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**Statement by Mr. Alazzaz on Eligibility to Use the Fund's Facilities for Concessional  
Financing  
(Preliminary)  
Executive Board Meeting 10/3  
January 11, 2010**

I thank the staff for a timely paper on the eligibility to use the Fund's facilities for concessional financing. The proposed framework for entry and graduation from the list of PRGT-eligible countries is a welcome step for enhancing transparency and evenhandedness. However, the framework could be strengthened further. To that end, I have a few comments.

- On the income criterion, I can go along with the staff's proposals for graduation from PRGT eligibility. While the proposed annual per capital GNI of at least twice the IDA operational cutoff appears to be on the high side, it is important to be cautious to ensure that graduation entails a permanent exit from the use of concessional resources.
- On market access criterion, I agree that "...public sector issuance or guaranteeing of external bonds or by disbursements under public and publicly guaranteed external commercial loans in international markets during at least three of the last five years,..." is evidence of market access. However, I am concerned that assessing whether a sovereign could have tapped international financial markets on a durable and substantial basis would be highly subjective and thus may be less transparent and could raise issues regarding evenhandedness.
- To enhance the transparency on the absence of serious short-term vulnerabilities, the staff has rightly indicated that the level of external debt distress should be moderate or less. It would also be essential to quantify to the extent possible the level of total debt that could raise serious concerns regarding debt sustainability.
- I agree that moving from a small islands exception to a small countries exception is a forward step towards strengthening uniformity of treatment. However, it would be preferable to create the exception based on a vulnerability index and not on the

population of a country. While the staff has provided convincing evidence that small countries on average are more vulnerable, this should not imply that every “small country” as defined by the staff is more vulnerable than a “large country.”

- I support reviewing and updating the eligibility list every two years.