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

We thank staff for their helpful and well-drafted report. In broad terms, we consider the staff's proposal as an improvement to the current framework for PRGT eligibility; therefore, we can support the proposal and would like to make the following remarks:

1. We share the criteria to graduate a country from the list. However, we think there is some room for improvement in the third criterion "they do not face serious short-term vulnerabilities" in two ways: a) one can argue that there could be more factors to be considered as short-term vulnerabilities (for instance, instability episodes or conflicts that lead to an aid shock and/or volatility in international prices of commodities), there is no concrete explanation as to why the chosen factors were taken into account; and, b) there is some ambiguity in the factors that determine a short-term vulnerability (for instance, how to define a "sharp decline in income"). *We would appreciate staff's comments in that regard.*

In any case, the complexity and correlation of criteria requires we carry out a careful and flexible evaluation of the applicable criteria on a case by case basis, in order to guarantee the sustainability of the graduation, avoiding undesired reversions.

2. We would like to highlight the following elements of the proposal in which we see merit:
 - a. The income criterion is more clear and specific.
 - b. The market access criterion, although perfectible, is more certain.
 - c. Extension to small countries of the existing exceptional treatment of small islands in determining PRGT eligibility. However, like Mr. Itam, we also think that the one million population cutoff should be indicative.
 - d. Staff proposal of periodic reviews of PRGT eligibility.
 - e. Transitional period (three months after the adoption of Executive Board's decision).
 - f. Treatment of countries that can be graduated, but have arrangements in place.