IP/09/1920

Brussels, 15 December 2009

Commission approves € 230 million to cushion the impact of the economic crisis in 13 African and Caribbean countries

The European Commission approved the first financing decisions in favour of eleven African and two Caribbean countries for a total of € 230 million, including € 215 million under the so-called Vulnerability FLEX mechanism (V-FLEX). This is the first package of financing decisions in the framework of the € 500 million V-FLEX mechanism which was adopted in August 2009 as a response to the economic crisis for African, Caribbean and Pacific Countries (ACP).

Karel De Gucht, Commissioner for Development and Humanitarian Aid said: "Developing countries were hit hard by the crisis due to their poor resilience to external shocks. This has left funding gaps in many ACP governments' budgets. The Vulnerability FLEX mechanism is the European Union's swift response to help countries maintain priority spending, thereby assisting the worst affected countries to reduce the social costs of this crisis".

The V-FLEX is a short-term instrument supporting the most vulnerable ACP countries to cope with the impact of the global financial and economic crisis and to mitigate its social consequences. The first countries to benefit from the V-FLEX mechanism, at their request, are Benin, Burundi, the Central African Republic, the Comoros, Ghana, Grenada, Guinea Bissau, Haiti, Malawi, Mauritius, the Seychelles, Sierra Leone and Zambia. For this first tranche, all amounts are paid in form of budget support, which will enable partner countries to maintain their level of public spending in priority areas, including in the social sectors, without jeopardising macroeconomic stability. Most of these funds are expected to be paid before the end of this year. Additional allocations will follow in 2010.

The instrument against vulnerability works pre-emptively, based on forecasts of fiscal losses and other vulnerability criteria, helping to ease the impact rather than acting after the damage is done. It provides rapid and targeted grants and is acting as a complement to the loan-based assistance of World Bank, International Monetary Fund and other regional development banks with whose support it was developed.

The V-Flex is demand-driven and targeted at countries with a high degree of economic, social and political vulnerability, the right policies in place to fight the crisis and sufficient absorptive capacity as well as a financing gap in their budgets where EU support can make a difference by closing or significantly reducing this gap.

Background:

The € 500 million Vulnerability FLEX comes in addition to the € 1 billion Food Facility adopted on 30 March 2009 and the allocation of € 200 million under the EDF in 2008 to help developing countries to cope with higher food prices. With these targeted mechanisms, the EU was the first to act in line with the G20 summit in London in April, working for a sustainable and balanced recovery.

Press Release IP/9/550

The Communication on Supporting Developing Countries in Coping with the Crisis and 4 accompanying staff working documents: (08/04/09)

http://ec.europa.eu/development/how/monterrey_en.cfm

Annex:

List of countries and amounts agreed for financing in 2009 in response to the economic crisis

(In Million Euros)	VFLEX	FLEX	Other EDF financing	Total
Benin	25.00	1.40		26.40
Burundi	13.60			13.60
Central African Republic	7.60			7.60
Comoros	4.70	0.33	2.24	7.27
Ghana	35.00			35.00
Grenada	5.00	0.29		5.29
Guinea Bissau	8.00	3.18		11.18
Haiti	30.00			30.00
Malawi	25.00			25.00
Mauritius	10.90			10.90
Seychelles	9.00		7.50	16.50
Sierra Leone	12.00			12.00
Zambia	30.00			30.00
Total	215.80	5.93	9.74	230.74

VFLEX = Vulnerability FLEX instrument

FLEX = support for fluctuations in export earnings