

ANNEX I

1. IDENTIFICATION

Title/Number	GRENADA - General Budget Support: Poverty Reduction through Private Sector Development, Employment and Growth (9 th EDF) Addendum No.5 to the Financing Agreement CRIS number: 2007/020-805		
Total cost	Rider: Euros 3,500,000 Revised value of Financing Agreement: Euros 21,160,000		
Aid method / Management mode	General budget support Centralised management		
DAC-code	51010	Sector	General Budget Support

2. RATIONALE AND COUNTRY CONTEXT

The purpose of the present amendment is to provide for an additional fixed tranche of Euros 3,500,000 in 2010, increasing the amount of the budget support component of the ongoing 9th EDF Poverty Reduction through Private Sector Development, Employment and Growth programme.

In reaction to the international economic and financial crisis, the Communication *Supporting development countries in coping with the crisis* (COM 2009-160 final) foresees inter alia the creation of the Vulnerability FLEX mechanism. The Commission Decision concerning an increase in allocation of resources for unforeseen needs from the 10th EDF to support the most vulnerable and least resilient ACP countries in coping with the impact of the global financial crisis by setting up an ad hoc Vulnerability FLEX mechanism details its rationale, eligibility criteria and modalities. The Vulnerability FLEX mechanism has set aside an amount of Euros 500,000,000 from the reserve of the national and regional indicative programmes under the 10th EDF for the purpose at hand.

In this context, the National Authorising Officer of Grenada requested on 15 March an exceptional additional support to mitigate the impact of the crisis. Grenada is considered eligible under Vulnerability FLEX on the basis of a limited set of economic and social vulnerability criteria, the reduction in priority social expenditures due both to the crisis and to the need to close the financing gap as constrained by the IMF Extended Credit Facility programme, and the capacity of the EC to quickly provide meaningful support.

2.1. Country Context and National Policy and Strategy

2.1.1. Economic and social situation and poverty analysis

Grenada is a small, open, lower-middle income island state vulnerable to external shock and natural disaster and heavily dependent on the evolution of the economic activity of the major Western markets. Like its neighbours it faces a challenging financing situation given that it shares a currency union with five other states (thereby losing its monetary independence)

which is in turn pegged to the US\$, and with limited access to traditional financing markets (thereby with fiscal policy under considerable constraints). Grenada is heavily dependent on tourism-related activities (accounting for about 40 percent of GDP) to offset the structural current balance of payments deficit. The Government has had to undertake a number of macro-economic and public finance reforms in order to stabilise the economy and guarantee fiscal discipline.

The implementation of the Government's economic reform and adjustment programmes have been constrained by the consequences of Hurricanes Ivan and Emily in 2004 and 2005 respectively, by the rising international price of oil and other commodities in 2007, and more recently, by the global economic downturn and financial crisis erupting in September 2008.

For the above reasons, Grenada's real GDP growth has experienced major swings since 2004. In 2007, recovery was centred on post-hurricane reconstruction and the Cricket World Cup, which in part, led to a rebound in real growth to 2.2 percent in 2008 and to two-digit inflation. Nonetheless, in 2009, the global crisis has translated into an overall economic contraction of -7.7 percent and to deflation (-1.2 percent). Inflation is expected to return to positive single-digit levels in 2010 and beyond.

FDI in 2009 was roughly half of the figure in 2008. The crisis, and in particular the almost stalling of these FDI projects, have led to an equivalent contraction in imports. This effect, combined with the exports having only suffered a mild decline, translates into a significant improvement in the current account.

The IMF estimates that, despite huge improvements, the Debt to GDP ratio remains at over 100 percent (though down from 117 percent in 2006) and is not expected to fall below 60 percent by the target date of 2015 set by the Eastern Caribbean Central Bank (ECCB). The IMF estimates, under a revised economic framework with lower GDP growth and higher debt financing, that the debt-to-GDP ratio may not reach the 60 percent target until 2024. The fiscal gap is also widening and is expected to reach Eastern Caribbean dollars (EC\$) 48.9 million (approx. Euros 13,000,000) in 2010; compared to the estimated EC\$ 39.5 million (approx. Euros 10,000,000) in 2009. This mounts pressure on the Government's ability to sustain social services as well as its debt reduction policies.

Grenada is gaining positions in the UNDP Human Development Index (HDI). The 2009 HDI gives Grenada a score of 0.813, and thereby a ranking of 74 out of 182 countries, which is an improvement relative to the 85 ranking in 2006 and 82 in 2008.

Despite so, Grenada still displays high levels of poverty and even posts increases in poverty figures in the last years. The findings of the 2009 Country Poverty Assessment show a drastic reduction in indigence from 13 percent in 1998 to 2.4 percent last year (with an annualized income below the indigence line estimated at EC\$ 2,394; equivalent to Euros 634 per annum). 35.3 percent of the population is considered to be poor but not indigent (with an annualized income below the poverty line estimated at EC\$ 5,842; equivalent to Euros 1,547 per year annum, but above the indigence line). As a result, a total of 37.7 percent of the Grenadian population is poor, relative to 32 percent in 1998.

In addition, 14.6 percent of the population is reported to be vulnerable (with an annualized income below the vulnerability line estimated at EC\$ 7,302; equivalent to Euros 1,934 per annum). The vulnerability line is calculated utilizing a simple formula. It is essentially the poverty line plus an additional 25% of income. This line represents the amount of people (who are not poor or indigent) who are at risk of becoming poor in the face of a shock.

The approval and disbursement of Euros 5,000,000 under the 2009 V-Flex allocation helped the Government of Grenada to close a significant financing gap at the end of 2009. More

concretely, it helped to cover the costs of several programmes geared towards assisting the most vulnerable members of our community:

- Public assistance (welfare payments);
- Programmes by the Ministry of Education such as: free school transportation to needy children, school feeding programme, cash payments to families of necessitous children (to assist re school uniforms, supplies, nutritious meals, etc), text book rental programme;
- Increased subsidies to the General Hospital and the local tertiary college to offset a portion of their operating costs;
- Temporary employment opportunities for unskilled labourers (to mitigate high unemployment) through the Farm Labour Support, Road Improvement and Maintenance, and Debushing programmes.

2.1.2. National Development/ Cooperation Policy and Strategy

In 2005, the Government adopted a Poverty Eradication Strategy, based on Poverty Assessment data, in response to hurricane Ivan in September 2004, which was accepted by the IMF Board as the Interim-Poverty Reduction Strategy Paper (I-PRSP), as the basis for approval of the PRGF.

In 2006, the Government presented to the IMF its reform programme, detailing post-Ivan/Emily recovery objectives and reform policies. Those main goals included:

- promote sustained high economic growth by improving the climate for private investment;
- restore fiscal and debt sustainability through fiscal consolidation and reform;
- reduce vulnerabilities by safeguarding the soundness of the financial system;
- reduce poverty through more effective social development programmes and safety nets.

In 2007, the Government also approved a ten-year broad National Strategic Development Plan (NSDP).

The I-PRSP, the Memorandum of Economic Policies and the NSDP currently provide the medium-term strategic framework for Grenada.

The Government recently completed, with support of the Caribbean Development Bank (CDB), an updated Country Poverty Assessment which will be the basis to inform the drafting and completion of a full Poverty Reduction Strategy. The new PRS would bring together the different policy papers implemented at this stage into one overall strategy. The work on the new PRS has started and a preliminary version should be ready by September 2010.

2.2. Eligibility for budget support and Vulnerability Flex

Grenada has been among the hardest hit countries by the global economic crisis in the OECS, having experienced a steep GDP decline in 2009 and projecting only a modest increase of 0.8% for 2010. The submitted request is well drafted and fulfils the eligibility criteria in terms of high economic, social and political vulnerability, shown by a decline of government revenues. The residual gap in 2010 had to be closed by a reduction in priority capital spending in order to meet the IMF ECF conditionality. This expenditure can be restored by at least 50% with the requested V-FLEX 2010 allocation. The country has been supported by the 2009

V-FLEX (Euros 5,000,000) and provides an excellent absorptive capacity with an ongoing GBS programme.

In detail, Grenada is eligible for financing under the Vulnerability Flex instrument based on the fulfilment of the following criteria:

Government total revenue excluding grants as a percentage of GDP in 2010 is projected to be 1.1 percentage points lower (24.3%) than in 2008 (25.4%); 0.1 points in excess of the Flex criterion. Having recorded a -7.7% contraction in real GDP in 2009, the severe decline in government revenue is attenuated in relative terms by the severe drop in GDP. Indeed the Grenadian total revenue excluding grants is expected to drop from EC\$ 465 million in 2008 to EC\$ 424 in 2010, this is, an -8.8% decline in absolute terms;

In the current Fiscal Year 2010 Grenada had to reduce planned social priority expenditures, notably in the area of capital spending, in order to balance its budget in accordance with realistic revenue and financing projections and to close its fiscal gap in accordance with the IMF Extended Credit Facility conditionalities. The reduction in priority capital expenditure, as the main vehicle for providing social safety protection, amounts to EC\$ 25.8 million (equivalent to Euros 7,000,000) in the revised 2010 budget.

As a result, the Government of Grenada has requested an amount of Euros 3,500,000 as Vulnerability Flex contribution for the current fiscal year, in order to restore 50 percent of the cuts in priority capital expenditure.

On the basis of the analysis in Section 2.1.1 and as per the analysis of Grenada's fulfilment of the V-FLEX and budget support eligibility criteria, Grenada continues to be eligible to the budget support mechanism and for Vulnerability FLEX, 2010 Decision.

2.2.1. National Development or Cooperation Policy and Strategy

Grenada I-PRSP outlined the Government's social development agenda during the twelve (12) month interim period in which a full-fledge Poverty Reduction Strategy Paper (PRSP) was expected to be elaborated. The I-PRSP outlined a number of macroeconomic, sector and social programmes through which poverty eradication was to be achieved. These programmes included: economic recovery, agricultural rehabilitation and development, housing development, improved access to social infrastructure, human resources development, modernization of state service machinery, improvement environmental management and social safety net programmes.

In 2006, the GoG presented to the IMF its economic reform programme, detailing post-Ivan/Emily recovery objectives and reform policies. Those main goals included:

- promote sustained high economic growth by improving the climate for private investment;
- restore fiscal and debt sustainability through fiscal consolidation and reform;
- reduce vulnerabilities by safeguarding the soundness of the financial system;
- reduce poverty through more effective social development programmes and safety nets.

Both strategies have been implemented over the past 3 years. In practice however the ever tighter fiscal situation has forced the Government to re-prioritise gradually the main areas of work around those activities that have a greatest impact in terms of social protection and those

that have the potential to translate into higher economic growth. In this regard, the government increased in 2009 targeted social spending to mitigate the impact of the economic slowdown on the employment and incomes of vulnerable groups. PRGF supported macroeconomic growth and fiscal objectives also gained importance with the IMF-monitored PRGF arrangement and the forthcoming ECF.

With respect to the progress achieved in implementing both strategies, there were general improvements in the macroeconomic, sector and social indicators reflecting GoG's successes in this regard. The Government has recently implemented a range of measures in the area of macro-economic and fiscal management; investment in human resource development, private sector development, and other social measures with the aim of increasing the soundness of Grenada's fiscal stance during the severe financial and economic crisis, whilst establishing social safety programmes to protect the most vulnerable. Further to that, the Government of Grenada is committed to maintaining the strategic focus on poverty reduction and, with the support of CDB, is using data from the 2009 CPA to update its poverty reduction strategy and NSDP. According to the Government's Letter of Intent to the IMF dated November 2, 2009; following stakeholder consultations, the strategy should be finalized by September. Once this process is completed, the PRSP will replace the I-PRSP and be folded into the NSDP as the overarching strategic framework for Grenada.

2.2.2. Macroeconomic situation

The Grenadian economy was the worst hit among the OECS countries in 2009, after undergoing a contraction of real GDP of -7.7%. Some of the major sectors on which the economy depends recorded large contractions, namely 52.4 percent decline in construction due to the deferment of almost all foreign-financed tourism projects; a 29.9 percent decline in mining and quarrying; a 20.8 percent decline in hotels and restaurants; a 17.9 percent decline in wholesale and retail trade; a 12.3 percent decline in transport services; an 11.8 percent decline in manufacturing; a 3.8 percent decline in government services; and a 2 percent decline in communications. Agriculture, banking and insurance, and other services dominated by St. George's University, were the only sectors that demonstrated resilience growing by an estimated 9.3 percent, 8.6 percent and 8 percent, respectively.

Successive IMF staff missions in 2009 have observed this patterned decline and directly attribute it to the global economic downturn as manifested by reductions in tourism receipts, foreign direct investment (FDI) inflows, government revenue, grant assistance (especially under the PetroCaribe arrangement with Venezuela) and general economic activity. The IMF Article IV consultation and Fourth Review of the PRGF in September 2009 concluded that "Grenada, like the rest of the Caribbean, has been hit hard by the global economic downturn - a negative shock more devastating than the recent hurricanes in terms of employment and growth". The fifth and final IMF review in February 2010 predicted that "while economic activity is expected to improve in 2010, the recovery is likely to be very slow, [...], with downside risks to this outlook, if weaknesses in advanced economies continue to adversely affect tourism and FDI". The current IMF forecast indicates that Grenada will post mild growth of +0.8% in 2010. The ECCB forecasts however a further -2.0% contraction.

Nevertheless, the IMF has commended the authorities for their "ambitious agenda for structural reforms", for the strong economic and financial management of the economy; for their implementation of their economic programmes; and for policies that put emphasis on protecting employment opportunities and mitigating the impact of the shock on the most

vulnerable households while still keeping the economy on a favourable debt trajectory. The February 2010 fifth and final PRGF review concluded that all but two of the final targets of the programme were met, despite the prevailing difficulties. Despite so, the Fund Board reviewed positively the completion of the programme in April 2nd 2010. At the same seating, the Fund Board also approved the Government's request to a US\$ 13.3 million Extended Credit Facility.

The Government is approaching the fiscal challenge with strong resolve. On the expenditure side, the freezing of public sector wages; the limiting of capital spending programmes to those that will have a greater impact in terms of employment generation, more equitable geographic distribution and economic visibility; the implementation of targeted relief programs to mitigate vulnerable groups; and the increase in efficiency of public spending through the new Waste Reduction Unit, are prominent among those initiatives.

On the revenue side, the Government has pursued an ambitious structural reform programme. At the forefront of these efforts are the introduction of a VAT system effective February 2010; the introduction of a market-based property tax (estimated by January 2011); the introduction of a new Excise Act in October 2009; an amended Income Tax Act under consideration; and a major reform of the Ministry of Finance through a new Debt Management Unit in January 2009 and a new Division of Economic Management and Planning; all of which are expected to improve the efficiency of the tax and customs revenue systems. Additionally, Grenada benefited from a successful Euros 5,000,000 application to the Vulnerability Flex instrument in 2009.

On the financing side, the non materialisation of the proceeds from a major infrastructure project in the tourism sector created a significant hole in the 2009 budget. As a result the Government has sought private financing from domestic as well as foreign sources to complete the project. The issue is being closely monitored by the IMF from a debt sustainability perspective. External financing includes also loans from the CDB, WB and IMF during 2009 and 2010.

Nonetheless, the fiscal accounts remain fragile as the benefits from any contemplated fiscal adjustment will not be realised in the short-term and the Government will continue to devote expenditure to its rebuilding efforts.

Grenada meets this eligibility condition in a particularly challenging financing environment.

2.2.3. Public Financial Management

A second assessment of Grenada's PFM systems using the PEFA methodology has just been completed and published. This follows an assessment concluded in 2006. The second report showed mixed results, in an Administration of small capacity and under tight fiscal space, which challenged the Government ability to maintain aggregate fiscal discipline and to pursue a strategic allocation of resources.

The main strength identified by the assessment is the comprehensiveness and transparency of the budget process and access to information and reporting. However, it was noted that once the economic climate becomes more stable, it would be advisable to improve the tax collection capacity, reduce the expenditure arrears and establish better controls over commitments; whilst considering the establishment of a medium-term fiscal framework to

allow for better planning of resources. Weaknesses were also highlighted in the areas of public procurement, internal control and internal audit, although actions are already underway in some of these areas.

Grenada has pursued various initiatives in the area of PFM, some of which have taken place in the context of the IMF PRGF, including:

- the entry into force in July 2008 of new Public Finance Management Act, Audit Act and Public Procurement and Contract Administration Act, although the detailed regulations and other administrative arrangements currently under preparation are needed for them to take full effect;
- the establishment of a Debt Management Unit in the Ministry of Finance and completion of a Debt Performance Assessment in June 2009;
- the implementation of the VAT Act in February 2010 following its enactment in June 2009;
- implementation of a Customs Fraud Control Plan (fully by June 2010); or
- on-going work on establishment of a Integrity Commission in January 2010 following the passage of the Integrity in Public Life and Prevention of Corruption Acts in 2007.

In addition, the Government has repeatedly expressed its commitment to PFM reform as demonstrated by (a) its intention to approve and implement a PFM Action Plan based on the recommendations of the latest PEFA assessment; (b) the establishment of a PFM Reform Steering Committee comprising representatives of Ministry of Finance (chair), Director of Audit, Accountant-General's Department, Ministry of Works and Ministry of Legal Affairs; and (c) the continued implementation of PFM reforms, also in the framework of targets and benchmarks in the IMF PRGF arrangement and CDB PBL.

The Government's intention to approve a PFM reform Action Plan is certainly key to this commitment, and will ensure ownership, sustainability and a holistic approach to PFM reforms. The Plan can also serve as a basis for coordinated donor support in this area. CARTAC has offered to provide technical assistance to draft the Action Plan and this is expected to be completed by July 2010. The Government intends to continue its PFM reform using the resources currently available and will evaluate the need to seek further funding after the PFM Action Plan has been prepared. Naturally, all weaknesses are not expected to be prioritised early on. A careful and logical planning and prioritisation of activities will be needed to ensure that progress is made whilst not compromising the Government's ability to pursue its day-to-day activities.

Grenada meets this eligibility criterion as it has made and continues to make significant progress in enhancing its PFM system.

2.3. Sector Policies

Despite the pessimistic economic developments described under sections 2.1, the Government is responding to the crisis by establishing an appropriate fiscal policy supported by various donors (i.e. new arrangement with the IMF, ongoing CDB Policy-Based Loan and Development Policy Loan with the WB), by revising expenditure planning, and by using domestic and external financing when possible.

The revised budget includes some targeted social and capital spending programmes, estimated to provide the greatest economic and social impact. Approvals for private sector projects are also being expedited to amplify the impact. In the social realm, the government has increased targeted social spending, whereas the public assistance programme has been streamlined to revise the list of intended beneficiaries, whereas ‘a road maintenance program is expected to provide direct support to poor households’.

2.4. Lessons learnt

In the context of the food and oil price crisis and the current financial crisis, it has been demonstrated that core spending needs to be sustained during such periods, if current development gains are to be preserved and long term development goals achieved. In this regard, Grenada builds on its experience having successfully received Euros 5,000,000 under the Vulnerability Flex instrument of application year 2009, which proved essential in helping the country to maintain key priority social expenditure in a difficult financing situation of falling revenues, and limitations to expenditure by the strictures of the PRGF programme and sustainable debt long-term targets.

2.5. Complementary actions

The 9th EDF allocation made to Grenada is being channelled through a General Budget Support programme during 2007-2011. In addition, the EU’s 10th EDF allocation is currently being formulated through a follow-on GBS programme that builds on the lessons learnt and the achievements of the 9th EDF GBS.

The IMF has recently completed its PRGF programme, allowing for the immediate disbursement of US\$ 2.6 million, bringing total disbursements to US\$ 24.9 million. In addition, the IMF has approved a new US\$ 13.3 million programme entitled Extended Credit Facility, which has also triggered an initial disbursement of US\$ 1.9 million. In turn, the CDB approved in October 2009 a US\$12.8 million Policy-based Loan (PBL) over the period 2009-2011, for which the first tranche has already been disbursed. Finally, the Government has requested a US\$8 million Development Policy Loan from the World Bank which is currently under consideration and is expected to be brought to the Board in early June.

All these actions are largely complementary to the EU budget support, as they target the areas of macroeconomic and fiscal performance, poverty reduction and growth.

2.6. Donor coordination

There exists an increasing recognition among the donor community (i.e. IMF, WB, CDB and EU) that our respective programmes are irrevocably intertwined and mutually reinforcing. There doesn’t exist as yet a mechanism for donor coordination under the leadership of the Government, although there is an understanding that this will be established in the course of the year. In this sense, the Delegation has had valuable contacts with these donors and agreed on closer cooperation in the context of the 10th EDF GBS in preparation. The formulation of the PRSP will be a test case for this, necessarily involving coordination with several donors, particularly the CDB, the IMF, the EU, and WB, all of which have programmes with Grenada geared towards poverty reduction through some form of budgetary support.

Additionally, once formulated, the PRSP, medium-term expenditure framework and the annual budgeting framework will contribute to ensuring better complementarity between donor programmes. Possibly joint-staff missions and ideally common reporting on performance targets will form the central instruments by which the Government of Grenada plans to engage the donor community regarding implementation of its macro-economic,

public finance management, poverty reduction and overall development policies and therefore ensure coordination amongst donors.

3. DESCRIPTION

3.1. Objectives

The overall objective of the present allocation is to further support the implementation of macro economic and fiscal policy driven by the Government of Grenada to mitigate the impact of the crisis on the country. The European Commission short term support provided through the Vulnerability FLEX 2010 Decision will be critical in order to compensate for the reduction of planned priority expenditures and projected fall in public revenues, since the Grenadian Government has already closed the financing gap in anticipation of the deteriorating fiscal scenario.

3.2. Expected results and main activities

The expected result of the present allocation is to reduce the negative impact of the crisis on a country facing economic and social vulnerability risks and contribute to its macroeconomic stability. Concretely, and against a background of potentially growing fiscal financing gaps, the Commission intervention will close or notably reduce these budgetary gaps in order to protect core social expenditures.

3.3. Stakeholders

This Vulnerability Flex addition to the 9th EDF GBS currently ongoing is expected to benefit the Grenadian population in a general sense, since its direct beneficiary is the Government, through the Ministry of Finance, Planning, Economic Development, Energy and Foreign Trade.

For information on other donors, please see section 2.6.

3.4. Risks and assumptions

The current Grenadian administration has very strictly adhered to its own macroeconomic adjustment program, and their resolve has been repeatedly acknowledged by the IMF. The country was on the right path towards a more solid macroeconomic scenario, so the crisis has translated into a strong setback of the authorities' strategy. Grenada, as a very small open economy, is extremely vulnerable to the ongoing conditions of the international economy. The large fall in output in 2009 of the industrialised economies, and the slow recovery expected by 2010 remains the number one vulnerability of the country.

Grenada has limited capacity to shield itself from external risk factors, whether natural (i.e. hurricanes) or man-made (financial crisis, drop in tourism, FDI and economic activity, climate change). As a small island state with an open economy in a currency union, and low-income status, the Administration has a narrow scope for action against risks for which it has no control. Notwithstanding, the Government has sought to minimise the exposure of its population to external factors and is taking steps to promote sustainable growth without resorting to excessive financing. This has proven a very difficult task, but actions such as the ones mentioned in point 2.1.1. have sought to maximise employment and maintain social spending at a difficult time.

Additionally, the Government is contemplating a concessional loan from the Export-Import Bank of China to complete a major infrastructure project in the tourism sector in a joint venture (proposed to take the form of a Public-Private Partnership). This loan could have a significant impact on the authorities' debt reduction long-term objective. The IMF has advised that such a loan should be considered very carefully, with the consequences it would have on

debt management in mind. While the Government has not ruled out the possibility of this concessional loan, it has categorically stated that its preference is to find private investors for this project. The Government has recently agreed with the IMF to take a more cautious approach towards the possible loan. Before its consideration an assessment of the potential impact on the Debt-to-GDP ratio as well as an objective and independent assessment of the economic and financial returns and of the feasibility of the proposed project by an internationally reputed institution such as the IFC would be conducted. The Government's priority is the stimulation of economic growth; direct intervention such as financing this hotel project is an option of last resort. If FDI can be obtained through investment missions, then it is unlikely that the Government will be contracting additional loans. In fact, as noted in the fifth review of the PRGF, the last quarter of 2009 saw a slight improvement in FDI. This is expected to continue in 2010, with the Government actively encouraging potential investors.

3.5. Crosscutting issues

Not applicable.

4. IMPLEMENTATION ISSUES

4.1. Budget and calendar

The original Euros 10,000,000 allocation provided under the 9th EDF plus subsequent flex allocations, and the 2009 V-Flex allocation have brought the total amount of the programme to Euros 17,660,000. The present amendment will increase the financial ceiling of the programme by Euros 3,500,000 to a total of Euros 21,160,000. The revised disbursement profile of 9th EDF General Budget Support Programme is presented in the table below.

9th EDF General Budget Support Programme revised financial design

<i>(All amounts in Euros)</i>	2008	2009	2010	2011	Total	Share (over total budget support)
Fixed tranche #1	4,000,000				4,000,000	19.6%
Exceptional fixed tranche – B envelope Vulnerability Flex 2009 and FLEX 2009		5,290,000			5,290,000	25.9%
Fixed tranche #2		2,000,000			2,000,000	9.8%
Variable tranche #1			1,835,000		1,835,000	9.0%
Fixed tranche #3			2,000,000		2,000,000	9.8%
Exceptional fixed tranche – B envelope Vulnerability Flex 2010			3,500,000		3,500,000	17.1%
Variable tranche #2				1,835,000	1,835,000	9.0%
Total budget support	4,000,000	7,290,000	7,335,000	1,835,000	20,460,000	
Technical Assistance		500,000			500,000	

Monitoring/Evaluation				200,000	200,000	
TOTAL PROGRAMME	4,000,000	7,790,000	7,335,000	2,035,000	21,160,000	

4.2. Budget support modalities

The Action consists of direct and untargeted budget support according to the modalities agreed upon on the Vulnerability FLEX decision.

4.3. Procurement and grants award procedures

The provisions of the 9th EDF General Budget Support programme remain unchanged.

4.4. Performance monitoring and criteria for disbursement

The disbursement of this additional 2010 V-Flex fixed tranche will be guided by the provisions of the 9th EDF General Budget Support programme, i.e. it will be disbursed against the general conditions of the programme.

4.5. Evaluation and audit

The provisions of the 9th EDF General Budget Support programme remain unchanged.

4.6. Communication and visibility

The Action should receive specific press coverage as it is additional to the tranches already provided under relevant programme and is justified by particular circumstances. In particular, the approval and disbursement of any funds under Grenada's General Budget Support programme – and in particular V-Flex – would receive publicity via press releases from the Ministry of Finance. Visibility would also be provided via the quarterly media updates issued by the EDF Support Services Unit.

Further visibility may be possible by arranging appearances by the Minister of Finance/NAO (or a member of the NAO's Office) on local television/radio programmes, as was recently done when promoting Grenada's commemoration of Europe Day in association with the EU Delegation to Barbados and the Eastern Caribbean. A member of the Delegation would be invited to appear on the same television/radio programmes and other aspects of EU-Grenada co-operation could be discussed as well – as was done when promoting the recent Europe Day celebration.