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The European Union approves EUR 9 million to help Antigua and Barbuda to face the consequences of the economic crisis

Today, the European Commission approved a financing decision of EUR 9 million in favour of Antigua and Barbuda in the framework of the so-called Vulnerability FLEX mechanism (V-FLEX). The economy of Antigua and Barbuda was among the worst hit among the Eastern Caribbean countries in 2009, undergoing a contraction of real GDP of 7.0%.

"The provision of this financial assistance in the form of grants is proof that the EC 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.

Antigua and Barbuda's tourism-dependent economy has been severely impacted by the global economic and financial crisis. Falling tourism and Foreign Direct Investment-related construction activities have triggered the worst recession in decades and contributed to a sharp decline in government revenue. The main objectives of the policy framework of the Government of Antigua and Barbuda (GoAB) are to restore debt sustainability and set the stage for a sustained recovery. They initiated a major fiscal adjustment in mid 2009, which has been intensified in the context of the 2010 budget and will entail a 14.5 percent of GDP improvement in the primary balance. The GoAB has also outlined a structural reform agenda to help strengthening the fiscal position and address vulnerabilities in the financial sector.

A short-term General Budget Support programme financed under the EU V-Flex allocation will enable the Government to reduce the residual fiscal financing gap by 52% in 2010, in order to maintain priority expenditures, especially social spending. The objective of the budget support is to contribute to macroeconomic stability and to support the implementation of the home-grown National Economic and Social Transformation (NEST) strategy and the macroeconomic policies of the GoAB.

The EUR 9 million Vulnerability FLEX financing decision comes in addition to the Public Finance Management Reform Programme (EUR 3.0 million) and the Technical Cooperation Facility, Support to Non-State Actors and Support Services to the NAO (EUR 0.4 million) financed under the 10th European Development Fund.

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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