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The European Union approves EUR 1.5 million to help Tuvalu to face the consequences of the economic crisis

Today, the European Union (EU) approved a financing decision of EUR 1.5 million (approx. AUD 2.2 million) for Tuvalu in the framework of the Vulnerability FLEX mechanism (V-FLEX). The EU support is critical to reduce the effect of the global economic crisis on Tuvalu's public finances and help the government maintain its obligations to the community.

"Tuvalu's economic performance has been quite robust in recent years. Nevertheless the country is very vulnerable to external shocks as highlighted by the global economic downturn and last year's food and fuel crisis. The short-term EU assistance through V-Flex will reduce the negative impact of the crisis on Tuvalu's population and contribute to the country's macroeconomic stability", said Ambassador Wiepke van der Goot, Head of the EU Delegation for the Pacific.

Tuvalu's economy is strongly dependent on external earnings, as foreign sources of revenue are twice the value of Tuvalu's gross domestic product (GDP). The level of these earnings is determined by global economic forces, and in recent years external earnings have fallen, placing fiscal pressure on the Tuvalu Government.

The EU's contribution is expected to substitute an important part of the national budget and therefore help Tuvalu to progress towards achieving the UN millennium development goals (MDG). The amount will be paid in form of budget support, which will enable the government of Tuvalu to maintain its level of public spending in priority areas such as Health, Welfare, Youth, Gender, and Poverty Alleviation.

The EUR 1.5 million Vulnerability FLEX financing decision comes in addition to EU assistance from the 10th European Development Fund in the amount of EUR 5.4 million. This allocation directly supports Tuvalu's National Strategy for Sustainable Development 2005-2015 by funding projects in areas such as water and sanitation.

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.

See also: Press Release IP/10/1091

For more information please contact:

Stefan Stantejsky
Media Officer
Delegation of the European Union for the Pacific
Phone: (+679) 331 3633
Fax: (+679) 3300370
Stefan.stantejsky@ec.europa.eu
http://www.delfji.ec.europa.eu/en/