. The information is drawn from the 2008 edition of the World Economic Forum’s Executive Opinion Survey.

We are implementing key measures to substantially improve the competitive position of Puerto Rico

### Eliminate barriers to competitiveness and facilitate growth and strengthening of private sector

| Public-Private Partnerships | • Goal for FY 2010: Evaluate 5 PPPs projects and grant 3 projects by March 2010.  
|                           | • Candidate Projects for FY10: Highways PR-22; PR-66; PR-5 *(Bayamón)*, PR-199 *(Las Cumbres Ave)*  
|                           | =$1,510 million in estimated investment |
| Permitting Process         | • Bill (HR1649) has been approved in HR and is pending Senate confirmation  
|                           | • Creation of a ‘one-stop’ permitting process that will expedite construction investment and release 3,900 projects presently tangled in the actual permits bureaucracy. |
| Executive Branch Re-organization and Modernization | • Establish an orderly process to carry out a reorganization in the Executive Branch.  
|                           | • Reduce bureaucracy and streamline operational processes, focusing on expense reduction. Implementation will be conducted by Inter-Agency Re-Organization and Modernization Council. |
| Energy Reform              | • Reduce dependency on petroleum-fueled energy through: renewable energy tax credits available by the American Recovery and Reinvestment Act, adopting Renewable Portfolio Standards* and establishing a Green Energy Fund. |
| Tax Reform                 | • Build on the Revenue Measures approved in Act 7 and introduce changes to the Tax Code in order to level taxes across income, consumption, property and other categories. Adjust corporate taxes, optimize industrial tax credits and simplify the Tax Code. |
| Labor Reform               | • Introduce changes to labor laws and reduce disincentives for work such as competing welfare or governmental programs.  
|                           | • Strive for a more flexible labor framework and higher labor force participation. |

* RPS are a regulatory policy that requires increased production of energy from renewable resources, such as wind, solar, biomass, and geothermal
Implementation of PPPs framework will move forward by following clear milestones

**Milestones for the next 4 months***

<table>
<thead>
<tr>
<th>Milestone</th>
<th>Completion Date*</th>
</tr>
</thead>
<tbody>
<tr>
<td>Approval PPP legislation (Act 29 of 2009)</td>
<td>Jun-08-2009: completed</td>
</tr>
<tr>
<td>Letter for Potential Projects from Governmental Entities</td>
<td>Jun-19-2009: completed</td>
</tr>
<tr>
<td>Launch of website and initial information for investors</td>
<td>Week of Jul-20-2009</td>
</tr>
<tr>
<td>Release of administrative bylaws and procedures</td>
<td>Week of Jul-31-2009</td>
</tr>
<tr>
<td>PPP Authority Board Initial Meeting</td>
<td>Week of Aug-24-2009</td>
</tr>
<tr>
<td>Final PPP Authority Management Team Selection</td>
<td>Week of Aug-30-2009</td>
</tr>
<tr>
<td>Governmental Entities submit Potential Projects</td>
<td>Sept-08-2009</td>
</tr>
</tbody>
</table>

* Subject to change and revision.
The Regional Plan is based on a multi-polar development strategy that will help target investment and generate a balanced geographical development throughout Puerto Rico.

**THE REGIONAL BUSINESS PLAN FOR PUERTO RICO**

- **WEST REGION**
  - High Tourist Potential
  - Mayagüez UPR / Innovation
  - Tech Corridor

- **METRO REGION**
  - Tourism / Entertainment
  - Conferences / Office Space
  - Professional Events
  - Urban Renewal

- **GOLDEN TRIANGLE PROJECT**

- **ROOSEVELT ROADS RIVIERA PROJECT**

- **MAYAGÜEZ 2010**

- **URBAN EMPOWERMENT MARTÍN-PEÑA**

- **SOUTH REGION**
  - Logistics / Maritime Hub
  - Tourism Potential

- **PORT OF THE AMERICAS**

- **EAST REGION**
  - Focus on Tourism / Entertainment
  - Integration of Vieques / Culebra as tourism destinations
**Riviera del Caribe**

An integral regional development project

**Attributes of Riviera del Caribe Project**

- A comprehensive development plan for the Roosevelt Roads area that will benefit the entire east region of Puerto Rico.

- A regional development strategy built on natural competitive strengths such as: tourism, maritime activity, eco-tourism capabilities, entertainment and casino, capacity to accommodate cruises, boats and ferries.

- An integral regional development strategy by including Vieques and Culebra as part of a Tourism and Recreation Triangle.

- A strategy that strengthens and complements existing tourism facilities in the regions such as Bahia Beach, El Conquistador, Coco Beach, Palmas del Mar, among others.
A multi-activity / touristic complex with significant benefits

**Estimated Potential Benefits of Riviera del Caribe**

- Total investment Phase I: $1.9 billion
- Total New Jobs (direct + indirect): 42,500
- Annual additional estimated visitors: 1 million
- Annual additional spending visitors: $500 MM
- Gross estimated sales*: $1,000 MM

---

1. **Hotel & Casino**
   - “Heart” of the project
   - Riviera del Caribe Plaza

2. **Waterfront and Loading Port**

3. **International Port**
   - Entertainment District
   - Retail Space

4. **City-Port**
   - Residential – Mixed Use
   - Hotel/Casino Expansion

5. **Boat / Ferries Terminal**
   - Boat / Ferries dock
   - Retail space

6. **Yacht Club**
   - Marina del Puerto Club
   - Boat and Yacht dock

---

* Estimated aggregated gross sales from resort activities.
The Administration is implementing measures to restore much needed growth in the short and long-term

Stimulate growth in the short-term and take measures re-ignite productive sectors for the long-term

| **Federal Stimulus Plan (ARRA)** | • Puerto Rico has disbursed 10% of ARRA funds compared to an average of 6% in states of US.  
                                 | • PR is also moving fast regarding competitive funds: $183 million in Federal proposals were submitted between March and May 2009. |
|--------------------------------|----------------------------------------------------------------------------------------------------------------------------------|
| **Local Stimulus Plan (PEC*)** | • $25.4 million has been put to work in a variety of programs that include: interim lending for affordable housing, employee training, housing credits and infrastructure projects, among others.  
                                 | • PEC is fully funded given that the 1st Subordinate issue of COFINA has been completed. |
| **CFCs**                       | • Have signed a multi-sector agreement to propose preferential treatment for Puerto Rico in light of its severe economic contraction and condition as a manufacturing hub. |
| **Export Oriented Sectors**    | • Launched the External Trade Board* to devise a targeted strategy and specific projects that foster export-oriented activity. In addition, PRIDCO is conducting an aggressive industrial promotions pgm. that has negotiated 35 promotions in: Medical Devices, IT, Pharma, Energy (R&D), Aerospace (R&D) |
| **GDB Supplemental Support**   | • GDB is working in designing a supplemental economic development plan that will be carry out as a lending program with the private sector. The program will conduct lending for investments strategic areas of long-term economic value for Puerto Rico. Relief for banking industry may be part of the program. |

* PEC = Plan de Estímulo Criollo.  
**Junta de Comercio Exterior
## Efficiently accessing and implementing stimulus programs to jump-start the local economy

### ARRA Achievements

- $600 million will be mailed to tax payers as consumer relief.
- $175 million have been received for renovation of 45 public housing complexes.
- $42.5 million granted for youth training (12,000 youngsters).
- $70 million received for modernization of 250 schools.
- $21.6 million granted for equipment purchases under the Justice Assistance Grant program.
- $47 million to be directed to 5,000 households under the Weatherization Assistance Program.

### Local Stimulus Plan Achievements

#### Capital Improvements for municipalities:
- $100 allocated to municipalities. 35 projects already started.

#### Employee training:
- $6.2 million in training for 3,182 persons

#### Affordable housing:
- 1 housing project already started with a total financing amount of $18 million.

#### Housing Credits:
- 127 housing projects participating in the credit program

#### Strategic-Infrastructure Projects:
- $12.5 million Guanica-AAA project already underway.
Summary
We have built a multi-layer Economic Development Plan that will facilitate business investment

- The Administration is committed to re-ignite economic activity and bring back development
- Continued focus on ARRA implementation and execution of Local Stimulus Plan to jump-start the economy remains a high priority
- In the next six months implementation will focus on: PPPs, Permits Act, Expense Reduction and Government Transformation and initial phases of Energy Policy and Riviera del Caribe
We have responded with swift action through the Reconstruction Plan to address the economic and fiscal challenges.

We are already implementing the Reconstruction Plan and are committed to providing Progress Reports on the implementation process.

The Administration has devised a comprehensive Economic Development Plan and is swiftly moving into implementation phase.

Transparency, fiscal balance and credit strength are fundamental components of the overall plan. We are committed to the expense reduction measures.

The Economic Development Plan seeks to strengthen private sector participation and transform the role of government in the economy.

Puerto Rico is regaining investor confidence and the new Economic Development Plan provides a clear blueprint for growth and investment in Puerto Rico.