E-1085/10EN
Answer given by Mr Piebalgs
on behalf of the Commission
(21.4.2010)

The Commission thanks the Honourable Member for her interest in the V-Flex. The Vulnerability FLEX (V-FLEX) is an ad hoc mechanism mobilising EUR500 million from the reserve of the national and regional indicative programmes under the 10th European Development Fund (EDF). It is a short term and demand-driven instrument (Africa, Caribbean, Pacific (ACP) authorities have to formally request financing under the V-FLEX to ensure full ownership) supporting the most vulnerable ACP countries (high degree of economic, social and political vulnerability) with poor resilience capacity with a view to enabling them to maintain priority spending, notably in the social sectors, in 2009 and 2010. The eligibility of requests submitted by the national authorities of the ACP countries is assessed on the basis of a set of objective, standardised and transparent criteria. These criteria are:

- High economic, social and political vulnerability to the crisis as measured by the following variables for fiscal years 2009 and 2010 (as forecasted by the IMF):

  - year-on-year deterioration of government revenue , by at least 1 percentage point of gross domestic product (GDP) (the pre-crisis fiscal year as base year); or
  - deterioration of foreign reserves to less than two months of imports as a result of the financial crisis; or
  - deterioration of the fiscal deficit, excluding grants, by at least 1.5 percentage points of GDP year-on-year (the pre-crisis fiscal year as base year), while maintaining public priority expenditures and particularly in the social sectors, at the level prior to the crisis; and

- Residual fiscal financing gaps in 2009 and 2010 (forecasted), as identified by the IMF and/or regional development banks and not covered by ongoing or pledged commitments of the donor community or foreign and domestic borrowing. Where fiscal financing gaps have been closed in 2009 (or are expected to be closed in 2010) by reducing planned priority expenditures, notably in the social sectors, financing under the Vulnerability FLEX may compensate for this reduction; and

- Critical impact of the short term support provided through the Vulnerability FLEX, in order to close or reduce significantly the residual financing gap with a view to maintaining priority expenditures in 2009 and 2010, and by complementing multi and/or bilateral support.

- In addition, ACP countries have to demonstrate sufficient absorptive capacity through an ongoing budget support programme or an existing established social safety nets mechanism (or equivalent) in order to be eligible under the Vulnerability FLEX by providing evidence that additional funds are allocated to priority programmes.

Please note that for ACP countries in state of fragility, the abovementioned quantified economic eligibility benchmarks can be adjusted.

Budget support is considered to be the most appropriate delivery modality to deliver the Vulnerability Flex in terms of timeliness, effectiveness, efficiency, accountability and sustainability. In countries fulfilling the eligibility criteria for budget support, the Vulnerability Flex support shall be provided preferably in the form of an addition to an existing budget support programme (preferably general but it can also be a sector budget support if there is no on-going general budget support). However, in countries which are not immediately eligible for budget support but where a commitment to a stability-oriented macroeconomic policy framework has been demonstrated., the Vulnerability Flex can be delivered through existing projects or programmes in support of measures to mitigate the social consequences of the crisis, including social safety nets, employment creating initiatives and actions aimed at maintaining social service provision.

In 2009, a first tranche of around EUR236 million has been allocated to 15 ACP countries. The remaining amount available for 2010 is therefore around EUR 264 million. The deadline for receiving the 2010 V-FLEX requests submitted by ACP States was 15 March 2010. 36 requests have been received for a total amount of EUR 526 million and the concerned technical services of the Commission are currently proceeding to the first assessment of their eligibility.