

The European Union approves EUR 3.5 million to help Grenada to face the consequences of the economic crisis

Today, the European Commission approved a financing decision of EUR 3.5 million in favour of Grenada in the framework of the so-called Vulnerability FLEX mechanism (V-FLEX). The economy of Grenada was the worst hit among the Eastern Caribbean countries in 2009, undergoing a contraction of real GDP of 7.7%.

"The provision of this financial assistance in the form of grants is proof that the EU is delivering on its promises and is supporting its partners at critical times of need", said Valeriano Diaz, Head of the EU Delegation to Barbados and the Eastern Caribbean.

The International Monetary Fund (IMF) Article IV consultation and Fourth Review of the Poverty Reduction and Growth Facility programme 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 Vulnerability FLEX funds, which will be paid in form of budget support, will help the government of Grenada to maintain crucial social and capital expenditure including the school feeding programme, public assistance programme, transportation assistance to school children and the road improvement and maintenance programme.

The EUR 3.5 million Vulnerability FLEX financing decision comes in addition to EUR 12.4 million under 9 EDF financing, EUR 5.0 million under the Vulnerability Flex 2009 allocation, EUR 0.3 million under Flex 2009 which are all included in the ongoing general budget support programme entitled *"Poverty Reduction through Private Sector Development, Employment and Growth"* in Grenada.

Background:

The Vulnerability FLEX mechanism is the European Union's swift response to help countries which were the most affected by the economic downturn. It was created in 2009 and was allocated EUR 500 million over two years (2009-2010).

It 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.

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