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**DOMINICAN REPUBLIC**

**Multi-annual Indicative Programme 2021-2027**

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## **1. Overall lines of the EU international cooperation in the Dominican Republic**

### **1.1. Basis for programming**

The EU, its Member States and the EIB are significant partners for the Dominican Republic politically, economically and socially. Additionally, they have become key allies in the country's regional development strategy in the Caribbean and Central America – DR belongs to both, CARIFORUM and SICA. The EU has worked hand in hand over the last years to align EU Development programmes to those of the Dominican Republic. The EU's programming exercise is aligned with DR's National Development Strategy, which has fully integrated the Sustainable Development Goals (SDGs) and the new strategic priorities for EU external action.

Through the National Development Strategy of the Dominican Republic 2030 (NDS), signed in 2012 (Law No. 1-12), the government of the Dominican Republic (DR) defines the objectives and policies, divided into four main axes: (i) a social and democratic state; (ii) a society with equal rights and opportunities; (iii) an economy territorially and sectorally integrated, innovative, diversified, plural and competitively inserted into the global economy; and (iv) a society with a sustainable production and consumption behaviour, that effectively manages risks and seeks the protection of the environment and natural resources.

Subsequently, in 2016, with the establishment of a High Level Inter-Institutional Commission for Sustainable Development, the government worked on the integration of the Sustainable Development Goals (SDG) with the NDS, supported by the United Nations System. Consequently, this exercise helped the alignment with EU priorities. Along the matching exercise, a special emphasis was put on the identification of priority areas that may generate a multiplier effect in other SDGs, such as: low levels of multidimensional poverty, competitiveness and decent employment, sustainable production and consumption, populations resilient to climate change and other risks, and solid and inclusive state institutions.

EU foreign policy in the Dominican Republic, has emphasized the aspects of rule of law and regional integration as the basis for development advancement. Governance and Human Development have been two items where the EU has focused most politically. In addition, partnering with DR aspirations in the field of foreign affairs, the EU is an important partner for the DR in its efforts to playing a more active economic and political role in the Caribbean region.

The EU aims to develop a stronger political and economic partnership with the DR. There are opportunities to foster collaboration as the EU stands out as a reliable partner thanks to longstanding cooperation relationship established with government institutions and civil society, and private sector, in addition to being one of the main trade and investment partners for the DR. In 2009, the Economic Partnership Agreement (EPA) with CARIFORUM entered into provisional application and DR has widely benefitted from this agreement in the last 12 years. This relationship allows the development and implementation of actions that reflect common interests.

The arrival of a new party to power politics in a complex geopolitical environment, introduces new challenges and opportunities for both sides. In the DR context, the EU partnership is increasingly competing with other global players, furthermore after COVID-19 and the arrival of the vaccine diplomacy. Hence, this new EU programming cycle strive to reassert and maintain EU position as a leading cooperation partner in strategic areas related to EU interests and values. A reinforced EU-DR partnership will help to look for common tools and shared universal values contributing to mutually agreed priorities, not only in the country but also on a regional and global level. Thanks

to the leading regional role achieved by the DR in the last few years, and the upcoming international agenda, EU values will resound and be amplified through DR agenda, since we have aligned bilateral priorities

EU and DR NDS and the Government agenda<sup>1</sup> common priorities are aligned on climate change, integration into the global economy, fighting against social inequalities and the promotion of multilateralism. Special importance will be granted to governance (promotion of human rights, including labour rights, democracy, rule of law and peace and security). Past political dialogues have highlighted the importance of the country's Human Rights strategy, developed in collaboration with EU and MS. Regarding economic aspects, both the EU and DR have a shared interest in enhancing the business climate and improving the MSME's productivity and competitiveness, as well as taking full advantage of the EPA. In this sense, the EU is the main supporter of regional integration in the Caribbean, and an important trade and investment partner for DR, which plays into DR's ambitions of being a key player on the Caribbean and Central-America's scenarios (DR belongs both to SICA and CARIFORUM, duality offering interesting opportunities), and has an interest in promoting further trade and the investment climate.

The joint programming will allow to tackle remaining challenges while reinforce the promotion of EU foreign policy priorities: (i) weakness of institutions, and the strong influence played by political parties and business interests; (ii) lagging behind in relation to climate change & resilience, environmental degradation and water management, including major economic setbacks due to frequent natural disasters; (iii ) the slowdown in the progress achieved in human development and lags on social inequalities, including very prominent gender inequalities<sup>2</sup>, that are exacerbated as a consequence of socio-economic situation generated by the COVID-19 pandemic; (iv) binational relations with Haiti (a fragile state) and difficulties to advance commonly agreed priorities - in many areas, such as migration management, governance, environment & disaster risk reduction (DRR), etc.

In addition synergies with other EU programmes operating in the regional area will be sought where relevant, such as for the INTERREG programme financed under the European Regional Development Fund (ERDF). All actions taken under this programming exercise shall comply with EU legislation, in particular EU restrictive measures (sanctions) adopted pursuant to Article 215 of the Treaty on the Functioning of the European Union.

## **1.2. Status of joint programming**

In 2019, the EU Delegation started an exercise of joint analysis with Member States (MS) present in the country (in particular ES, FR, NL and DE). EU MS actively participated in this exercise and a joint analysis was concluded and validated by the Heads of Mission in June 2020.

Joint implementation is not yet envisaged at full but the work for a joint response mechanism has started in the first semester of 2021 with a first joint programming expert mission which took place in May 2021 focusing on broad common objectives. Some programmes implemented by EU MS agencies bring the EU closer to the joint implementation reality. Under the 11th EDF, it is worth mentioning the technical assistance component of the Higher Vocational Training budget support programme (managed by AECID), biodiversity programmes (managed by GIZ: Biodiversity and Business, Building resilience through ecosystems in El Seibo) and blending programmes with AFD (in the water, urban mobility and social sectors) and EIB (electricity, resilience), bringing also

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<sup>1</sup> A new government took office in August 2020.

<sup>2</sup> For three consecutive years, since 2017 until 2020, the Dominican Republic has scored 0.7 in the gender gap index, which shows a gender gap of approximately 30 percent (women are 30 percent less likely than men to have equal opportunities and show weak political empowerment).

opportunities of joint policy dialogue. Most recently and significantly, the Team Europe Initiatives developed in 2020 by the EU Delegation, the EIB office and the EU member states present in the Dominican Republic have been a significant step forward in relation to joint programming, and will constitute a good basis for the future joint response.

### **1.3. Priority areas of the EU's cooperation with the Dominican Republic**

The EU is an important partner of the DR and the Caribbean region, and offers a valued alternative to other global players<sup>3</sup>, as the DR has acknowledged throughout political dialogues. An EU-DR reinforced partnership will contribute to promote common values and develop mutually agreed priorities, strengthening EU political interests. Among the government's priorities after COVID-19, economic recovery has become essential. Not only to close the digital gap that the pandemic has brought to light, but also to tackle gender inequalities. In line with EU foreign policy, in order to further advance economically, and to benefit from global production chains, DR has to improve its education system. The EU is contributing as an ally to improve professional training programmes and target SMEs as the main social net for job creation.

The post-Cotonou Protocol defines the new patterns of regular political dialogue. This dialogue will be deepened and broadened by drawing upon current mechanisms (such as EU-LAC political and sectoral policy dialogues).

In the 11<sup>th</sup> EDF, the EU in its national programme focused on two focal sectors: 1) Support to inclusive productive development and to capacity building for quality employment; 2) Support to institutional reforms of public administration, with a third sector added after the Mid Term Review (3) Fight against Gender Based Violence. Through the DR active participation in EU regional cooperation programmes, the EU also has a recognised track record as regards disaster risk reduction, environment and aid for trade, and a specific added value in supporting DR-Haiti binational cooperation (in those sectors as well as in promoting binational dialogue).

The credibility achieved by the EU in the past sectors of cooperation which was facilitated by a multi-sector approach to reforms and multi-actor alliances adds a significant value to the relationship with Dominican Republic. In line with EU foreign policy priorities and EU values, the EU has contributed effectively to coordinate and to enhance policy reforms, enhance natural resources and climate change governance, improving the business climate, reinforcing economic and environment resilience capacities and promoting good governance, human rights and democratic values. The EPA, fully implemented by the DR (a leading example for the rest of the Caribbean), is perceived as an important point of reference for cooperation and trade, its full potential yet to be harnessed.

Considering the above, and given the global, regional and local challenges, the EU global priorities<sup>4</sup> and the EU added value in contributing to the objectives of the DR national development strategy and government's plans, the selected priority areas in the MIP are the following:

#### **(i) Increasing economic opportunities, especially for women and youth**

Despite a high economic performance in the last years<sup>5</sup>, the high economic growth has not sufficiently translated into shared gains in the society as a whole. In addition, the COVID crisis has greatly impacted the Dominican economy: the year 2020 registered a fall in of GDP of - 6%, and the weaknesses related to its high informality, low diversification, as well as the limited fiscal space

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<sup>3</sup> EU leadership is particularly recognised, in contrast to other players, as regards human rights and democracy, governance, strength of institutions, the development of standards, and environmental and social sustainability of its development model, now further enhanced by the Green Deal.

<sup>4</sup> See the 5 priority areas of the Geopolitical Commission work on International Partnerships.

<sup>5</sup> The DR economy grew 5.6 percent annually between 2008 and 2019 with a positive impact on the unemployment rate and the per capita income.

become strong constraints to future recovery. The social impacts of this crisis are severe, in particular amongst the most vulnerable layers of the population. The digital gap is still prominent.

MSMEs represent the main providers of employment in the Dominican Republic<sup>6</sup>, but access to credit is difficult and low levels of productivity, coupled with poor quality issues are a major bottleneck for their competitiveness, especially affecting export potential. MSMEs are mainly microenterprises (above 90%) with a high rate of informality (around 80%), causing greater vulnerability. It is in the EU's interest to support efforts by the Dominican Republic to tackle informality including the strengthening of its labour inspection capacity. Despite a well-developed industrial base installed in free zones, there are few possibilities for local MSMEs to provide inputs for companies in such zones, and thus most of the needed inputs are imported (only 18% of inputs are locally sourced). There is also still insufficient spill-over from tourism in the local economy, despite DR being such an important tourist destination. The COVID19 crisis has made the most fragile MSMEs disappear and thus the most vulnerable middle class risks falling back into poverty.

Environmental degradation due to unsustainable production and consumption practices also jeopardize the potential of key economic sectors such as tourism (affected by freshwater and marine pollution and waste and climate change) and the agri-food sector (with unsustainable pesticide use affecting export potential and water availability constraining production). In that context, the promotion of circular economy and the interrelated links between business and biodiversity (green economy) will be also enhanced.

Gender imbalances in the DR are extremely important<sup>7</sup>, which results in significant social and economic losses. Of the total number of companies that closed due to COVID19, 54% are led by women and 41% by men<sup>8</sup>. In addition, the DR is predominantly a young country, but opportunities are scarce when entering the job market. Young people are 2.5 times more likely to be unemployed than people aged 25-64, have less disposable income than previous young generations, find it more challenging to afford housing and are more likely to work in insecure jobs. Finally, the need to step up the use of new technologies and digitalisation is prominent in all economic sectors.

This policy area will support a conducive business environment to economic recovery, while also supporting MSMEs increasing their competitiveness and innovation, including green and sustainable practices, and enhancing vocational training for employability. A particular focus will be put in women and youth. Being education one of the key priorities, the strengthening of the MSMEs and the vocational training will also focus on the need to update skills in information and communication technologies and circular economy practices, and promotion of corporate social responsibility and rights based approach<sup>9</sup>. This priority area would contemplate and would be articulated to regional and binational actions. Attention will be paid to economic sectors that have export potential in order to enhance opportunities for Dominican businesses to take advantage of the EPA, such as agribusiness. The promotion of EPA will contribute to enhancing knowledge about its potential and facilitate contacts with EU business to establish more B2B links. Green technology transfer and integration of Dominican enterprises into international value chains with more demanding sustainability criteria can provide opportunities for both EU and DR companies.

## (ii) Nature and cities for people

The **European Green Deal** sets climate change mitigation & adaptation and environment and

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<sup>6</sup> 2.5 million people in the formal sector; 38.6% of the GDP.

<sup>7</sup> At the level of LA and the Caribbean, the country occupies the 18<sup>th</sup> position out of a total of 24 (Gender Gap Index of the World Economic Forum).

<sup>8</sup> The rest are family owned or joint property. In the case of MSMEs that operate normally (despite COVID19), 65.4% are led by women and 34.6% are led by men. The companies that are operating with a better capacity (which have grown despite COVID19) 60% are led by men and 40% by women.

<sup>9</sup> In line with the UN *Guiding Principles on Business and Human Rights*.

biodiversity protection as key global priorities and recognizes the need to transition towards a green economy.

This priority area intends to contribute to respond to the numerous environmental challenges that the Dominican Republic is facing (extreme vulnerability to climate change, degraded ecosystems, increased urbanisation with significant challenges in relation to service delivery, etc.) and support the country in achieving the National Determined Contribution under the Paris agreement<sup>10</sup>. This priority includes enhancing the sustainable use of ecosystems with co-benefits for both natural and productive landscapes. This will be key to ensure the continuity of ecosystems services, notably water regulation (floods and droughts) and quality water supply for the rural and urban or peri-urban population (TEI), under stress due to climate change and unsustainable watershed management. Secondly, it intends to support greener and more resilient cities, in particular by supporting the capacities in terms of solid waste management, and water, through better city governance and integration of a watershed approach into urban governance. The sustainable cities component will link to the municipalities' component in the policy area 3 of this document (*A modern state close to its citizens*). This priority area would contemplate and would be articulated to regional and binational actions. Enhancing delivery of accessible and quality municipal services will address the issues of urban poverty and inequality. The use of digital technologies will be promoted across this policy area. The use of nature-based solutions will also be key to in the field of disaster risk reduction (linked to climate change adaptation).

(iii) **A modern state close to its citizens**

The Dominican Republic needs to continue strengthening its institutions to face many structural challenges including unequal access to and low quality of public services (representing a barrier to social mobility), corruption, governance related challenges, citizen security issues and low trust in institutions by citizens. In addition, the state needs to increase its capacities in terms of digitalization, and it has become a policy priority of the government, especially to mitigate the rise in inequalities triggered by the digital gap in the Covid era. Improvements to the Public Finance Management system are also essential to allow to the economic recovery needed to overcome the impact of the pandemic and thus achieve the social pact that the new government intends to put in place with its citizens. Enhancing domestic revenue mobilization (as agreed in the Addis Ababa 2015 agenda), efficiency and transparency of public expenditures, integration of climate change and environmental safeguards in financial planning and public investments, all have a potential to leverage more financial resources to reach NDS goals, and to strengthen citizens' trust in public authorities.

This policy area will continue strengthening the ongoing work in the area of public finance reform and domestic revenue mobilization. The focus of new PFM reform efforts will improve service delivery in order also to foster the business environment and investment climate needed for economic recovery both at global and local level, in line with EU foreign policy priorities. On the other hand, the recently elected government has also included the territorial dimension as a key priority, which matches and supports EU longstanding cooperation in this field. The focus of the EU cooperation at the municipal level will reinforce the delivery of quality local public service in the context of more sustainable land use planning and territorial development strategies (link to sustainable ecosystems and resilient cities in area 2). The use of new technologies will be promoted

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<sup>10</sup>. The country increases its climate ambition by committing to reduce emissions by 27%. In terms of mitigation, the main options are in the energy sector (generation, energy efficiency and transport), industrial processes, agriculture and waste. In terms of adaptation, important adjustments were included. The priorities presented in 37 measures in the sectors of water and food security, health, resilient cities (infrastructures, human settlements), coastal and marine resources, tourism, ecosystems, biodiversity and forests.

and enhanced. Multistakeholder participation will be promoted in the design and oversight of public service strategies and territorial planning, applying a rights-based approach. It will be completed by supporting the rule of law, fundamental to all efforts above: by reinforcing the capacities of certain institutions related to justice and security sectors, the EU will promote the effective rule of law and reinforce the justice system and citizens' security. This policy area will underpin the efficiency of EU cooperation in all sectors, due to the cross-cutting nature of institutional reforms, with a focus on the local level as to provide quality public services and coming closer to the citizen, particularly youth and women, promoting much needed social inclusion and territorial cohesion.

#### 1.4. Justification and context

The proposed interventions in the three priority areas will contribute to the 2030 Agenda and the Sustainable Development Goals, enshrined in the new European Consensus on Development, and will put into practice the EU's approach to financing sustainable development<sup>11</sup> and poverty eradication. They are in line with EU's main priorities and shared interests connected to EU values and mutual interests (Sustainable and inclusive economic recovery, Green Deal, Peace), as well as with the EU Gender Action Plan 2021-2025 (GAP III), and incorporating a rights based approach to international partnerships. More specifically, this MIP will contribute to the achievement of the following SDGs for DR: SDG 1 ("No poverty"), SDG 4 ("Quality Education"), SDG 5 ("Gender Equality"), SDG 6 ("Water and sanitation"), SDG 7 ("Sustainable Energy"), SDG 8 ("Decent Work and Economic Growth"), SDG 9 ("Industry, innovation and infrastructure"), SDG 10 ("Reduction of inequalities"), SDG 11 ("Sustainable Cities and Communities"), SDG 12 ("Responsible Production and Consumption"), SDG 13 ("Climate Action"), SDG 14 ("Life under water"), SDG 15 ("Life on Land"), SDG 16 ("Peace, Justice and Strong Institutions"), SDG 17 ("Partnerships"). They are very much in line with the DR needs and priorities outlined in the National Development Strategy 2030 and in the plans and policies of the government.

The first priority area ("*Enhancing economic opportunities, especially for women and youth*") will mainly contribute to SDGs 1, 4, 5, 8, 9, 10, 12, 13 and 16 and to the People, Prosperity and Planet priorities of the New European Consensus and axes 2, 3 and 4 of the National Development Strategy of the Dominican Republic<sup>12</sup>. Recognising the huge losses provoked by the COVID19 pandemics, the government has made a priority of urgent economic recovery, respectful of the planet, and inclusive, with a stronger participation of women and youth. The EU, as part of a Team Europe effort (see *related Team Europe Initiative on fostering private sector for inclusive and sustainable recovery*) will focus on several key aspects of economic recovery in which the EU has a proven experience and added value. Firstly, by enhancing the business environment (e.g. improving regulatory and institutional frameworks - SDG 8, 16) it will seek to create a conducive atmosphere where business can thrive. Advancing reforms conducive to economic recovery in areas of high employability, and in fine contribute to the reduction of poverty (SDG 1) and of the high and persistent inequalities in the DR (SDG 10). The EU, secondly, will support MSMEs<sup>13</sup>, strengthening their productivity and competitiveness and help create value chains, both at national and regional level, as well as enhance their efficiency and clean resources cycles (circular economy) while stepping up their digital capacities (SDG 8, 12, 13), and with a special focus on women and young entrepreneurs. The work on MSMEs will be completed by actions of Team Europe members, such as access to credit for MSMEs (EIB, France, and Spain). Finally, EU support will also focus on improving the link between technical vocational education and training (TVET), labour market and private sector needs, through job-oriented training mentoring and training programmes with a focus on expanding green and digital skills (SDG 4). A particular attention will be put access of women to the job market (SDG 5<sup>14</sup>) as well as youth, and the increase of capacity in digital

<sup>11</sup> 2015 Addis Ababa Conference and subsequent Agenda.

<sup>12</sup> NDS pillars 2, 3 and 4: (ii) a society with equal rights and opportunities; (iii) an economy territorially and sectorally integrated, innovative, diversified, plural and competitively inserted into the global economy; and (iv) a society with a sustainable production and consumption behaviour.

<sup>13</sup> More than 98% of the business ecosystem in the DR is made up of micro, small and medium-sized companies -MSMEs-, main providers of employment.

<sup>14</sup> In the National Implementation Plan (CLIP), the promotion of technical-vocational training of young women, especially in those masculinized sectors, and to influence the prevention and reduction of GBV are general objectives of the EU action for gender equality and the empowerment

technology and green practices.

This action is expected to have an effect in advancing reforms conducive to economic recovery in areas of high employability, and in fine contribute to the reduction of poverty (SDG 1) and of the high and persistent inequalities in the DR (SDG 10). Finally, it will contribute to enhance competitiveness of the DR economy in the world market, contributing to attract more foreign investment and enabling DR business to make use of all the opportunities offered by the Economic Partnership Agreement EU-CARIFORUM. This policy area will be strongly interlinked with the Caribbean window of the regional programme for Latin America and the Caribbean. Finally, the EU will use guarantees and TA of EFSD+ to steer both the government and the DFI investment policies to the key priorities areas as described above.

The second priority area ("*Nature and cities for people*") will mainly contribute to SDGs 6, 9, 11, 13, 14, 15 and 16, to the People and Planet priorities of the New European Consensus and axis 3 and 4 of the National Development Strategy of the Dominican Republic<sup>15</sup>. It will also contribute to achieving the commitments of the DR under the Paris Agreement.

In a context of high vulnerability to climate change, the DR government has put a strong focus on the fight against climate change as well as adaptation and mitigation (SDG 13). Preserving biodiversity, forests (SDG 15) and maintaining healthy water ecosystems (from ridge to reef, hence encompassing rivers and their watersheds and oceans - SDG 14) is essential both for climate action and to mitigate the high vulnerability to floods and droughts. The EU, as part of a Team Europe effort (see *related Team Europe Initiative on integrated water management*), will focus on the protection of ecosystems (both terrestrial and marine/coastal) and biodiversity<sup>16</sup>, including river basins and watersheds and promoting nature based solutions for resilience and DRR, and improving water regulation. Moreover, through integrated water management, the capacity of ecosystems to provide cities with the required ecosystem services will be enhanced (drinking water, flood protection, food production, regulating services, recreation, etc.) which are also essential to sustain the tourism industry, a pillar of the DR economy. On the other hand, rapid urbanization has led to insufficient urban planning and unsustainable practices. By promoting actions in favour of sustainable cities (SDG 11, 16), the EU will contribute to enhance the quality of life of urban population (80%) in particular in the areas of solid waste and water. Making cities and human settlements safe and inclusive will ensure the inclusion of the poor and marginalized groups. The EU will also contribute to the adoption of the Escazu Agreement by ensuring the participation of these groups in making the decisions that affect their lives and promoting the right of all persons to have access to information in a timely and appropriate manner. Use will be made of digital technologies. This policy area will be strongly interlinked with the Caribbean window of the regional programme for Latin America and the Caribbean, which establishes the Green Deal, as a key priority, and complementarity will be sought, as well as with EFSD+.

The third priority area ("*A modern state close to its citizens*") will mainly contribute to SDGs 16 and 17, but indirectly to all SDGs, since a modern state with strong institutions both at central and local level, and a solid public finance management system are key prerequisites for sustainable development. It is linked to the People and Peace priorities of the New European Consensus and all axes of the National Development Strategy of the Dominican Republic, but namely axis 1 (*i*) a *social and democratic state*. Reinforcing the capacity of the Dominican public administration (SDG 16) provides continuity with present EU interventions (reform of public administration, improving public finance management -PFM-, strengthening the capacities of local authorities and actors, promoting the rule of law), in which EU impact and added value is recognized by all actors. The institutional reforms underpin the efficiency of EU cooperation in all sectors, due to their crosscutting nature. Although not part of a Team Europe Initiative, the continuation of EU work in the area of modernization of the state is very much demanded by Member States, and strong

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of women, based on the National Themes 3 and 6 of PLANEG III (sector policy).

<sup>15</sup> NDS pillars 2, 3 and 4: (iii) *an economy territorially and sectorally integrated, innovative, diversified, plural and competitively inserted into the global economy;* (iv) *a society with a sustainable production and consumption behaviour, that effectively manages risks and seeks the protection of the environment and natural resources.*

<sup>16</sup> The insular character of the country aggravates the need to protect its biodiversity and water resources.



complementarities will be sought with their interventions.

First, by supporting a more efficient management of public finances and improvement in domestic resource mobilization, the EU will support the necessary pre-conditions to implement urgent economic and social reforms that promote social and territorial cohesion, which is the ultimate goal of the National Development Strategy.

Secondly, the Government Plan 2020-2024<sup>17</sup> and the NDS fully embrace both the territorialisation of public policies and the strengthening of local institutional actors (municipalities). The EU support to the institutional development of local governments will enhance the capacities of local management (transparency, financial autonomy and accountability), the use of new technologies and digitalization in public management, and a more effective role in the deployment of public policies in the territory which result in a better service delivery for the citizens. Gender and green deal issues will be mainstreamed.

Finally, Dominican Republic's security<sup>18</sup> and justice sector faces multiple challenges, including low public confidence, but they are essential to guarantee a strong rule of law, a prerequisite for sustainable development. The gender gap (see previous sections) also needs to be addressed at the level of institutional reforms. The EU will support institutions in the rule of law area and ensure that gender equality is effectively promoted in selected policy areas including actions to tackle discrimination in Dominican Republic labour market, particularly affecting women and people with disabilities in line with ILO Conventions C100 and C111.

### **1.5. Duration of the MIP and option for synchronization**

The Dominican Republic MIP will cover the whole period (7 years) of the Multi-annual Financial Framework (2021-2027) and will take stock of the National Development Strategy 2030 midterm review (which is scheduled for 2021). Following the last elections, a new government took office in August 2020 for a 4-year term.

The DR MIP will be subject to a mid-term review that will be carried out at the end of 2024.

## **2. EU support per priority area and proposals of Team Europe Initiatives**

### **2.1. Priority area 1 : Increasing economic opportunities, especially for women and youth**

*DAC codes: 113 – Secondary education (Vocational training), 250 - Business and other services, 321 – Industry*

This policy area will mainly contribute to SDGs 1 (no poverty), 4 (quality education), 5 (gender equality), 8 (decent work and economic growth), 9 (industry, innovation and infrastructure), 10 (reduced inequalities), 12 (responsible production and consumption), 13 (climate action), and 16 (peace, justice and strong institutions).

The participation of civil society and business organizations will be key to ensure the appropriateness of the support.

Potential risks in this policy area include the perseverance of the lockdown further intensifying the economic crisis. Possible mitigation measures include adaptation plans and an increased focus on digital technologies.

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<sup>17</sup> The government included the territorial dimension as a key priority, with a focus on the local level as to provide quality public services and coming closer to the citizen, particularly youth and women, promoting social inclusion and territorial cohesion.

<sup>18</sup> The government has prioritized this theme as reflected in the preparation of a National Strategy on Citizen Security (NSCS).

### **2.1.1. Specific objectives related to the priority area**

*SO1 Improving the Business Climate, and enhancing trade and investments with the EU.* The EU will continue supporting initiatives for an inclusive economic development; creating benefit, through stronger, quality-oriented MSMEs acting at macro level (regulatory national quality system, and institutional framework adaptation to EU quality and sustainability standards) and meso level (business development services and value chain articulation). The EU will continue supporting initiatives promoting trade and investment, supporting more business-friendly regulations, developing stronger B2B links between DR and EU companies, enhancing market access and transparency under the EPA.

*SO2 Facilitate MSMEs development* generating a prompt post-COVID recovery, through improving productivity, strengthening value chains and competitiveness, with special focus on efficiency and clean resources cycles, linked to circular economy and digital solutions, and enhancing the participation of women and youth.

*SO3 Promote inclusive and sustainable employability* through job-oriented training mentoring and training programmes with private sector, including green and digital skills. The EU intervention will focus on supporting strategies that stimulate both employability and entrepreneurship, fostering the employability of graduates as well as vocational and technical education and training (TVET), coordinating labour intermediation and implementation of the National Qualification Framework and supporting the development of specific value chains, with a particular focus on women and youth.

### **2.1.2. Expected results per specific objective**

*SO1: Improving the Business Climate, and enhancing trade and investments with the EU.*

R1- Business facilitation, public services (including e-services), procedures are simplified, red tape is reduced and ease of doing business is improved, enhancing market access and transparency.

R2- Regulations related to the internal and external market are improved and the process of their adoption made more transparent, stimulating trade, investment and sustainable production; stimulating also facilities such as those offered by the EPA increased among MSMEs with export potential

*SO2: Facilitate MSMEs development*

R1- Improved production, management, processing and commercialisation processes and innovation in MSMEs, with special attention to women entrepreneurs.

R2- Young MSMEs are trained to catalyse their potential through pre-incubation and acceleration programs for women and youth, supported by public-private alliances.

*SO3: Promote inclusive and sustainable employability*

R1- Strengthened training offer in technical and professional areas related to the selected value chains and objectives, including digital capacities. Increased employability of TVET graduates.

R2- Labour intermediation for TVET graduates implemented: business formalization mechanisms that facilitate the hiring of technical human resources, especially young people and women, promoted; and capacity building for green practices enhanced.

### **2.1.3. Indicators (including baseline and targets), per expected result**

A set of indicators is proposed in the annexed intervention framework. Baseline indicators will be analysed in the inception phase for each specific objective, and targets will be set according to programme impact potential.

#### **2.1.4. Possible use of blending and guarantees for investment under EFSD+**

Part of this priority area could be implemented through blending and guarantees (possibly private guarantees, to be defined at a later stage), in particular in support to MSME development and access to credit, with a focus on women and youth. Circular economy, green technologies, climate adaptation finance, green bonds and integrated waste management, can be stimulated by strategic use of blending and guarantees to implement this priority. Investments will be sought from International Financial Institutions, which have already expressed an interest in continuing working in this area. In addition the use of green financial products could be an incentive to develop their use also by national banks.

#### **2.2. Priority area 2: Nature and cities for people**

*DAC codes: 140 - Water and sanitation, 430 – Other multisector (Urban development and management), 740 - Disaster Prevention & Preparedness.*

This priority area will mainly contribute to *SDGs* 6 (clean water and sanitation), 7 (“Sustainable Energy”), 9 (industry, innovation and infrastructure), 11 (sustainable cities and communities), 13 (climate action), 14 (life under water), 15 (life on land), 16 (peace, justice and strong institutions) and 17 (partnerships for the goals).

The participation of *civil society* organisations and local authorities’ organisations will be enhanced as main actors of oversight of public policies in these areas, and eventually for service delivery. Private sector and other actors will be involved in multi-stakeholder partnerships.

*Potential risks* in this policy area include the loss of prioritisation of an environmental perspective in times of crisis, and the lack of capacity of the government and municipalities. Possible *mitigation measures* include a strengthened policy dialogue and reinforcing precisely the capacities of the institutions, highlighting medium term costs of environmental externalities.

##### **2.2.1. Specific objectives related to the priority area**

*SO1 To improve the integrated management of water resources by promoting the protection and sustainable use of ecosystems (both terrestrial and marine/coastal) and biodiversity and by building resilience towards climate change;*

*SO2 Make cities and human settlements safe, inclusive, resilient and sustainable.*

##### **2.2.2. Expected results per specific objective**

**SO1:** *To improve the integrated management of water resources by promoting the protection of ecosystems (both terrestrial and marine/coastal) and biodiversity and by building resilience towards climate change.*

R1 - Increased areas of terrestrial ecosystems (forests and river basins) and marine/coastal ecosystems (mangroves, wetlands and reefs) are restored, protected and effectively managed, as nature based solutions for coastal protection and tourism enhancement and water regulation, with particular attention to protected areas, and including through the use of digital technologies.

R2 - Nature based solutions for resilience, adaptation and mitigation of climate change are promoted.

**SO2:** *Make cities and human settlements safe, inclusive, resilient and sustainable.*

R1 - Capacity for solid waste management is enhanced.

R2 - Institutional capacity of cities authorities is strengthened by fostering land and territorial planning considering ecosystem service’s needs.

### **2.2.3. Indicators (including baseline and targets), per expected result**

A set of indicators is proposed in the annexed intervention framework. Baseline indicators will be analysed in the inception phase for each specific objective, and targets will be set according to programme impact potential.

### **2.2.4. Possible use of blending and guarantees for investment under EFSD+**

Part of this priority area could be implemented through blending and guarantees (possibly private guarantees, to be defined at a later stage). Circular economy, green technologies, climate adaptation finance, green bonds and integrated waste management, can be stimulated by strategic use of blending and guarantees to implement this priority. Investments will be sought from International Financial Institutions, which have already expressed an interest in continuing working in this area. In addition the use of green financial products could be an incentive to develop their use also by national banks.

## **2.3. Priority area 3: A modern state close to its citizens**

*DAC codes: 151 – Government and civil society*

*In terms of SDGs*, this priority area will mainly contribute to SDGs 5 (gender equality and women's empowerment), SDGs 10 (reduced inequalities), 16 (peace, justice and strong institutions) and 17 (partnerships for the goals), but indirectly to all SDGs, since a modern state with strong institutions both at central and local level, and a solid public finance management system are key prerequisites for sustainable development.

Participation of *civil society* will be crucial in this policy area. The oversight role of civil society on public finance management (efficient use of public money, citizen budget), transparency/ fight against corruption (e.g. Marcha Verde), and in the development of policies at local level will be a key component.

*Possible risks* related to this area are the possibility of worsening of the pandemic and the need of resuming a strict lockdown, with even more negative effects for the economy, and the eventual reluctance to further implement key reforms in an era of crisis. Some *possible mitigating measures* could be: the social oversight by civil society and local authorities associations of government's commitments in terms of reforms, policy dialogue conducive to these reforms, and flexibility in the design of the programmes allowing for some adaptations in the course of action.

### **2.3.1. Specific objectives related to the priority area**

*SO1: Closing the circle on public finance management reform.*

The Public Finance reform process in DR, which has been in continuous implementation for close to two decades, has been mostly successful in delivering very specific improvements to individual PFM systems (budget, treasury, accounting, planning, etc.), without fully integrating these achievements into the wider PFM system. A new Reform Action Plan (backed by an EU budget support programme for the period 2020-2022) has as one of its objectives to progress in the integration of the achievements in the PFM system. These efforts need continued support in line with new government guidelines. By improving the PFM sector governance and making the system more effective and efficient, MIP will contribute to the efficient provision of public services and the strengthening of public planning and investment as a priority mechanism for the allocation of public expenditure and results-based management, especially investment projects, in accordance with development needs, promoting social and territorial cohesion.

*SO2: Empower autonomous and accountable LAs to manage, finance and implement local development*

The NDS defines commitments made by the State to implement reform processes, including those integrating local reforms as a joint effort by central government, local governments and civil society to strengthen and modernise key aspects of local management (including the use of digital technologies), leading to an improvement in the quality of local public services.

The Government Plan 2020-2024 and the NDS fully embrace both the territorialisation of public policies and the strengthening of local institutional actors. The recently elected government of President Abinader has included the territorial dimension as a key priority. The main institutional development of local governments passes by the improvement of the quality of services (sustainable and inclusive services), the democratisation of local management, the use of new technologies in public management, the financial autonomy and accountability, and a more effective role in the deployment of public policies in the territory creating conditions, in coordination with the Government, for citizen security and social coexistence.

### **SO3: Consolidating the rule of law and democracy**

The rule of law in the Dominican Republic is fundamental to citizen's access to public services, curbing corruption, restraining the abuse of power, and to establishing the social contract between people and the state.

Security and justice reform is fundamental to reducing poverty, protecting human rights, consolidating democratic transitions and supporting sustainable economic growth. The NSCS takes a comprehensive approach to reducing crime and violence in DR combining preventative strategies with institutional strengthening activities aimed at addressing some of the root causes of crime and criminal behaviour. In this context, the support to an inclusive and accountable justice system and rule of law will contribute to improve the delivery of quality services to people and build trust in the legitimacy of the government.

Finally, gender inequality is prominent in the country (the UN Gender Inequality Index shows strong disparities and levels comparable to less developed countries such as Bolivia - in 2019: 0,453). The country continues to present high rates of violence against women, including domestic violence, and a persistent high number of femicides (the 5<sup>th</sup> highest rate in the region) and rapes.

#### **2.3.2. Expected results per specific objective**

##### **SO1: Closing the circle on public finance management reform.**

R1 - The DR public finance management system and its reform effort is more cohesive and better integrated; the PFM governance structure is strengthened; fiscal transparency and accountability are ensured.

R2 - The national planning system is better linked to the annual and multiannual budget process and delivers the expected outputs and outcomes, based on results-oriented budget programmes, that ensure quality expenditure credible macro fiscal planning (=fiscal strategy).

##### **SO2: Empower autonomous and accountable LAs to manage, finance and implement local development**

R1- Improved capacity of local governments to promote social inclusion, equity and economic development through transparent and participatory processes.

R2- Improved quality of public services delivered at local level with greater accountability and social auditing of public expenditures management.

##### **SO3: Consolidating the rule of law and democracy**

R1 - Justice and security institutions are reinforced in their role of ensuring effective services to the citizens.

R2 - Gender equality is effectively prioritised in selected public policies.

### **2.3.3. Indicators (including baseline and targets), per expected result**

A set of indicators is proposed in the annexed intervention framework. Baseline indicators will be analysed in the inception phase for each specific objective, and targets will be set according to programme impact potential.

### **2.3.4. Possible use of blending and guarantees for investment under EFSD+**

It is not envisaged in principle to use blending and guarantees for this priority area. However, needs could emerge at a later stage.

## **2.4. Proposals of country Team Europe Initiatives**

The EU's indicative contribution to these TEIs (EUR 10 M) is subject to the confirmation of the Team Europe partners' indicative meaningful contribution as early as possible. In the absence thereof, the EU's indicative contribution may be redirected in accordance with the priority areas of the MIP and their allocations. The obligation of the Union and the Member States to coordinate their development policies following initiatives by the Commission to this effect, as per article 210 TFEU, always applies. The proposed TEIs are at a preliminary stage of consultation and, together with MS, consideration is being given to a reformulation which may result in a potential merging and/or reprioritisation.

### ***2.4.1 Team Europe initiative: Fostering private sector for a sustainable and inclusive recovery***

Inclusive socio-economic recovery is a priority for Team Europe in the Dominican Republic. This initiative will be beneficial for SME strengthening, job creation and promote a more inclusive society, allowing the most vulnerable to benefit from economic recovery while promoting green practices. This initiative will contribute to SDG 1 (no poverty), 4 (quality education), 5 (gender equality), 8 (decent work and economic growth), 9 (industry, innovation and infrastructure), 10 (reduced inequalities), 17 (partnerships).

## **CONTEXT**

- *Despite a steady economic growth (5.8% in average in the last decade) in the Dominican Republic, improvements on the economic front have not been coupled with comparable social progress, suggesting that the gains of strong economic expansion are mostly captured by a few. Institutions have improved their efficiency and transparency to deliver better services to its citizens; but for a big majority of the population, welfare has not yet arrived. The state is not yet able to provide essential basic services and social protection for all the population.*
- *A narrow-based economic structure and limited fiscal policy manoeuvre (fiscal pressure is the second lowest in the Latin American region) makes the DR very vulnerable to external shocks. COVID19 has caused a sharp decline in economic activity and pressures in the balance of payments given its reliance on tourism and remittances and the global uncertainty in relation to exports.*
- *More than 50% of the workforce is informal and 70% of the population earned less than 300 euros/ month before the crisis provoked by COVID19. There are huge socio-economic*

*inequalities prevailing in the country (enormous economic gap between sectors of population<sup>19</sup>). At least 20% of the population lives in poverty, and the recent middle class is at risk of falling back into poverty (45% of the population lives in permanent vulnerability). COVID19 has only exacerbated these huge disparities. The government has adopted a package of response to COVID19 including investments in the health sector and social protection, however insufficient when compared to the needs.*

- *Market concentration in DR is one of the highest in the LAC region. Low competition leads to lower product quality and higher prices. This affects production costs and thus the competitiveness of domestic firms, while it leads to higher consumption prices that affect poorer households. Further institutional deficiencies also negatively play against the competitiveness of the firms. Both tourism and free zones (tax-free manufacturing areas) are insufficiently linked to local economy.*
- *MSMEs represent the main providers of employment in the Dominican Republic (2.5 million people in the formal sector; 38.6% of the GDP), but access to credit is difficult and quality of production is a major bottleneck for their competitiveness, including for exports. MSMEs are mainly microenterprises (above 90%) with a high rate of informality (around 80%), causing greater vulnerability and lack of competitiveness. The small production of MSMEs limits their access to customers who demand large and regular volumes, increases their costs of production and limits their opportunities to access high value markets, such as the EU. Factors related to the business climate of the country also make the processes of MSMEs more expensive, in particular the high costs of energy and of transportation. The COVID19 crisis has made the most fragile MSMEs disappear and thus the most vulnerable middle class risks falling back into poverty.*
- *The level of digital literacy among MSMEs remains low. The COVID19 has shown the need for many MSMEs to adapt to technology and digitalisation. The connectivity in the DR remains more expensive when compared to other countries of the LAC region due to distorted competition.*
- *The capacities of young people are also in need of development through technical and vocational education and training (TVET). In 2019, TVET represented only 4.76% of the Budget of the Ministry of education (whose budget is 4% of GDP).*
- *The economic model is very intensive in the use of natural resources and production of waste. Private sector associations (comprising mainly medium and larger enterprises) are recently adopting some sustainable practices such as plastic recycling and reuse. An enabling environment for a transition to a circular economy remains a challenge for them and for MSMEs. These are threats for environmental sustainability in a geographic location very vulnerable to climate change.*

The Team Europe will promote an inclusive socio-economic recovery post COVID19 in the Dominican Republic, including aspects of a transition to a climate-neutral resource-efficient circular economy. This initiative could combine the following elements:

- 1. Promotion of business climate:** The legal environment and enabling conditions supportive of businesses and of a more inclusive and green economy will be addressed (EU, Spain, EIB, France). The challenging framework pictured above will need a reinforcement of key institutions at Central government but also at local level to scale up current efforts with

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<sup>19</sup> GINI coefficient in 2018 was 43,7.

promising results (EU, Spain). Doing and promoting business in the “new normality” represents a unique window of opportunity for generating **Green Alliances** with public institutions, private sector, academia, European business sector, chambers of commerce, social partners, and civil society. The dialogue in relation to the full utilization of the Economic Partnership Agreement –EPA- will be continued. Team Europe will seize and foster innovative tools, such as *public private partnerships (PPP) for development and guarantee funds mechanisms*, to provide business development services, strengthen R&D and innovation, and promote green and inclusive quality jobs (*EU, Spain, France, EIB*). *Other means and instruments, as budget support, technical assistance, research and loans, will also be used.*

2. Additionally, the Team Europe will facilitate the promotion of **MSMEs development** to allow prompt recovery post COVID19, with a special focus on MSME led by women and youth and on MSME made more fragile due to the crisis. This will focus in both the areas of *access to credit (EIB, France, and Spain)* and *MSME quality production & competitiveness (EU, EIB, France, Germany, Spain)* including corporate social responsibility. This work will foster efficient and clean resource cycles, linked to green recovery/circular economy; but also inclusiveness (creating jobs for the vulnerable). (*EU, AFD as part of a Policy based loan of response to COVID crisis*). Given that a big share of MSMEs in the country are in the agribusiness sector, strategies in line with Farm to Fork Strategy will be developed (a broad-based rapid assessment of national-level food systems with FAO will be done). A strong component of **digitalization** and adaptation of MSMEs to new technologies will also be included. It is expected that this work will stimulate the competitiveness of local MSMEs both for the local and international markets (in the context of the EPA EU-CARIFORUM) and to strengthen bilateral economic relations with Haiti. *In this area, instruments include loans, guarantees, grants and technical assistance (EU, Spain, AFD as part of a Policy based loan of response to COVID crisis).*
3. **Fostering an inclusive economic model: vocational training and reducing inequalities.** Actions to ensure an inclusive economic recovery are to be developed, for example, in the technical and vocational training area to increase professional abilities and the employability of the youth (*EU, France, and Spain*). *The current support in this area (EU budget support programme; TA delegated to AECID) will serve as a basis. Possible instruments are grants, loans, technical assistance and Twinning/TAIEX.*

#### ***2.4.2 Team Europe initiative: Sustainable ecosystems and water management in the Dominican Republic***

The promotion of sustainability of ecosystems in an integrated landscape approach is a priority of Team Europe in the Dominican Republic, with a focus in water and the continuity of ecosystems services such as quality water supply for the rural and urban population. This will have an impact in adaptation and mitigation of climate change and in the provision of a healthy environment and climate for all citizens (a pre-requisite of sustainable recovery post COVID19). This TEI will contribute to SDGs 6 (clean water and sanitation), SDG 9 (Industry, innovation and infrastructure), 11 (Sustainable cities and communities), 13 (climate action), 14 (life below water), 15 (life on land) and 17 (partnerships).



## CONTEXT

*The **European Green Deal** sets climate change mitigation & adaptation and environment and biodiversity protection as key global priorities and recognizes the need to transition towards a green economy. Improving the availability and quality of **water** is a win-win approach for urban development and poverty reduction, improved public health, biodiversity conservation and climate change adaptation. Healthy water ecosystems (from ridge to reef, hence encompassing rivers and their watersheds and oceans) and access to clean water by the population are key for sustainable development in a country with a high proportion of urban population and high vulnerability to floods and droughts. It is also essential to sustain the tourism industry, a pillar of the DR economy.*

- *The Dominican Republic is **one of the eleven most vulnerable countries to climate change worldwide** (Global Climate Risk Index 2016 - Long Term Climate Risk Index – CRI) and very prone to environmental hazards (aggravated by climate change, making weather events increasingly extreme and irregular). Common natural events common include hurricanes, earthquakes, floods, tropical storms, severe droughts and landslides. These affect human settlements and productive activities, threatening communities, infrastructure and freshwater supplies.*
- *DR is part of the **biodiversity hotspot** of the insular Caribbean, with very high species richness and endemism, but also high vulnerability. Protected areas cover officially 25% of Dominican land surface, but their management is often minimal. Natural ecosystems have been severely impacted by historical unsustainable patterns of land and natural resource use and modes of production. Unsustainable agricultural practices often lead to deforestation, erosion and pollution.*
- *In a **country highly dependent on beach tourism** (between 15% and 20% of the economy), the protection of ecosystems, including river basins, coastal areas and oceans, is very directly an economic matter. However, tourism also puts further pressure on water consumption, water quality, mangrove, coastal and marine ecosystems. All-inclusive tourism represents around 75% of all visitors, but linkages with the domestic agricultural and food sectors could be further developed, as well as its potential to provide income for conservation of ecosystems and local communities.*
- *The population of the DR grew exponentially over the last decades; **more than 80% of the national population is concentrated in urban areas** in continuous expansion, mainly in coastal areas. The cities lack proper water network and solid waste management systems. With more than 350 landfills, the final disposal of waste remains unmanaged and pollutes waters, rivers and protected areas. The lack of a solid waste comprehensive law limits the possibility of a holistic response, comprising economic, social and environmental aspects.*
- *This panorama further exacerbates vulnerability to climate change, while **reducing the capacity of ecosystems to provide cities with the required ecosystem services** (drinking water, flood protection, food production, regulating services, recreation, etc.). The insular character of the country aggravates the need to protect its water resources.*
- *DR has achieved increases in access to **water supply** over the past two decades. However, a significant part of the population do not have access to the sewerage network and most of wastewater generated by the sewage network is not treated – causing poor sanitary conditions and a strong impact on the pollution of the water sources. Water scarcity is partially due to weak management capacity and poor state of water infrastructure, as well as to inefficiency in urban*

areas, tourism and agriculture, to a lack of demand management and to watershed degradation. Policy and regulatory functions are fragmented.

- Several experiences worldwide have made the case for **nature-based solutions** for urban development in the context of climate change adaptation. Investing upstream in sustainable use of forests, wetlands and agricultural landscapes is key for urban water provision and flood regulation, while improving biodiversity conservation and restoration. The two largest cities of the DR (Santo Domingo and Santiago) have undertaken to apply this approach by adhering to the Latin American Alliance of Water Funds. Innovative financial mechanisms can be developed to ensure the sustainability of these types of solutions.
- The Dominican Republic under its **National Determined Contribution** (Paris Agreement on CC) sets an ambitious plan to reduce 25% of its emissions by 2030. The implementation plan includes the integrated and adaptive management of watersheds through local systems of sustainable production; the implementation of initiatives to reduce climate vulnerability in agricultural, tourist and marine-coastal areas and actions for disaster risk reduction is also a priority.

The Team Europe will promote an **integrated landscape approach** for the sustainable management of natural capital, with a view to improve **water management** and access to water by its multiple users, with a strong impact in climate change adaptation and mitigation. This initiative could combine the following elements:

1. Team Europe will promote Green Deal values through **policy dialogue and climate / water diplomacy** at national and regional level as well as at local level and promote the implementation of the NDC under the Paris Agreement. It will strengthen environmental (with special attention to river basins, coasts and oceans) and disaster risk management policies, and continue supporting the capacity building of key institutions and inter-institutional coordination (eg. Ministries of Environment, Tourism, Economy, Agriculture, Water's Cabinet, Water Institute, National Commission for Emergencies, National Council for Climate Change, municipalities). Good governance will be promoted through **mechanisms for multi-stakeholder dialogue** and sharing of responsibilities and benefits between different levels of authorities, public and private stakeholders. Some alliances can build on **regional water cooperation mechanisms** already supported by Team Europe (Alianza Latinoamericana de Fondos de Agua –Germany-; Conferencia de Directores Iberoamericanos del Agua –Spain-). Euroclima+ will provide further opportunities for regional alliances. *Main instruments include technical assistance, twinning/TAIEX, research and loans, taking stock of current blending programs under the Caribbean Investment Facility. (Spain, EU, EIB, France, Germany).*

2. Team Europe will support the **integrated management of water resources in a number of selected landscapes**, promoting the long-term continuity of critical ecosystem services (*EU, EIB, Spain, France, Germany*). Interventions will consider both rural, urban and protected areas. Through this action, Team Europe contributes to the promotion of (i) protection of key ecosystems (both terrestrial and marine/coastal) and biodiversity, (ii) sustainable smart cities with increased service delivery for their citizens, (iii) building resilience towards climate change. Landscape selections will be fine-tuned with (recently elected) national and local authorities and other donors. Team Europe will take stock of ongoing successful actions such as Plan Sierra (supported by *France/AFD*) and the environmental component of the Binational Haiti-DR Programme in the binational river basin in Pedernales (*EU/DE*).

**2a.** Team Europe will propose measures aiming at restoration and ***protection of terrestrial (forests, river basins and watersheds) and marine/coastal ecosystems*** as renewable sources of ecosystem services, for coastal protection and tourism enhancement, through mangroves, wetlands and reefs restoration. *Public private partnerships* for water management and biodiversity conservation will be promoted. The opportunity to link the protection of key landscapes to green tourism will be assessed (*EU, Germany, Spain*). Some tools include *grants to CSOs and international organisations* that play a role in integrated landscapes and biodiversity conservation<sup>20</sup>. In a context of increasingly frequent droughts and rainstorms, **nature-based solutions for climate change adaptation** will be privileged, maintaining water supply and reducing flood disaster risks (with important co-benefits for biodiversity), taking stock of existing experiences such as landscape restoration (*EU, EIB, Germany and Spain*). A *regional dimension* will be tackled through the inclusion of binational actions (e.g. Cordillera Central, shared by Haiti and the DR) and regional ones (considering migratory corridors with Haiti and Cuba – see experience with the Caribbean Biological Corridor). *In this area, instruments include loans, guarantees, grants and technical assistance.*

**2b.** Team Europe support will target **sustainable local development plans** to promote green deal transformations required, with a focus on water management and sanitation from a perspective of environmental sustainability and circularity in order to increase water quality and water access (*EU, France, EIB, Germany, Spain*). Spin-off actions can include waste management (with a circular approach) in river basins and coastal areas, which are main vectors of untreated waste. Adaptation to climate change, prevention and preparedness will be also a key component. *In this area, instruments include loans, guarantees, grants and technical assistance.*

Taking into account that PA1 and PA2 are aligned with the TEIs, EU contribution could be up to 6M€ for TEI1 and 4M€ for TEI2.

## **2.5 Sub-regional and multi-country dimension**

In the Caribbean, EU action for the next 7 years will be framed by three mutually reinforcing Partnerships on: 1) Green Deal; 2) Economic resilience and trade; and 3) Governance, security and human development. The EU engagement in the country cannot lose sight of the importance of the articulation of bilateral, multi-country and sub-regional actions within these Partnerships. To that extent, multi-country approaches that allow to build on political opportunities and economies of scale could be promoted and supported from bilateral allocations.

Considering the high importance of binational relations for the current and long-term socio-economic and political stability and joint progress of both societies (DR and Haiti), particular emphasis will be put on strengthening and developing a common understanding and joint action on activities of common interest. A strategic dialogue with national authorities to assess current intervention and to explore possible areas of interest on a binational programme is considered.

## **2.6 Support to investments under the EFSD+**

It is expected that the Dominican Republic will continue to look for accessing funds, including for blending operations and guarantees. The Dominican Republic seeks to attract investments in order to recover its economy, and to diversify it. Strategic blending and guarantees (on top of technical assistance) from EFSD+ will be critical to unleash the potential of other financing sources and the involvement of EU private sector, in the selected priority areas and in line with the TEIs. Given

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<sup>20</sup> In line with the EU Biodiversity Strategy and the “Larger than Jaguars” document for biodiversity conservation in LAC.

sizeable EU investments in DR, the EU will focus on areas where there are strong EU interests (green technologies, tourism, waste management, transport, water, renewable energies).

Subject to confirmation during the implementation phase, it is expected that an indicative amount of up to 28% of the resources of this MIP may be used to provision EFSD+ guarantees and to finance bilateral and regional blending operations to which the country will be eligible. From this indicative amount about one third would be dedicated to EFSD+ provisioning, representing 2 million euros for 2021-2024 under the PA1 “Increasing economic opportunity” and the PA2 “Nature and cities for people”.

Sustainable finance represents a real potential in the region and will help accelerate financial flows towards green, inclusive and resilient transitions.

### **3. Support measures**

#### **3.1. Measures in favor of civil society**

Working with civil society (including social partners) continues to be crucial for the Delegation in order to contribute to its strengthening as a key actor for development, supporting democracy and social cohesion. Civil society in the DR is dynamic and diverse, and plays an important role in terms of policy advocacy, oversight of public policies, service delivery and independent expertise, but their capacities still need to be strengthened. Dominican civil society and local authorities (including associations of local authorities) are crucial partners and have been actively involved in EU cooperation both through financial support via thematic programmes and within the focal sectors of bilateral cooperation. This approach has been very successful in the implementation of 10<sup>th</sup> and 11<sup>th</sup> EDF. The MIP includes specific results in support to CSOs in the context of the chosen policy areas. Specific support to civil society and local authorities will be included in the three policy areas chosen. It is in the EU’s interests to strengthen the role and participation of social partners, and to ensure their active participation in line with the ILO Convention 144 on Tripartite Consultation.

In relation to thematic instruments, they continue to constitute the fundamental frame of reference for human rights, considering the Dominican context. Issues such as gender equity, equality and environmental sustainability are advocated by NGOs and might be more prominent in EU’s political and policy dialogues. Feminist organizations have played a crucial role in recent years in advocating for the approval of a more robust legal framework and for the advancement of sexual and reproductive rights. The same has been for the elaboration of the 1st. National Human Rights Plan, which includes LGBTI groups among its target populations. LGBTI community has been promoting the approval of the Equality and Non Discrimination General Bill, incorporating effective protection actions in cases of direct or indirect discrimination. Youth organizations, especially of young women, have played a very important role as a counterweight in relation to public policies promoted by the government. They have been the ones who have promoted important social movements, such as the movement for 4% of GDP in education, and, in the case of young feminists, they have been protagonists in the fight for the abortion exceptions in the Criminal Code. These are examples of opportunities to be taken advantage of, where the EU can continue playing a supporting role.

In parallel to the new programming, the Delegation is preparing the Roadmap of Commitment to civil society in the period 2021-2024. The Delegation is in the process of defining the objectives and indicators that will guide EU relationship with Dominican civil society, one of the priorities being to make the level of consultations more direct and systematic, not only circumscribed to specific actions. At the same time, it intends to make it as plural as possible, including those small NGOs with the least capacity for advocacy (particularly those led by young women). Another

aspect to be focused on is the implementation of a M&E mechanism led by organizations. The cooperation with Universities and academia in general will also be pursued.

### **3.2. Cooperation facility**

Under the MIP 2021-2027, a cooperation facility, with a specific allocation, will allow for the provision of capacity building and technical assistance in support to the EU partnership with the Dominican Republic, mostly in relation or complementary to the intervention policy areas, but also open to new needs that may emerge. A minimum amount for the first period 2021-2024 would be 2 million euros.

The cooperation facility will provide strategic technical support and capacity building to achieve the results and impact of the EU cooperation agenda as a whole. The cooperation facility aims to support all phases of the project/programme cycle (from formulation until evaluation) and address specific needs to improve policy dialogue in strategic areas. It focuses on activities with an added value for the implementation, results and impact of the MIP 2021-2027, as well as on complementarity and synergies with the Caribbean regional envelop and other EU cooperation actions funded under other instruments.

The new post Cotonou agreement will set the frame of a new relationship with the DR, still to be completely defined. Once this agreement will be in place, new specific areas of action might arise; therefore, there will be a greater need for flexibility than usual in this main support mechanism. The changing context often requires targeted mobilisation of resources to bring added value to EU actions in DR, providing timely and complementary actions and technical assistance to capitalise and maximise the EU contribution in a given process. It can also provide leverage with other donors and other EU programmes, which is particularly relevant in the DR, as regional, bilateral and specific funding (for instance TAIEX, twinning, blending or guarantees) is a substantial complement to our intervention in the LAC region (CARIFORUM, SICA, CELAC). This cooperation facility will complement interventions in the priority areas of the MIP to cover needs that could not be fully foreseen at the beginning of MIP implementation. The cooperation facility will also enhance coordination with other donors, particularly with EU member states (Team Europe), support the joint programming process, as well as with other EU programmes. Attention will be paid to strengthening and promoting measures to support the EPA for the region and to create an enabling environment for investments that could include blending and guarantees operations under EFSD+.

Finally, the cooperation facility will allow financing dedicated long term public diplomacy<sup>21</sup> and communication initiatives, which allow engaging durably with our target audiences and partners (beyond the life cycle of specific cooperation projects) and are key to build trust, enhance the understanding of the EU and support the implementation of our policy priorities (including cooperation). These initiatives should allow the EU Delegation in the Dominican Republic to develop long term, strategic and coherent approaches to foster, engage and mobilise networks of key target audiences and potential partners such as youth, academics, influencers (e.g. media, think tanks, business community), civil society and cultural actors. When relevant, bilateral initiatives involving national initiatives will be connected at the regional and global levels (e.g. regional youth fora, civil society fora, business fora) in order to reinforce the understanding of multilateralism, highlight the role of the EU as a global player and foster intercultural dialogue. Public Diplomacy initiatives could also reinforce the ‘Team Europe’ approach.

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<sup>21</sup> As foreseen in the “Methodological Note on Public Diplomacy and Communication”.

#### 4. Financial overview

Although the duration of this MIP is seven years, the indicative allocations for Dominican Republic and for each of the priority areas and support measures laid down in the table below are provided for the 2021-2024 period only. The indicative allocations for 2025-2027, as well as the possible modification of other substantial elements of this MIP, will be subject to a decision by the EU. This decision should be preceded by a review of the implementation of this MIP, which should include a dialogue with the authorities and other stakeholders of Dominican Republic.

| <b>PRIORITY AREAS</b>   | <b><i>Budget<br/>(M EUR)</i></b> | <b><i>% of total</i></b> |
|---|----------------------------------|--------------------------|
| <b>Priority area 1: Increasing economic opportunities, especially for women and youth</b> | <b>7</b>                         | <b>33%</b>               |
| <b>Priority area 2: Nature and cities for people</b>                                      | <b>6</b>                         | <b>28.5%</b>             |
| <b>Priority area 3: A modern state close to its citizens</b>                              | <b>6</b>                         | <b>28.5%</b>             |
| <b>Support measures</b>   | <b>2</b>                         | <b>10%</b>               |
| <b>TOTAL 2021-2024</b>  | <b>21</b>                        | <b>100%</b>              |

Attachments

1. Intervention framework
2. Donor matrix showing the current indicative allocations per sector

| <b>Priority area 1: Increasing economic opportunities, especially for women and youth.</b>   |   |   |
|--|---|---|
| <b>Specific objective 1: <i>Improving the Business Climate, and enhancing trade and investments with the EU.</i></b>   |   |   |
| <b>Expected Results</b>  | <b>Indicators</b>   | <b>Baseline &amp; targets</b>   |
| a) Business facilitation, public services (including e-services), procedures are simplified, red tape is reduced and ease of doing business is improved, enhancing market access and transparency. | <p>a1) Number of people having access to and making use of digital services offered by the government related to practices on trade, investment, and business, or promoting the external dimension of EU internal policies or EU interest, which have been influenced (<i>EURF</i>)</p> <p>b1) Number of people having access to and making use of formal financial products and services, disaggregated by sex, age group and location</p> | <p>a1- Baseline: 0</p> <p>a1- Target: At least 1,050, individuals</p> <p>Means of verification : EU Programme report</p> <p>b2- Baseline: 0</p> <p>b2- Target: At least 1,050 individuals</p> <p>Means of verification : EU programme report</p>  |
| b) Regulations and strategies related to trade, investment sustainable production, EPA and labour standards are stimulated.  | <p>b1) Number of countries supported by the EU to strengthen investment climate (<i>EURF</i>)</p> <p>b2) Number of policies reforms on labour laws improved supported by the EU</p>   | <p>b1- Baseline: 0</p> <p>b1- Target: 1 country (at least two strategies or similar number of regulations improved).</p> <p>Means of verification: EU Programme report, National Competitiveness Counsel report</p> <p>b2- Baseline: 0</p> <p>b2- Target: At least one labour policy improved.</p> <p>Means of verification: EU Programme report, National Competitiveness Counsel report</p> |
| <b>Specific objective 2: <i>Facilitate MSMEs development</i></b>   |   |   |
| <b>Expected Results</b>  | <b>Indicators</b>   | <b>Baseline &amp; targets</b>   |

|   |  |   |
|---|--|---|
| <p>a) Improved production, management, processing and commercialisation processes and innovation in MSMEs, with special attention to women and youth entrepreneurs.</p> | <p>a1) Number of Micro, Small and Medium Enterprises applying Sustainable Consumption and Production practices with EU support. Disaggregated by sex and age of firm owner. (EURF)</p> | <p>a1- Baseline: 0.<br/>a1- Target: At least 350 MSMEs, supported.<br/><br/>Means of verification: EU Programme Report</p>      |
| <p>b) Entrepreneurs trained through pre-incubation and acceleration programs for women and youth, supported by public-private alliances.</p>                            | <p>b1) Number of Entrepreneurs trained, improve production, innovation and clean resource cycles. Disaggregated by sex and age.</p>  | <p>b1- Baseline: 0.<br/>b1- Target: At least 200 entrepreneurs trained.<br/><br/>Means of verification: EU Programme report</p> |

**Specific objective 3: Promote inclusive and sustainable employability**

| Expected Results   | Indicators  | Baseline & targets  |
|--|---|---|
| <p>a) Strengthened training offer in technical and professional areas related to the selected value chains and objectives, including digital capacities.</p> | <p>a1) Number of people who have benefited from institution or workplace based VET/skills development interventions supported by the EU, disaggregated for digital skills. (EURF)</p> | <p>a1- Baseline: 0<br/>a1- Target: between 1500 and 2000, to be defined.<br/><br/>Means of verification: EU programme reports</p> |
| <p>b) Labour intermediation for TVET graduates implemented: business formalization mechanisms, promoted; capacity building for green practices enhanced.</p> | <p>b1) Number of initiative to promote labour intermediation for TVET graduates supported by EU.</p>  | <p>b1- Baseline: 0<br/>b1- Target: 4 initiatives implemented.<br/><br/>Means of verification: EU programme reports</p>            |



**Priority area 2: Nature and cities for people.**

**Specific objective 1: *To improve the integrated management of water resources by promoting the protection and sustainable use of ecosystems (both terrestrial and marine/coastal) and biodiversity, and by building resilience towards climate change.***

| Expected Results  | Indicators  | Baseline & targets   |
|---|---|--|
| <p>a) Increased areas of terrestrial and marine/coastal ecosystems are restored, protected and effectively managed for the benefits of coastal protection, tourism and water regulation, with particular attention to protected areas</p> | <p>a1) Areas of terrestrial and freshwater ecosystems under a) protection or b) improved sustainable management with EU support. (<i>EURF</i>)</p> <p>a2) Areas of marine ecosystems under protection or improved sustainable management with EU support. (<i>EURF</i>)</p> | <p>a1- Baseline: 0</p> <p>a1-Targets: At least 15km<sup>2</sup> of terrestrial ecosystems are better protected</p> <p>Means of verification: project reports</p> <p>a2- Baseline: 0</p> <p>a2- Targets: at least 250 kms of marine ecosystems are protected.</p> <p>Means of verification: Project reports</p> |
|   |   |  |

|  |  |  |
|--|--|--|
| <p>c) Nature based solutions for resilience; adaptation and mitigation of climate change are promoted.</p> | <p>c1) Number of nature-based solutions implemented with EU support.</p> <p>c2) Number of cities with climate change and/or disaster risk reduction strategies: a) developed, b) under implementation with EU support that include nature based solutions components. (EURF)</p> | <p>c1- Baseline: 5<br/>c1-Targets: 10.<br/>Means of verification: project reports</p> <p>c2- Baseline: 0<br/>c2-Targets: At least 2 local governments adopt and implement DRR or climate change adaptation or disaster risk reduction strategies that include nature-based solutions components<br/>Means of verification: project reports</p> |
|--|--|--|

**Specific objective 2: *Make cities and human settlements safe, inclusive, resilient and sustainable.***

| Expected Results  | Indicators   | Means of verification  |
|---|--|--|
| <p>a) Capacity for solid waste management is enhanced</p>   | <p>a1) Number of institutional coordination mechanisms for solid waste management supported by the EU.</p> <p>a2) Number of strategic plans and improved policy instruments supporting solid waste management developed with EU support.</p> | <p>a1- Baseline: 0<br/>a1-Targets: At least 2 plans<br/>Means of verification: project report</p> <p>a2- Baseline: 0<br/>a2- Targets: at least 2 strategic plans and improved legislative instruments are developed<br/>Means of verification: project reports</p> |
| <p>b) Institutional capacity of cities authorities is strengthened by fostering land and territorial planning</p> | <p>b1) Number of local governments with increased capacity to integrate land use in planning.</p>  | <p>b1- Baseline: 0<br/>b1- Targets: 3/4 local governments.<br/>Means of verification: project reports</p>  |

**Priority area 3: A modern state close to its citizens**

**Specific objective 1: Closing the circle on public finance management reform**

| Expected Results  | Indicators  | Baseline & targets   |
|---|---|--|
| <p>a) The DR public finance management system and its reform effort is more cohesive and better integrated; the PFM governance structure is strengthened; fiscal transparency and accountability are ensured.</p> | <p>a1) Number of actions/processes supported by the EU to strengthen public financial management, revenue mobilisation and/or budget transparency. (EURF)</p> | <p>a1- Baseline:0<br/>a1 - Target: 4<br/>Number of action of EU supporting PFM and DRM reform.<br/><br/>Means of verification: EU program reports, Reports of the Ministry of Finances</p> |

**Specific objective 2: Empower autonomous and accountable LAs to manage, finance and implement local development**

| Expected Results  | Indicators  | Means of verification   |
|---|---|---|
| <p>a) Improved capacity of local governments to promote social inclusion, equity and economic development through transparent and participatory processes</p> | <p>a1) Number of participatory action supported by the EU to inforce local government capacity in social inclusion, equity and economic development.</p>          | <p>a1- Baseline: 0<br/>a1- Target: 10 actions at municipal level.<br/><br/>Means of verification: EU programme reports.</p>   |
| <p>b) Improved quality of public services delivered at local level with greater accountability and social auditing of public expenditures management</p>      | <p>b1) Average performance by local governments in the SISMAP monitoring system<br/>b2) Citizen satisfaction with municipal services <i>sex-disaggregated</i></p> | <p>b1- Baseline: 32.87%<br/>b1- Target: 50% by 2025<br/><br/>Means of verification: SISMAP<br/>b2- Baseline: MAP/LMD survey on citizen satisfaction with municipal services (available in Dec 2021)<br/>b2- Target: +5%<br/><br/>Means of verification: Ministry of Public Administration strategic plan report</p> |

**Specific objective 3: Consolidating the rule of law and democracy**

| Expected Results   | Indicators   | Means of verification  |
|--|--|--|
| a) Justice and security Institutions are reinforced in their role of ensuring effective services to the citizens | a1) Number of laws/regulations determining effective standards of criminal prosecution and security sector reform supported by the EU and in line with international standards | a1- Baseline: 0<br>a1- Target: 3 supported policies implemented<br>Means of verification: EU programme report                |
| b) Gender equality is effectively prioritised in selected public policies  | b1) Number of public policies with gender equality promoted with EU support.   | b1- Baseline: 0<br>b1- Target: 3 public policies with gender equality promoted<br>Means of verification: EU programme report |

## Attachment 2. Financial Donor Matrix in the Dominican Republic (million EUR€)

Source: MEPYD (Minister of Economy, Planning and Development in DR) (2020)

| GRANTS           |                      |                 |           |        |        |                  |                  |         |                                |                            |                     |                   |        |            |
|------------------|----------------------|-----------------|-----------|--------|--------|------------------|------------------|---------|--------------------------------|----------------------------|---------------------|-------------------|--------|------------|
|                  | Water and sanitation | Economic Growth | Education | Energy | Gender | Risks Management | Institutionality | Justice | Environment and Climate Change | Health and Social Security | Agricultural Sector | Citizens Security | TOTAL  | Share by % |
| USAID            | 3.06                 |                 | 22.07     |        |        |                  | 3.42             | 26.28   | 1.64                           | 20.57                      |                     | 2.56              | 79.60  | 24.8%      |
| SPAIN**          | 0.82                 | 1.18            | 0.49      |        | 0.23   | 0.11             | 0.81             | 0.23    |                                |                            | 0.46                |                   | 4.33   | 1.3%       |
| AFD (FR)         |                      |                 |           |        |        | 1.83             |                  |         | 4.37                           | 0.18                       |                     |                   | 6.38   | 2.0%       |
| GIZ (DE)         |                      |                 |           | 4.59   |        |                  |                  |         | 18.32                          |                            |                     |                   | 22.91  | 7.1%       |
| IADB             | 40.54                |                 |           |        |        |                  |                  |         |                                |                            |                     |                   | 40.54  | 12.6%      |
| Other Actors***  | 0.26                 | 4.35            |           | 0.05   |        | 0.01             | 8.25             | 0.14    |                                | 3.41                       | 0.35                |                   | 16.82  | 5.2%       |
| SICA             |                      | 16.67           |           |        |        |                  | 4.00             | 19.01   | 0.08                           | 1.22                       |                     |                   | 40.98  | 12.8%      |
| EU               | 9.16                 | 11.00           | 16.00     | 8.54   | 5.00   | 0.03             | 44.20            |         | 14.00                          |                            |                     | 1.70              | 109.63 | 34.1%      |
| Total            | 53.84                | 33.20           | 38.56     | 13.18  | 5.23   | 1.98             | 60.68            | 45.66   | 38.41                          | 25.38                      | 0.81                | 4.26              | 321.19 | 100.0%     |
| Share by sectors | 16.76%               | 10.3%           | 12.0%     | 4.1%   | 1.6%   | 0.6%             | 18.9%            | 14.2%   | 12.0%                          | 7.9%                       | 0.3%                | 1.3%              | 100.0% |            |
| LOANS            |                      |                 |           |        |        |                  |                  |         |                                |                            |                     |                   |        |            |
| EIB              |                      | 321.57          | 5.00      | 116.29 |        |                  |                  |         | 43.73                          |                            |                     |                   | 486.59 | 92.3%      |
| AFD*             |                      |                 |           |        |        |                  |                  |         |                                |                            |                     |                   |        |            |
| IADB*            |                      |                 |           |        |        |                  |                  |         |                                |                            |                     |                   | 40.54  | 7.7%       |
| WB*              |                      |                 |           |        |        |                  |                  |         |                                |                            |                     |                   |        |            |
| TOTAL            |                      |                 |           |        |        |                  |                  |         |                                |                            |                     |                   | 527.13 |            |

\* Information from IADB, WB and AFD for loans is still not fully available, waiting to receive it.

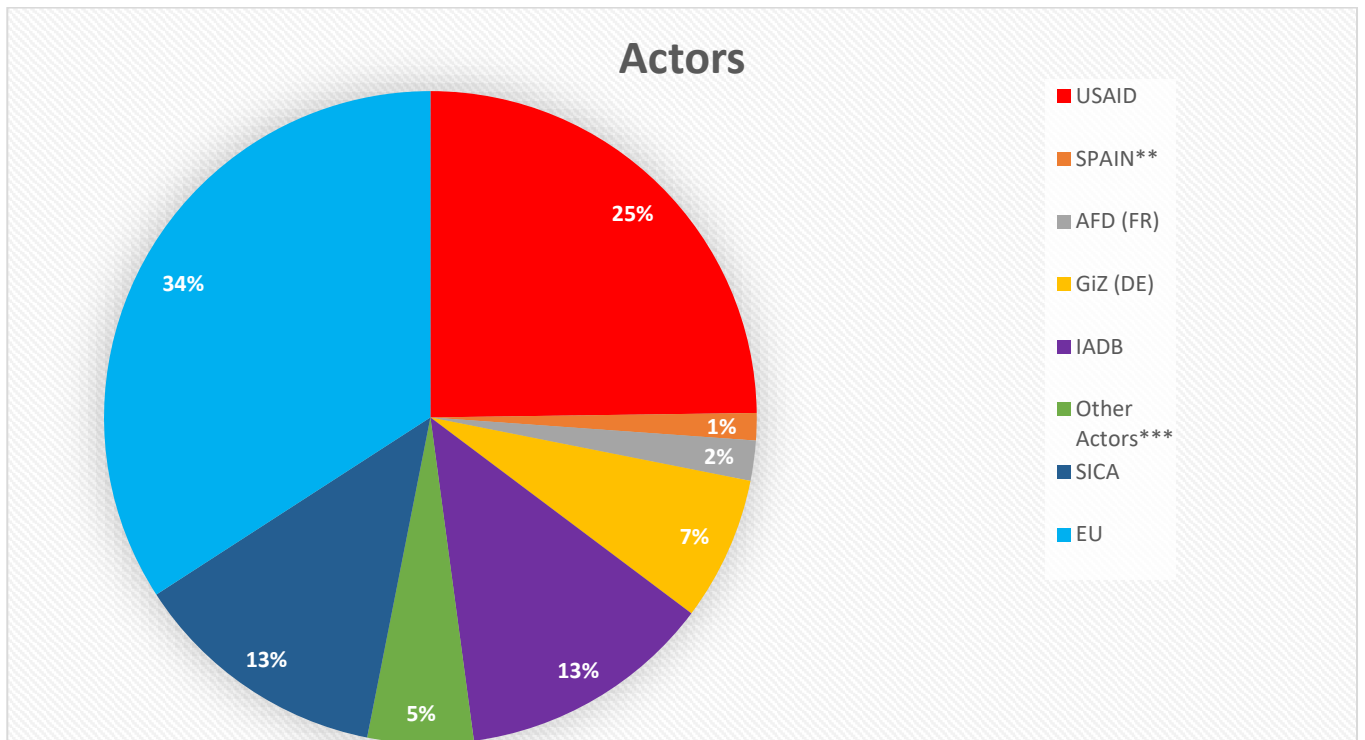
\*\* SPAIN represents Spanish Agency for International Cooperation for Development (AECID) and Spanish sub-regional agencies for development cooperation (Andalusian, Balear Islands, etc.)

\*\*\* Other Actors: ABC, AGCI, AMEXCID, FIDA, JICA, KOICA, SEGIB

\*\*\*\*Exchange rate (InforEuro Feb2021): 1 DOP = 0.01419 EUR

1 EUR = 1.2091 USD

## Graphic for Grants



### Acronyms and abbreviations

ABC: Brazilian Agency of International Cooperation

AGCI: Chilean Agency of International Cooperation

AMEXCID: Mexican Agency of International Cooperation for Development

EIB: European Investment Bank

FIDA/IFAD: International Fund for Agricultural Development

IADB: InterAmerican Development Bank

JICA: Japan International Cooperation Agency

KOICA: Korea International Cooperation Agency

OEA/OAS: Organization of American States

SICA: Central American Integration System

EU: European Union

USAID: United States Agency for International Development

WB: World Bank