further deterioration in banks' balance sheets despite the comprehensive restructuring efforts, and put additional pressure on public sector debt. These, in turn, would add fiscal costs at a time when tax revenue performance would also be negatively impacted. Adhering to the fiscal targets and restructuring the financial sector would also require strong and continued political commitment and public support. Furthermore and notwithstanding a substantial recapitalization reserve, the ultimate need for bank recapitalization will not be known until early next year. Finally, market confidence may return more gradually than envisaged under the program if concerns about debt dynamics in Ireland and other members of the Eurozone intensify.

10. **Overall, the proposed access would entail substantial risks to the Fund.** The Fund would be highly exposed to Ireland in terms of both the stock of outstanding credit and the projected debt service, for an extended period and in a context of high overall debt and debt service burdens. The associated risks would be still larger should any of the risks to the outlook discussed above materialize. However, current circumstances are highly exceptional, requiring a strong sign of support from the international community in light of the high risk of international systemic spillovers. While Ireland's capacity to repay its obligations to the Fund, and other creditors, rests crucially on its ability to mobilize sizeable resources from the private sector in the medium term, the financial terms of Fund assistance, the authorities' commitment to their comprehensive adjustment program, the strong support of their European partners, and the Fund's preferred creditor status all serve to mitigate the financial risks to the Fund.