

APPENDIX

The value of the nominal interest rate for the case of debt stabilization, R , will depend both on the perceived probability of default after the debt restructuring process and the risk-free reference rate. As discussed in the report, a restructuring that provides more debt relief will be associated with a lower probability of default. While the Fiscal Plan is not explicit about the assumption that governs the functional relationship between the equilibrium interest rate and the size of debt relief in Puerto Rico's case, our computations referred to assumptions for after 2027 that we considered plausible.

This appendix presents computations for alternative scenarios with regard to the assumption on R , in tables A.1.a to A.4.c. It is important to note that it would be erroneous to conclude that a lower post-restructuring interest rate implies that the necessary debt relief is lower, as such a claim would not be taking into account the endogeneity of the post-restructuring interest rate. Ultimately, policy makers using the insights from this report must assess the consistency between the assumptions on which the plan is based and their guesses of market equilibrium outcomes as R and g .

Table A.1.a: Necessary face value reduction under the Fiscal Plan assumption on the effects of structural reforms on GNP growth, as % of total relevant debt, assuming $R = 0.05$ – Relevant debt: Debt included in Fiscal Plan

Debt stabilizing primary surplus to GNP since 2027	No. of scenarios	Min Face Value Reduction (% of total current public debt)	Max Face Value Reduction (% of total current public debt)	Face Value Reduction under government multiplier assumptions
s2026	192	45.6	57.3	47.5
0.015	192	18.4	35.9	21.3
0.02	192	0.0	14.5	0.0
0.025	192	0.0	0.0	0.0
0.03	192	0.0	0.0	0.0
0.035	192	0.0	0.0	0.0

Table A.1.b: Necessary face value reduction under the Fiscal Plan assumption on the effects of structural reforms on GNP growth, as % of total relevant debt, assuming $R = 0.055$ – Relevant debt: Debt included in Fiscal Plan

Debt stabilizing primary surplus to GNP since 2027	No. of scenarios	Min Face Value Reduction (% of total current public debt)	Max Face Value Reduction (% of total current public debt)	Face Value Reduction under government multiplier assumptions
s2026	192	55.0	64.6	56.6
0.015	192	32.5	46.9	34.9
0.02	192	10.0	29.3	13.1
0.025	192	0.0	11.6	0.0
0.03	192	0.0	0.0	0.0
0.035	192	0.0	0.0	0.0

Table A.1.c: Necessary face value reduction under the Fiscal Plan assumption on the effects of structural reforms on GNP growth, as % of total relevant debt, assuming $R = 0.065$ – Relevant debt: Debt included in Fiscal Plan

Debt stabilizing primary surplus to GNP since 2027	No. of scenarios	Min Face Value Reduction (% of total current public debt)	Max Face Value Reduction (% of total current public debt)	Face Value Reduction under government multiplier assumptions
s2026	192	66.5	73.7	67.7
0.015	192	49.8	60.5	51.6
0.02	192	33.1	47.4	35.4
0.025	192	16.3	34.2	19.3
0.03	192	0.0	21.1	3.1
0.035	192	0.0	7.9	0.0

Table A.2.a: Necessary face value reduction under the Fiscal Plan assumption on the effects of structural reforms on GNP growth, as % of total relevant debt, assuming $R = 0.05$ – Relevant debt: Total Public Debt Net of Children’s Trust and HFO

Debt stabilizing primary surplus to GNP since 2027	No. of scenarios	Min Face Value Reduction (% of total current public debt)	Max Face Value Reduction (% of total current public debt)	Face Value Reduction under government multiplier assumptions
s2026	192	60.9	69.3	62.3
0.015	192	41.4	53.9	43.5
0.02	192	21.9	38.6	24.6
0.025	192	2.3	23.2	5.8
0.03	192	0.0	7.9	0.0
0.035	192	0.0	0.0	0.0

Table A.2.b: Necessary face value reduction under the Fiscal Plan assumption on the effects of structural reforms on GNP growth, as % of total relevant debt, assuming $R = 0.055$ – Relevant debt: Total Public Debt Net of Children’s Trust and HFO

Debt stabilizing primary surplus to GNP since 2027	No. of scenarios	Min Face Value Reduction (% of total current public debt)	Max Face Value Reduction (% of total current public debt)	Face Value Reduction under government multiplier assumptions
s2026	192	67.7	74.6	68.8
0.015	192	51.5	61.9	53.2
0.02	192	35.3	49.2	37.6
0.025	192	19.2	36.5	22.0
0.03	192	3.0	23.8	6.4
0.035	192	0.0	11.1	0.0

Table A.2.c: Necessary face value reduction under the Fiscal Plan assumption on the effects of structural reforms on GNP growth, as % of total relevant debt, assuming $R = 0.065$ – Relevant debt: Total Public Debt Net of Children’s Trust and HFO

Debt stabilizing primary surplus to GNP since 2027	No. of scenarios	Min Face Value Reduction (% of total current public debt)	Max Face Value Reduction (% of total current public debt)	Face Value Reduction under government multiplier assumptions
s2026	192	76.0	81.1	76.8
0.015	192	63.9	71.7	65.2
0.02	192	51.9	62.2	53.6
0.025	192	39.9	52.8	42.0
0.03	192	27.9	43.3	30.4
0.035	192	15.9	33.9	18.8

Table A.3.a: Necessary face value reduction under the assumption that structural reforms have no effects on GNP growth, as % of total relevant debt, assuming $R = 0.05$ – Relevant debt: Debt included in Fiscal Plan

Debt stabilizing primary surplus to GNP since 2027	No. of scenarios	Min Face Value Reduction (% of total current public debt)	Max Face Value Reduction (% of total current public debt)	Face Value Reduction under government multiplier assumptions
s2026	192	49.6	60.4	51.3
0.015	192	24.4	40.6	27.0
0.02	192	0.0	20.8	2.7
0.025	192	0.0	1.0	0.0
0.03	192	0.0	0.0	0.0
0.035	192	0.0	0.0	0.0

Table A.3.b: Necessary face value reduction under the assumption that structural reforms have no effects on GNP growth, as % of total relevant debt, assuming $R = 0.055$ – Relevant debt: Debt included in Fiscal Plan

Debt stabilizing primary surplus to GNP since 2027	No. of scenarios	Min Face Value Reduction (% of total current public debt)	Max Face Value Reduction (% of total current public debt)	Face Value Reduction under government multiplier assumptions
s2026	192	58.3	67.2	59.7
0.015	192	37.4	50.8	39.6
0.02	192	16.5	34.5	19.5
0.025	192	0.0	18.1	0.0
0.03	192	0.0	1.7	0.0
0.035	192	0.0	0.0	0.0

Table A.3.c: Necessary face value reduction under the assumption that structural reforms have no effects on GNP growth, as % of total relevant debt, assuming $R = 0.065$ – Relevant debt: Debt included in Fiscal Plan

Debt stabilizing primary surplus to GNP since 2027	No. of scenarios	Min Face Value Reduction (% of total current public debt)	Max Face Value Reduction (% of total current public debt)	Face Value Reduction under government multiplier assumptions
s2026	192	69.0	75.6	70.1
0.015	192	53.5	63.4	55.1
0.02	192	37.9	51.3	40.1
0.025	192	22.4	39.1	25.2
0.03	192	6.9	26.9	10.2
0.035	192	0.0	14.7	0.0

Table A.4.a: Necessary face value reduction under the assumption that structural reforms have no effects on GNP growth, as % of total relevant debt, assuming $R = 0.05$ – Relevant debt: Total Public

Debt Net of Children's Trust and HFO

Debt stabilizing primary surplus to GNP since 2027	No. of scenarios	Min Face Value Reduction (% of total current public debt)	Max Face Value Reduction (% of total current public debt)	Face Value Reduction under government multiplier assumptions
s2026	192	63.8	71.6	65.0
0.015	192	45.7	57.3	47.6
0.02	192	27.6	43.1	30.1
0.025	192	9.4	28.9	12.6
0.03	192	0.0	14.7	0.0
0.035	192	0.0	0.4	0.0

Table A.4.b: Necessary face value reduction under the assumption that structural reforms have no effects on GNP growth, as % of total relevant debt, assuming $R = 0.055$ – Relevant debt: Total Public

Debt Net of Children's Trust and HFO

Debt stabilizing primary surplus to GNP since 2027	No. of scenarios	Min Face Value Reduction (% of total current public debt)	Max Face Value Reduction (% of total current public debt)	Face Value Reduction under government multiplier assumptions
s2026	192	70.0	76.5	71.1
0.015	192	55.0	64.7	56.6
0.02	192	40.0	52.9	42.1
0.025	192	25.1	41.1	27.7
0.03	192	10.1	29.4	13.2
0.035	192	0.0	17.6	0.0

Table A.4.c: Necessary face value reduction under the assumption that structural reforms have no effects on GNP growth, as % of total relevant debt, assuming $R = 0.065$ – Relevant debt: Total Public Debt Net of Children’s Trust and HFO

Debt stabilizing primary surplus to GNP since 2027	No. of scenarios	Min Face Value Reduction (% of total current public debt)	Max Face Value Reduction (% of total current public debt)	Face Value Reduction under government multiplier assumptions
s2026	192	77.7	82.5	78.5
0.015	192	66.6	73.7	67.7
0.02	192	55.4	65.0	57.0
0.025	192	44.3	56.2	46.2
0.03	192	33.1	47.5	35.5
0.035	192	22.0	38.7	24.7