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January 8, 2010

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

We thank staff for a concise report and welcome the opportunity to agree on criteria for determining eligibility to and graduation from the use the Fund's facilities for concessional financing. We generally support the proposed decisions and would like to make the following points.

While we agree on the need for a rule-based approach, we encourage flexibility in the implementation of the policy, both with regard to individual countries and, more generally, if global events require temporary expansion of eligibility to help low-income countries at the borderline to deal with sudden shocks similar to those created by the recent food, fuel, and financial crises. In this connection, like Messrs. Itam and O'Sullivan, we are willing to support flexibility in setting a higher ceiling for the population criteria for eligibility of small countries.

The Board has recently discussed and agreed on guidelines for setting debt limits in Fund-supported programs. The framework takes into account members' debt vulnerabilities and their macroeconomic and public financial management capacity. In this regard, we note that three countries proposed for graduation, namely Angola, Pakistan, and Sri Lanka were assessed by staff to have lower rating for management capacity. While the debt vulnerability of these countries is judged to be low, we encourage staff to continue to carefully monitor the debt sustainability of graduating countries, and to provide them with any necessary TA to enhance their capacity to manage public resources and liabilities. *Staff elaboration on this issue is welcome.*

The update of the list of countries eligible for concessional financing could have an impact on other important Fund policies. As a group, countries eligible for concessional financing are a proxy for LICs and for assessing the Fund's role and contribution to poverty reduction. In

addition, LICs as a group constitute an important element in the ongoing discussion to enhance voice and representation of developing countries in the Fund. In this regard, in the last IMFC meeting, Ministers committed themselves to “*protecting the voting share of the poorest members.*” The six countries proposed for graduation from the list of countries eligible for concessional financing have an aggregate quota share of 3.3 percent of total post-second round quota shares. *We would appreciate staff clarification on how to reconcile between the need to update the list of LICs and to maintain consistency in the work on enhancing quota and voice, including protecting the voting share of the poorest members.* Since the work on quota and voice is an ongoing exercise for which commitments have already been made, our preference is to distinguish between the two exercises. Specifically, we can support an update of the list of countries eligible for concessional financing, but we propose to maintain the list of LICs already being used under the quota and voice exercise until the completion of the quota exercise.