

The contents of this document are preliminary and subject to change.

GRAY/10/61

January 8, 2010

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

This chair has for some time strongly advocated having a review of the eligibility criteria to use the Fund's facilities for concessional financing and are pleased that this is now on the Board's agenda. We thank staff for a well-written paper and support the proposed framework for determining member countries' PRGT eligibility. We particularly appreciate the motivation to achieve equal treatment of member countries underlying the staff proposal. The move from ad hoc assessments, both regarding eligibility criteria and the assessment process in itself, to a rules based assessment is a welcome step even if we recognize that there will always be a certain arbitrariness about where the line is drawn. Furthermore, an important feature is that the approach increases the predictability of available resources to borrowing countries.

We underscore that in determining countries' eligibility for Fund concessional resources maintaining close alignment with IDA practices is important in order to ensure that countries face comparable terms irrespective of which institution they turn to. However, as staff rightly points out there are differences between the institutions (paragraph 5), implying that graduation does not need to be identical, even though it will remain closely linked.

We consider both the entry and graduation criteria in general to be well balanced. We recognize that setting demanding graduation criteria contribute to mitigating the risk of untimely graduation. However, like pointed out by Mr. Bakker, the report could have benefitted from a more extensive discussion on the balance between avoiding untimely graduation and the need to provide the right incentives to graduate from drawing on concessional resources when adequate thresholds are met. Could staff comment on the possible resource implications arising from the proposed new PRGT eligibility framework?

Given that small countries are overall more susceptible to various shocks and therefore more vulnerable, we support the proposal to apply less stringent eligibility and graduation criteria to all small countries, not only limiting to small islands.

Regarding the eligibility assessment process, we welcome the proposal to introduce periodic

reviews every second year. We agree to the changes to the list of eligible countries that is the consequence of the proposed eligibility framework.