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THIS ACTION IS OPERATED BY THE EUROPEAN UNION

ANNEX 1

to the Commission Implementing Decision on the financing of the annual action plan in favour of Cuba for 2022

Action Document: “Support to New Economic Actors - Modernisation of the Economy”

ANNUAL PLAN

This document constituting the annual work programme in the Article 110 (2) of the Financial Regulation, and action plans in the meaning of Article 23 of NDICI-Global Europe Regulation.

1 SYNOPSIS

1.1 Action Summary Table

1. Title Title CRIS/OPSYS business reference Basic Act	Support to New Economic Actors - Modernisation of the Economy CRIS number: NDICI LA/2022/44159 OPSYS reference: PROG 10123, ACT-61519 Financed under the Neighbourhood, Development and International Cooperation Instrument (<u>NDICI-Global Europe</u>)/ Overseas Association Decision/European Instrument for International Nuclear Safety Cooperation Regulation
2. Team Europe Initiative	No
3. Zone benefitting from the action	The action will be carried out in Cuba
4. Programming document	Multiannual Indicative Programme (MIP) — EU-Cuba Cooperation 2021-2027
5. Link with relevant MIP (s) objectives/expected results	This action responds to the second priority of the MIP <i>Modernisation of the economy: maximising the potential of economic actors</i> . In particular, it responds to the following specific objectives: <ul style="list-style-type: none"> • Contribute to the development of all economic actors, with an emphasis on MSMEs, promoting complementarity between them, primarily in key areas where Cuba has economic potential, such as agroecology, renewable energy production and storage, ICTs, creative industries and biotechnology. This would include the development of a comprehensive and flexible legal and regulatory framework as well as capacity building systems and better access to finance. • Improving the business environment and investment climate for external trade and investment at territorial level, enabling the integration of all economic actors into local and regional initiatives.

PRIORITY AREAS AND SECTOR INFORMATION

6. Priority Area (s), sectors	250 business, Other Services 240 banking, Financial Services			
7. Sustainable Development Goals (SDGs)	Major SDG (1 only): Objective 8: Promoting inclusive and sustainable economic growth, employment and decent work for all The project has an impact on Sustainable Development Goals (SDGs) 3, 4, 5, 9, 11, 12, 16 and 17.1 of the 2030 Agenda.			
8 (a) DAC code (s)	25010 — business policy and administration (60 %) 25030 — business development services (38 %) 24010 — financial policy and administrative management (2 %)			
8 (b) Main Delivery Channel	41000 United Nations (UN) agency, fund or commission			
9. Interference of multilateral partners	No			
10. Targets	<input type="checkbox"/> Migration <input type="checkbox"/> Climate <input checked="" type="checkbox"/> Social Inclusion and Human Development <input type="checkbox"/> Gender <input type="checkbox"/> Biodiversity <input type="checkbox"/> Education <input type="checkbox"/> Human Rights, Democracy and Governance			
11. Markers (from DAC form)	General policy objective @	Not targeted	Significant objective	Main objective
	Participation development/good governance	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
	Aid to environment @	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Gender equality and women's and Girl's Empowerment	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
	Trade development	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
	Reproductive, maternal, newborn and child health	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Disaster Risk Reduction @	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Inclusion of persons with Disabilities @	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Nutrition @	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Rio Convention Markers	Not targeted	Significant objective	Main objective
	Biological diversity @	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Fighting desertification @	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Climate change mitigation @	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

	Climate change adaptation @	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
12. Internal Markers and tags:	Policy objectives	Not targeted	Significant objective	Main objective
	Digitalisation @ digital connectivity digital governance digital entrepreneurship digital skills/literacy digital services	<input type="checkbox"/>	<input checked="" type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input checked="" type="checkbox"/> <input checked="" type="checkbox"/> <input checked="" type="checkbox"/>	<input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>
	Connectivity @ @ transport people2people energy digital connection	<input checked="" type="checkbox"/>	<input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>	<input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>
	Migration @ (methodology for tagging under development)	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Reduction of Inequalities (methodology for marker and tagging under development)	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
	COVID-19	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
BUDGET INFORMATION				
13. Amounts concerned	Budget line(s) (article, item): BGUE-B2022-14.020141 Total estimated cost: EUR 14,000,000 Total amount of EU budget contribution EUR 14,000,000			
MANAGEMENT AND IMPLEMENTATION				
14. Type of financing	Indirect management with the entity(ies) to be selected in accordance with the criteria set out in section 4.3.1			

1.2 Summary of the Action

This action aims to contribute to the well-being of the Cuban people by supporting a dynamic economy and specifically the recently regulated and privately owned MSMEs. The focus will be to foster their innovation, entrepreneurship, management and, where relevant, their access to international markets. Since 2011, Cuba has been developing a series of economic and social transformations to support innovation and revitalise the economy that in the current context of the COVID-19 epidemic and its economic consequences are more relevant than ever. One of the key elements of these changes is a new legal framework for, among others, setting up micro, small and medium-sized enterprises (MSMEs) and local development projects (PDLs) complementing the previously existing self-employed, cooperatives and public enterprises.

This action builds on these changes supporting the new economic actors at each stage of their activities and their processes and specifically the newly regulated and privately owned MSMEs as a main dynamic sector of the economy. This includes the early stages of conceptualisation of product, prototyping and innovation at large, as well as the process of drawing up sustainable business plans, turning into formal entities, their registration and tax obligations. In relevant cases this will also include their access to international markets, with an emphasis on links with European, Latin American and Caribbean MSMEs and supported by the development of tools such as foreign trade and foreign investment windows. The action will focus on priority sectors for the country in coherence with the EU-Cuba MIP 2021-2027: sustainable agri-food systems, renewable energy, creative industries, Information and Communication Technologies (ICTs) and biotechnology, while promoting the circular economy and prioritising the leadership of women and young people.

This action will be developed in synergy with the other areas of the MIP 2021-2027, in particular the eGovernment and eCommerce programme (*Support to the Public Administration - Modernisation of the Economy*), for the effectiveness and efficiency of public registries, the cadastre, public procurement, taxation, statistics, and the development of sustainable municipalities.

2 RATIONALE

2.1 Context

Since the beginning of the COVID-19 pandemic, the Cuban economy has been under severe pressure in terms of production and sustainable equity, already having faced significant challenges in recent years, aggravated by the US economic, trade and financial embargo and structural problems in the economy. Since 2011 Cuba has been developing a series of economic and social transformations, reflected in the 2019 Constitution and the updated *Conceptualisation of the Cuban economic model* and the *2021-2026 guidelines linked to the implementation of the National Economic and Social Development Plan until 2030* (PNDES) approved by the PCC Congress in 2021.

One of the most important developments in this process is Decree Law 46 of July 2021, which provides a new legal framework for the registration of micro, small and medium-sized enterprises with legal personality, to add to the existing legal entities. Decree Law 46 also regulates local development projects which are different to what the European Union understands as MSMEs. This new legal framework marks one of the main milestones in the transition to a more open, participatory, dynamic and more innovation-driven economy, reflecting the importance of the link between research, innovation and business initiatives for the sustainable and inclusive development of the Cuban economy, advocated for in the Cuban government's current economic strategy

Currently, state-owned enterprises prevail in the Cuban economy, employing 70 % of the working population, while self-employed and the recent MSMEs account for 13 % of the labour force (800.000 people). At the same time, both food and energy security and the efficient production of goods and services in general represent major challenges. In order to alleviate the burden on the public sector and strengthen innovation, the new legislation of 2021 allows companies to hire a higher number of employees compared to what was authorised before. While before 2021, businesses were only allowed a maximum of 3 employees and 10 family members, now MSMEs can be created as a legal entity with up to 10, 11-35, and 36-100 employees being authorised to micro, small, and medium-sized enterprises, respectively. The new legislation also extends the spectrum of private activities that can be carried out with its own legal personality. In this context, the National Assembly also approved new rules on tax, labour, financing, co-investment and foreign trade mechanisms. While difficulties remain, particularly in terms of access to credit, foreign investment and import duties, the authorisation of these new economic actors is an important first step and a significant signal. Up to September 2022, about 5,000 MSMEs have already been registered, with an increasing tendency.

In order to foster these new dynamics of the economic modernisation process, this action aims to support specifically the privately owned and newly regulated MSMEs as a central dynamic sector of the economy. As a second order of priority, punctual support could also be given to Local Development Projects (PDLs) that prove a specific added value on the priority sectors and municipalities of intervention, with a maximum amount of 10% of the funds dedicated to the relevant sub-objective (SO2).

The action will focus on the priority sectors in line with the objectives of the MIP 2021-2027: sustainable agri-food systems, renewable energy, creative industries, information and communications technologies (ICTs) and biotechnology. The action will equally support the functioning of the circular economy and the empowerment and leadership of women and young people. The action will also support capacity building and create development opportunities by strengthening the enabling environment for entrepreneurship and innovation, and by supporting MSMEs and PDLs from the early stages of conceptualisation and creation of innovations and prototypes, through the process of training, business planning, formalisation and registration, and, where relevant, their internationalisation and linkage with European, Latin American and Caribbean economies.

The action is aligned with the EU Decent Work and Sustainable Growth agenda, with the different European strategies that make up the EU Green Deal (Circular Economy; Sustainable food systems, from farm to fork) and with the external dimension of the new EU Adaptation Strategy. It will also contribute to the objectives of cooperation in education, pointing together to SDGs 1, 2, 4, 5, 7, 8, 10, 13 and 17. By focusing on digital entrepreneurship, supporting economic actors, especially MSMEs, in the ICT sector, while acting in synergy with the eGovernment and eCommerce programme (*Support to the Public Administration - Modernisation of the Economy*), it responds to the Digital Compass Communication and the Digital4Development Strategy.

The prioritisation of women-led or owned MSMEs is in line with the EU's gender priorities and in particular with the Gender Action Plan III (2021-2025)¹ regarding its thematic areas of engagement "Promoting economic and social rights and empowering girls and women" and "Addressing the challenges and harnessing the opportunities offered by the green transition and the digital transformation." It also contributes to the realisation of the EU's Circular Economy Action Plan - For a cleaner and more competitive Europe"².

It also responds to Cuban strategies such as *Tarea Vida*, the Cuban State Plan for Combating Climate Change, and the National Programme for the Advanced Women (PAM), which governs the institutional mechanisms for directing and coordinating gender equality policies in Cuba.

2.2 Problem Analysis

In the context of the general challenges of the Cuban economy described above, the new economic actors face specific problems by their nature. While Cuba has generally prioritised access to higher education and scientific development, the innovation ecosystem and university-business nexus (a government priority) needs further development. Public entities often face challenges to support relevant processes due to a lack of capacity on their human resources, funding and infrastructure, including digital ones. In particular, government portals are insufficient for the services and formalities needed for the new economic players.

Among the main challenges faced by MSMEs is the lack of access to finance. Not only is the overall supply of loans and credits limited, but also loan maturities are often too short to allow business to develop and so far loans have only been issued in CUP (Cuban peso), with no access to foreign currencies, preventing the import of goods and equipment needed for many of the productive processes. Although an offer of foreign currency loans in Cuba's convertible currency (MLC) has recently been created by foreign commercial banks, no MSME has yet been able to obtain such a loan as loan applications typically lack the evidence/guarantee of profitability required by the few financing institutions. The limited ability to create business plans and to submit financing proposals adds to still nascent knowledge of corporate and financial administration.

Identification of main stakeholders and corresponding institutional and/or organisational issues (mandates, potential roles, and capacities) to be covered by the action:

The primary public counterpart to the action will be the Ministry of Economy and Planning (MEP) with close links with the Ministry of Higher Education (MES) and the Ministry of Foreign Trade and Investment (MINCEX), and in synergy with the other relevant institutions in the e-government and e-commerce programme (MINCOM,

¹ https://international-partnerships.ec.europa.eu/policies/gender-equality/gender-equality-and-empowering-women-and-girls_en#:~:text=The%20Gender%20Action%20Plan%20III%20focuses%20on%20five,more%20actions%20including%20it%20as%20a%20main%20objective

² [Circular economy action plan \(europa.eu\)](#)

MININT, ONEI, INOTU, MINJUS, Chamber of Commerce and ONAT)³, public authorities responsible for setting policies, standards, strategies and providing services and formalities for economic actors in their respective roles.

3 DESCRIPTION OF THE ACTION

3.1 Objectives and Expected outputs

The Overall Objective (Impact) of this action is to **contribute to the well-being of the Cuban people, by supporting a dynamic and revitalised economy, and by supporting the economic actors in their innovation, entrepreneurship, management and, where relevant, their access to international markets.** This action aims to support specifically the privately owned and newly regulated MSMEs as a central dynamic sector of the economy. As a second order of priority, punctual support could also be given to Local Development Projects (PDLs) that prove a specific added value on the priority sectors and municipalities of intervention, with a maximum dedicated amount of 10% of the funds under the relevant sub-objective (SO2). It will prioritise sectors relating to sustainable agri-food systems, renewable energy, ICTs, creative industries and biotechnology⁴. In addition, support for the circular economy and leadership of women and young people will be targeted by contributing to the Municipal Development Strategies.

Following the development cycle of economic actors, the **Specific Objectives (Outcomes)** of this action are:

1. Strengthen the innovation system, and the development of ideas, prototypes and projects.
2. Increase the creation and support the performance of MSMEs, in particular supporting women entrepreneurship and women-led businesses.
3. Expand the access to resources and financing of privately owned MSMEs.
4. Increase access to international markets for MSMEs in export-related areas.

The outputs to be delivered by this action contributing to the corresponding Specific Objectives (Outcomes) are:

For SO1: Strengthen the innovation system, and the development of ideas, prototypes and projects:

- 1.1 Increased capacities of training centres and universities to support innovation and the management of science in favour of the new economic actors.
- 1.2 An efficient regulatory framework for new economic actors is developed.
- 1.3 Spaces for the creation and development of ideas, methods, and technologies in the priority sectors including those specific to women and young people are created.
- 1.4 Improved collective capacity of representatives of the economic actors for a dialogue and intermediation with public institutions.

For SO2: Increase the creation and support the performance of MSMEs, in particular supporting women entrepreneurship and women-led businesses:

- 2.1 Improved capacities of privately owned MSMEs and a number of PDLs pilot initiatives (not exceeding 10% of participants/funds) in the fields of business management and development.

For SO3: Expand access to resources and financing of privately owned MSMEs:

- 3.1 Direct support to and development of sustainable privately owned MSMEs.
- 3.2 Strengthened market and regulatory frameworks for access to finance, in national and foreign currency, for the investments needed by the new economic players.

³ MINCOM: Ministry of Communications; MININT: Ministry of Home Affairs; ONEI: National Office for Statistics and Information; INOTU: National Institute for Territorial and Urban Planning; MINJUS: Ministry of Justice; ONAT: National Office for Tax Administration.

⁴ Specific support to the Biotechnological sector will be provided through another Action.

For SO4: Increase access to international markets for MSMEs in export-related areas:

4.1 Trade, co-investment and joint-ventures between Cuban, European and other geographical regions such as Latin America and the Caribbean is fostered, and the tools of the public administration to accompany these processes are improved.

3.2 Indicative Activities

The activities follow the various stages of project and business development:

Activities related to Output 1.1

- Strengthening the technical and professional capacities of university and training centres in support of innovation and science management for the benefit of the new economic actors with a range of selected universities, in complementarity with output 1.3.
- Upgrading the digital platform for the registration of MSMEs⁵ and related formalities and technical support for its use hosted by the Ministry of Economy and Planning.
- Conducting gender sector analysis to identify specific business opportunities for women-led businesses.

Activities related to Output 1.2

- Exchange on regulatory issues and assistance in analysis and formulation of regulatory frameworks
- Promotion of the culture of sustainable equality.

Activities related to Output 1.3

- Establishment and provision of equipment for creative spaces (including Fablabs with links to science and technology parks) in priority sectors linked to reference universities in each sector in the country (*Universidad de La Habana/UNAH* in the agri-food sector, *Universidad Central “Marta Abreu” de Las Villas/UCLV* in renewable energy, *Universidad de las Ciencias Informáticas/UCI* for digital economy and *Instituto Superior de Arte/ISA* in creative industries)⁶.
- Personalised mentoring programmes linked to creative spaces to support the process of developing ideas and projects, in particular to support women and young people in the creation process, including strengthening digital and green competences.
- Promotion of visibility of programme activities and communication with beneficiaries, in a gender-sensitive way (avoiding stereotypes, promoting women’s economic empowerment and women’s financial inclusion).

Activities related to Output 1.4

- Strengthening of structures and capacities for dialogue between economic actors and public institutions, such as networks of entrepreneurs or chambers of commerce.

Activities related to Output 2.1

- Support to skills for the development of market analysis, business plans, business management (including administrative, labour and fiscal aspects), digital and green competences and preparing financial information and manage business financing.

Activities related to Output 3.1

- Support privately owned MSMEs, especially women lead business, with a social and environmental impact, in the form of highly relevant imported goods and equipment and / or financial support in hard currency for their development.

⁵ The platform for the registration exists partly at the moment, with the simple registration being possible online but any following administrative steps not being included in the platform. Therefore, the action aims at widening the functioning of the platform.

⁶ The biotechnology sector is included in the programme dedicated to this area and will be linked to the University of Havana.

Activities related to Output 3.2

- Capacity support for the application for loans in national and hard currency through international cooperation with national financial markets and cooperation between development banks, funds and commercial banks.
- Support the capacity of national financial actors including commercial banks / development banks to be able to issue credits to economic actors and develop sustainable and local lending activities.

Activities related to Output 4.1

- Further development of features and modules for e-Commerce tools such as the Single Window (one-stop-shop, *Ventanilla Única*) for Foreign Trade and the Single Window for Foreign Investment for the use of economic actors and trainings for their use, support to the development of methodologies for their simplification, functional analysis, and strengthening of national capacity for the Windows.
- Establishing synergies with other cooperation programmes and projects within the MIP (support for sustainable municipalities, support to the Public Administration), other regional programmes (with emphasis on exchanges with Latin America and the Caribbean) and thematic programmes in the above-mentioned priority sectors, and cooperation agencies of Member States and other countries.
- Promotion and matchmaking for investments and joint ventures between economic actors in Cuba and MSMEs in the EU.

3.3 Mainstreaming

Environmental Protection & Climate Change

Outcomes of the EIA (Environmental Impact Assessment) screening (relevant for projects and/or specific interventions within a project)

The EIA (Environment Impact Assessment) screening classified the action as Category C (no need for further assessment).

Outcome of the CRA (Climate Risk Assessment) screening (relevant for projects and/or specific interventions within a project)

The Climate Risk Assessment (CRA) screening concluded that this action is “low risk” (no need for further assessment).

Rather, the project integrates climate change and environmental aspects as cross-cutting issues. The project will seek cost-effective climate change solutions to increase resilience and reduce the impacts of climate risks for MSMEs and other economic actors, and in turn strengthen the response to climate change challenges. Existing best practices and opportunities related to adaptation and mitigation of the effects of climate change will be examined through the identification of appropriate products, services, tools and processes. This will give preference to economic actors who employ circular economy models, which allows for the optimisation of resources, a reduction in the consumption of raw materials and the use of waste. The training will include tools and/or strategies to enable those leading MSMEs to make the best use of the resources available to them and to extend the life cycle of products. This is particularly important in the case of a country such as Cuba, where, for various external and internal reasons, access to resources is limited. This project is therefore equally in line with the strategic actions of *Tarea Viva*, which is the State Plan for Climate Change.

Gender equality and empowerment of women and girls

As per OECD Gender DAC codes identified in section 1.1, this action is labelled as G1. This implies that the initiative will have a cross-cutting gender approach in all its stages, from formulation to evaluation. In essence, the action will support concrete initiatives that are led by female entrepreneurs and provide training to incentivise women for the creation of successful MSMEs and PDLs. This initiative is in line with the Plan of Advance for Women by the Cuban Government, which calls for this sector to be given the necessary support to secure conditions and broaden opportunities in order to ensure equality in all its dimensions. In terms of implementation, the project management committee shall be made up of at least 50 % women and the decision-making entities linked to the initiative are at least 30 % headed by women. Women are one of the priority groups to be supported throughout the activity, as the logical framework matrix foresees specific results and activities aimed at contributing to gender equity, such as workshops for women entrepreneurs and MSMEs and PDLs and other

economic actors that are led by women. The risk analysis thus provides for a risk related to women's access to the management of MSMEs and other economic actors/operators and proposes mitigation measures to prevent the occurrence of this risk. In order to highlight possible gender inequities, indicators will be disaggregated and actions to reduce potential gaps will be included. By supporting women who lead MSMEs, PDLs, and other economic actors linked to women's empowerment, it will be possible to strengthen the economic and social rights of women, as well as to promote their participation and leadership on an equal footing, in line with the European Union's Gender Action Plan and Cuba's National Programme for the Advanced Women (PAM). Effectively integrating a gender perspective throughout the action represents an important possibility of engagement with a part of the Cuban economy that is often invisible.

Human Rights

Support will be given to, among others, the management of inclusive business models with wide social benefits. It will be important to guarantee the existence of alliances or networks among the different actors, which will contribute to create a balance so that no group may be at risk of vulnerability vis-à-vis the others. The action will also seek to include groups in vulnerable situations in the labor market, with special emphasis on women and young people. The initiatives supported through this action will facilitate the generation of jobs for the Cuban population, thus enforcing the fundamental human right to work under equitable and satisfactory conditions. The creation of new economic actors in Cuba poses a favorable scenario for each of these actors to operate within themselves from a human rights based approach (HRBA). This implies a clear, direct and horizontal relationship with customers, as well as maintaining an adequate state of employee satisfaction, among other measures. The action will also apply the working principles of the HRBA: applying all human rights for all, meaningful and inclusive participation and access to decision-making, non-discrimination and equality, accountability and rule of law for all, and transparency and access to information supported by disaggregated data.

Disability

As per OECD Disability DAC codes identified in section 1.1, this action is labelled as D0. This implies that while tackling disabilities is not in itself an objective, the project's support to innovation with social impact aims at improving the livelihood of citizens in vulnerable, including those with disabilities.

Democracy

While supporting democratic principles is not the main focus of the action, the strengthening of the new economic actors is part of a vibrant and dynamic society and economy. The Action will seek ways to engage with new social actors and in particular with youth, with the objective to enhance their skills, employability, capacity to participate to policy and political dialogue.

Conflict sensitivity, peace and resilience

The action contributes to resilience by supporting innovation and economic development in the fields of environment and energy. Both fields are at the very heart when it comes to the vulnerabilities faced by Cuba and supporting entrepreneurs in environmental and energy-related innovation can make an important contribution to finding new solutions and identify technological means to reduce them.

Disaster Risk Reduction

As set out above, by supporting innovation in the fields of energy and environment the risk of disasters can be reduced significantly, both being among the major sources of risks in Cuba.

3.4 Risks and Lessons Learnt

Category	Risk	probability (high/ medium/ low)	Impact (high/ medium/ low)	Mitigation measures
Political	Subsidies do not reach sectors with the greatest	H	H	Careful assessment of potential sectors and definition of clear and objective

	potential to boost a dynamic economy.			selection criteria for projects to be supported.
Technical	Low administrative capacity of MSMEs, PDLs and other economic actors to develop and benefit from project support.	M	M	Support to strengthen the capacities of MSMEs, and other economic actors and support at the different stages of their development, as required.
Political	Possibility of the government restrictively changing the legal framework for the nascent private sector in the middle of the implementation of the action.	M	H	Continuous dialogue between the EU and Cuba on the regulatory framework for economic actors.
Political	Challenges in the legal framework of the sector and a banking system that should provide alternatives to support the development of economic operators.	M	M	Continuous dialogue between the EU and Cuba to improve the regulatory framework for economic actors on the basis of the exchange of experiences.
Political	Difficulties and delays in imports needed due to the persistence of the US embargo and the effects of the COVID-19 pandemic and the global economic crisis.	M	M	Explore ways to mitigate the effects of the US embargo and its extraterritorial measures through experts' advice.
Social	Low representation of women and young people in the management of MSMEs, PDLs and other types of economic actors, due to socio-cultural norms and values.	M	M	Specific activities will be carried out to support the participation of women and young people in the action, such as workshops for women entrepreneurs, support to MSMEs, PDLs and other types of economic actors led by women and young people.

Lessons learnt:

While the participation of new economic actors such as MSMEs and PDLs is very recent in the Cuban economy, there are several experiences in the area of the modernisation of the economy and its different components.

An important source of lessons learnt is the Cuba-European Union Expert Exchange Programme which aimed at contributing to the modernisation of the Cuban economy at large. It recently completed its second phase and included most of the public institutions that will also be involved in this action. On the one hand, the project boosted important processes for economic actors such as the creation of the one-stop shops (*Ventanillas únicas*) for trade and investment, the interaction with citizens in their tax obligations, and the digitalisation of the official gazette. On the other hand, it kick-started new dynamics in the field of MSMEs and created a first platform for debate on this topic that now will be

built upon. At the same time, there is room for improvement concerning the links between the different actors and the inter-disciplinarity of the different themes being developed. Notwithstanding, the action was a very successful vehicle for exchanging best practices in terms of policy making

Focusing on another key elements of the modernisation of the economy, between 2014-2020 the United Nations Development Programme implemented a programme focusing on strengthening the banking system through technology transfer, human capital formation and digitalisation of financial systems and processes. The programme successfully contributed to strengthening the knowledge of bank managers and specialists in commercial banks and the Central Bank, and to develop the supply of microfinance and credit risk management. This experience at the level of the banking system was valuable and now needs to be complemented by direct capacity support to economic actors. Since February 2022, UNDP is also implementing a project financed by the Swedish cooperation that supports MSMEs more directly, developing a capacity building system for MSMEs and entrepreneurship at large, and strengthening the institutional framework at territorial level to enhance the activities MSMEs. As the project has not yet progressed sufficiently to learn lessons, it will be paramount to ensure coherence and feedback between this action and the project.

3.5 The Intervention Logic

Strengthening the recent drive towards a more dynamic Cuban economy, this action will provide important support to the new economic actors, innovation and sustainable economic development, following the different steps of creating innovation, and developing and carrying out business activities.

In a first step, if the capacities of training centres and universities to support innovation and the management of science are increased, an efficient regulatory framework for new economic actors is developed, spaces for the creation and development of ideas, methods, and technologies are created, and the systems of dialogue and intermediation between economic actors and public institutions is strengthened, then the innovation system will be solid enough for the development of ideas, prototypes and projects to succeed. If indeed the public bodies continue to consider the new economic actors as a priority and deems relevant the project's advice on regulatory practices, if the relevant public institutions possess the necessary technical capacity to follow-up on the legislative questions and to maintain and further develop the digital tools that will be supported in favour of the MSMEs, then the national innovation system is capable of accompanying the economic actors in their production of goods and services. Similarly, if the target innovation centers and universities have the capacity to support innovation, and the host institutions of the creative spaces have the technical and financial capacity to maintain the tech parks the creative spaces that will be linked to, if there is a stable and reliable access to imports, then the development of prototypes and projects, tackling all the different entry points to innovation and laying the groundwork for ideas to flourish is strengthened.

Secondly, if the capacities of the economic actors is strengthened for them to carry out their business activities, and if there are being supported in the administrative processes of creating and registering businesses, then their performance and production will be increased and the number of MSMEs will grow. Indeed, if the priority areas in which MSMEs will be supported reflect the interest from the economic actors, if the business environment is conducive enough, and if gender equality and women economic empowerment policies are followed-up by the government, then capitated MSMEs can unfold their full productive potential.

Thirdly, if privately owned MSMEs are directly supported with funding in hard currency and equipment, and if the market and regulatory frameworks for access to finance is strengthened, the access to resources and financing of privately owned MSMEs will be significantly expanded. If indeed the financial support reaches the actors with greatest potential to boost the economy and to create new dynamics, and if trained personnel stay at their job, the action can boost access to resources and financing for MSMEs, replying to one of the most important challenges for MSMEs in the country and for the development of economic activities at large.

Finally, if trade, co-investment and cooperation joint-ventures projects between Cuban, European and other regions are strengthened, and digital civil service tools accompanying these processes exist, then the access to international markets for MSMEs in export-related areas can be fostered significantly. If MSMEs and their international partners

find paths for cooperation and if authorities support the functioning and maintenance of the IT tools that are being developed, the links between Cuban MSMEs and international markets and the new economic actors strengthen their economic ties with the EU and other regions.

In turn, if the innovation system is strengthened, if creation and performance of MSMEs is increased, if the access to resources and financing for the economic actors is improved, and if there an increased access to international markets, then a dynamic and revitalised economy will contribute to the well-being of the Cuban people. If there is continuity in the public strategy towards MSMEs and other economic actors, if the priority areas are rightly identified, if financial support reaches the actors with the greatest potential, and if follow-up by the government on gender equality policies and business endowment is ensured, this action provide an important windfall for innovation and entrepreneurship in the Cuban economy.

3.6 Logical Framework Matrix

This indicative logframe constitutes the basis for the monitoring, reporting and evaluation of the intervention. On the basis of this logframe matrix, a more detailed logframe (or several) may be developed at contracting stage. In case baselines and targets are not available for the action, they should be informed for each indicator at signature of the contract(s) linked to this AD, or in the first progress report at the latest. New columns may be added to set intermediary targets (milestones) for the Output and Outcome indicators whenever it is relevant.

- At inception, the first progress report should include the complete logframe (e.g. including baselines/targets).
- Progress reports should provide an updated logframe with current values for each indicator.
- The final report should enclose the logframe with baseline and final values for each indicator.

The indicative logical framework matrix may evolve during the lifetime of the action depending on the different implementation modalities of this action. The activities, the expected Outputs and related indicators, targets and baselines included in the logframe matrix may be updated during the implementation of the action, no amendment being required to the Financing Decision.

Results	Results chain (@): Main expected results (maximum 10)	Indicators (@): (at reading one indicator per expected result)	Baselines (values and years)	Targets (values and years)	Sources of data	Assumptions
Impact	Contribute to the well-being of the Cuban people by supporting a dynamic and revitalised economy, and by supporting the new economic actors in their innovation, entrepreneurship, management and, where relevant, their access to international markets	1. Percentage of the formal economy compared to the informal economy. Contribution of MSMEs and other economic actors to GDP, broken down by actor	1. TBD for 2022 2. TBD for 2022	1. TBD in the inception phase 2. TBD in inception phase	Statistics from public and research entities	<i>Not applicable</i>
Outcome 1	Strengthen the innovation system, and the development of ideas, prototypes and projects	1.1. Status of new/improved regulations for MSMEs 1.2. Number of creative spaces operating 1.3. Number of associations or other collective bodies operating in favour of the better dialogue between MSMEs and authorities	1.1. Decree law 46 of 2021 1.2. 0 by 2022 1.3. 2 by 2022	1.1 Status of relevant laws 1.2 TBD in the inception period 1.3. TBD in the inception period	1.1. Official register of legal acts 1.2. Web-sites and information / reports from the centres 1.3. Charters, meetings and reports of the collective bodies	Continuity in public policy towards MSMEs and other economic actors. Conducive policy for business associations

Outcome 2	Increase the creation of and support the performance of MSMEs	<p>2.1 Number of MSMEs and other economic actors created in the priority areas</p> <p>2.2 Number of relevant actors (private sector companies, ministries, etc.) influenced to adopt processes to improve women's economic empowerment / to remove barriers to market access for women in a given sector (FPI RF) (GAP III)</p> <p>2.3 Number of women beneficiaries of business development services who registered their own business, including social enterprises (GAP III)</p>	<p>2.1. TBD for 2022</p> <p>2.2. 0 by 2022</p> <p>2.3. 0 by 2022</p>	<p>2.1. TBD in the inception phase</p> <p>2.2. TBD in the inception phase</p> <p>2.3. TBD in the inception phase</p>	<p>2.1. National statistics</p> <p>2.2 Plans and decisions of the relevant actors</p> <p>2.3 Registration certificates</p>	<p>Priority areas reflect areas of greater interest from economic actors</p> <p>Conducive business environment and MSME support policies</p> <p>Gender equality and women economic empowerment policies are followed-up by the government</p>
Outcome 3	Expanded the access to resources and financing of privately owned MSMEs	3.1. Number of beneficiaries with access to financial services with EU support, a) firms (**GERF 2.17)	3.1. 0 by 2022	3.1. TBD in the inception phase	3.1. Grant and other support agreements	<p>Subsidies reach sectors with greatest potential to boost the economy</p> <p>The government follows-up on the policies for inclusion and equality of women in business</p>
Outcome 4	Increased access to international markets for MSMEs in export-related areas	<p>4.1. Number of MSMEs concluding agreements on international trade, international investments and technical cooperation (**GERF 2.16)</p> <p>4.2. Status of the single Windows for Foreign Investment and External Trade</p>	<p>4.1. TBD</p> <p>4.2. Established but incomplete</p>	<p>4.1. TBD in the inception phase</p> <p>4.2. Are established, operated and funded by the relevant authorities</p>	<p>4.1. Agreements concluded by MSMEs</p> <p>4.2. Web-sites, online feedback of the users</p>	<p>Priority sectors reflect sectors with potential for international links</p> <p>The government follows-up on the policies for improving business environment and supporting the business advisory services</p>

Output 1 related Outcome 1 to	(R.1.1) Increased capacities of training centres and universities to support innovation and the management of science in favour of the new economic actors.	1.1.1. Number of university innovation centres supported by the Action, disaggregated by institution and location. 1.1.2. Status of the digital platform for registration of MSMEs	1.1.1. 0 by 2022 1.1.2. None by 2022	1.1.1. TBD in the inception phase 1.1.2. Created, tested, the staff trained on and hosted by the Ministry of Economy and Planning	Activity report	The target centres and universities capable of supporting innovation in favour of the new economic actors The digital platform is maintained and further developed by the host institution
Output 2 related Outcome 1 to	(R.1.2) An efficient regulatory framework for new economic actors is developed.	1.2.1. Status of a report on analysis of the regulatory framework on a project-by-project basis 1.2.2. Status of a report with recommendations on regulations and practices aimed at removing barriers preventing women from market access, investment and business development (** GERF 2.39) (FPI RF) (GAP III)	1.2.1. None by 2022 1.2.2. None by 2022	1.2.1. Prepared by end of the project 1.2.2. Prepared each year by the project	1.2.1. The report and minutes of its discussion with the relevant stakeholders 1.2.2. The report and minutes of its discussion with the relevant stakeholders	Continuity of political interest in the area of MSMEs and other new economic actors The government considers the project's advice on regulatory practices for advancing the relevant legislation Public entities have the capacity to follow up on the project's activities on regulatory practices
Output 3 related Outcome 1 to	(R.1.3) Spaces for the creation and development of ideas, methods, and technologies in the priority sectors including those specific to women and young people created.	1.3.1. Number of Technology Science Parks/ creative spaces equipped and trained with the support of the Action, disaggregated by institution and location.	1.3.1. 0 by 2022 1.3.2. 0 by 2022	1.3.1 TBD at the inception phase	1.3.1. Report on accomplishment installation of equipment and acceptance by the host institution	Constant imports despite global health situation and embargo The host institutions maintain the tech

		1.3.2 Number of women accessing services or programmes offered by the digital hubs/tech parks, etc. during the (GAP III)		1.3.2. TBD at inception phase	1.3.2 Reports of the projects	parks, creative spaces, hubs
Output 4 related Outcome 1	to (R.1.4) The systems of dialogue and intermediation between economic actors and public institutions, including actors such as networks of entrepreneurs or chambers of commerce is strengthened.	1.4.1. Number of private sector collective entities (associations, chambers) supported by the Action for engaging into dialogue with the public institutions	1.4.1. 0 by 2022	1.4.1. TBD in the inception phase	1.4.1. Records of discussions	Continued interest of economic actors and public institutions in the area
Output 1 related Outcome 2	to (R.2.1) Improved capacities of privately owned MSMEs and a number of PDL pilot initiatives (not exceeding 10% of participants/funds) in the fields business management and development.	2.1.1. Number of MSMEs personnel trained to improve the knowledge on business management and development, disaggregated by MSME list and sex (** GERF 2.14) 2.1.2. Number of PDL personnel trained to improve the knowledge on project management and development, disaggregated by MSME list and sex	2.1.1. 0 by 2022 2.1.2. 0 by 2022	2.1.1 TBD in the inception phase 2.1.2. TBD in the inception phase	2.1.1. Pre- and post-training tests, sign-in lists 2.1.2. Pre- and post-training tests, sign-in lists	Support reaches actors with greater potential to boost the economy Trained personnel stay at their job
Output 1 related Outcome 3	to (R. 3.1) Direct support to and development of sustainable privately owned SMEs.	3.1.1. Number of MSMEs directly supported by the Action with funds or imports of goods and equipment, and funds, disaggregated into list of MSMEs and sex (of the owner)	3.1.1 0 by 2022	3.1.1 TBD in the inception phase	3.1.1. Agreements and reports on support	Support reaches actors with greater potential to boost the economy
Output 2 related Outcome 3	to (R.3.2) Strengthened market and regulatory frameworks for access to finance, in national and foreign currency, for the investments needed by the new economic actors.	3.2.1. Status recommendations on regulatory framework for access to finance by the economic actors	3.2.1. None by 2022	3.2.1. TBD in the inception phase	3.2.1. The project report and minutes of its discussion with the relevant stakeholders	Continuity of political interest in the area of the financial market The recommendations are considered by

		3.2.2. Number of personnel of MSMEs and PDLs, trained on access to finance, disaggregated by entity and sex	3.2.2. 0 by 2022	3.2.2. TBD in the inception phase	3.2.2. Pre- and post-training tests, sign-in lists	authorities for amending the regulatory framework Trained personnel stay at their job in MSMEs and financial institutions
Output 1 related to Outcome 4	(R.4.1) Improved trade, co-investment and joint-ventures between Cuban, European and other geographical regions such as Latin America and the Caribbean and strengthened civil service tools accompanying these processes.	4.1.1. Number of MSMEs participating in promotion events for co-investment and export 4.1.2. Number of MSMEs match-made with EU, Latin American and Caribbean partners with the support of the Action 4.1.3. Status of the of one-stop shops for 1) trade and 2) investment	4.1.1. 0 by 2022 4.1.2. 0 by 2022 4.1.3. Partially established and functional window	4.1.1. TBD in the inception phase 4.1.2. TBD in the inception phase 4.1.3. Finalised, tested by the end of the second year of the project	4.1.1. Sign-in lists 4.1.2. Sign-in lists and any agreements on cooperation 4.1.3. The platforms, and the acceptance by the host authorities	MSMEs and their international partners find paths for cooperation Authorities support the functioning and maintenance of the platforms

4 IMPLEMENTATION ARRANGEMENTS

4.1 Financing Agreement

In order to implement this action, it is envisaged to conclude a financing agreement with Cuba

4.2 Indicative Implementation Period

The indicative operational implementation period of this action, during which the activities described in section 3 will be carried out and the corresponding contracts and agreements implemented, is 50 months from the date of entry into force of the financing agreement
Extensions of the implementation period may be agreed by the Commission's responsible authorising officer by amending this Financing Decision and the relevant contracts and agreements.

4.3 Implementation Modalities

The Commission will ensure that the EU appropriate rules and procedures for providing financing to third parties are respected, including review procedures, where appropriate, and compliance of the action with EU restrictive measures⁷.

4.3.1 Indirect Management with a pillar assessed entity

This action may be implemented in indirect management with one entity of the Member States and / or United Nations, to be selected by the Commission services using the following criteria:

- (a) experience in project management in the areas of the action,
- (b) experience in capacity building of economic actors and public entities,
- (c) experience in financial support to Cuban entities and cooperation with the Cuban banking system,
- (d) experience with equipment import processes, and
- (e) experience in the development of digital tools in the areas of the action.

4.3.2 Changes from indirect to direct management mode (and vice versa) due to exceptional circumstances (one alternative second choice)

With reference to point 4.3.1 in the event of exceptional circumstances beyond the Commission's control, direct management (procurement) will be considered according to the criteria defined in section 4.3.1 in support of the objectives of this action.

4.4 Scope of geographical choice for procurement and grants

Geographical eligibility in terms of the place of establishment for participation in procurement and grant award procedures and the origin of supplies purchased, as set out in the basic act and set out in the relevant contractual documents, shall apply.

The Commission's authorising officer responsible may extend geographical eligibility for reasons of urgency or unavailability of services in the markets of the countries or territories concerned, or in other duly justified cases where the application of the eligibility rules would make it impossible or excessively difficult to carry out this action (Article 28(10) of the NDICI-Global Europe Regulation).

⁷ www.sanctionsmap.eu. Please note that the sanctions map is an IT tool for identifying the sanctions regimes. The source of the sanctions stems from legal acts published in the Official Journal (OJ). In case of discrepancy between the published legal acts and the updates on the website it is the OJ version that prevails.

4.5 Indicative Budget

Indicative Budget components	EU contribution (amount in EUR)	Third-party contribution, in currency identified
SO 1: Strengthen the innovation system, and the development of ideas, prototypes and projects (Indirect Management)	3,000,000	TBC
SO 2: Increase the creation and support the performance of MSMEs, in particular supporting women entrepreneurship and women-led businesses (Indirect Management)	1,000,000	
SO3: Expand access to resources and financing of privately owned MSMEs (Indirect Management)	7,900,000	
SO 4: Increase access to international markets for MSMEs in export-related areas (Indirect Management)	2,100,000	
Evaluation — see section 5.2 Audit — see section 5.3	Covered by another Decision	
Totals	EUR 14,000,000	N.A.

4.6 Organisational set-up and responsibilities

A Steering Board will be set up to provide strategic guidance and to ensure coordination of the different activities, in particular with the upcoming Programme *Support to the Public Administration for the Modernisation of the Economy*. The Steering Board shall be composed of the European Union Delegation to Cuba, MINCEX, MEP, MINCOM, and MES, as well as the implementing agency. The meetings of the Steering Board shall also involve other institutions involved in the project (to be defined).

As part of its prerogative of budget implementation and to safeguard the financial interests of the Union, the Commission may participate in the above governance structures set up for governing the implementation of the action.

4.7 Pre-conditions

A financing agreement covering this action will be signed with MINCEX prior to the signature of the contract and the start of activities, this is a pre-condition for the signature of the contract.

5 PERFORMANCE MEASUREMENT

5.1 Monitoring and Reporting

The day-to-day technical and financial monitoring of the implementation of this action will be a continuous process, and part of the implementing partner's responsibilities. To this aim, the implementing partner shall establish a permanent internal, technical and financial monitoring system for the action and elaborate regular progress reports (not less than annual) and final reports. Every report shall provide an accurate account of implementation of the action, difficulties encountered, changes introduced, as well as the degree of achievement of its results (Outputs and direct Outcomes) as measured by corresponding indicators, using as reference the logframe matrix (for project modality) and the partner's strategy, policy or reform action plan list (for budget support).

The Commission may undertake additional project monitoring visits both through its own staff and through independent consultants recruited directly by the Commission for independent monitoring reviews (or recruited by the responsible agent contracted by the Commission for implementing such reviews).

Roles and responsibilities for data collection, analysis and monitoring: the specific monitoring and reporting measures will be designed with the implementing partners and will be consistent with the logical framework matrix of this Action Document.

5.2 Evaluation

Having regard to the importance and nature of the action, a mid-term and a final evaluation will be carried out for this action or its components via independent consultants contracted by the Commission.

The mid-term evaluation will be carried out for problem solving and learning purposes, in particular with respect to the functioning of the action's support to economic operators and the relevant legal frameworks. The final evaluation will be carried out for accountability and learning purposes at various levels (including policy review), taking into account in particular the objectives of the action.

The Commission shall inform the implementing partner at least 2 months in advance of the dates envisaged for the evaluation missions. The implementing partner shall collaborate efficiently and effectively with the evaluation experts, and inter alia provide them with all necessary information and documentation, as well as access to the project premises and activities

Evaluation reports may be shared with partners and other key stakeholders following best practices for the dissemination of evaluations. The implementing partner and the Commission shall analyse the findings and recommendations of the evaluations and, where appropriate, make the necessary adjustments.

All evaluations shall assess to what extent the action is considering the HRBA, as well as how it contributes to gender equality and women's empowerment. Expertise on human rights and gender equality will be ensured in the evaluation teams.

The financing of the evaluation shall be covered by another measure constituting a financing decision.

5.3 Audit and Verifications

Without prejudice to the obligations applicable to contracts concluded for the implementation of this action, the Commission may, on the basis of a risk assessment, contract independent audit or verification assignments for one or several contracts or agreements.

6 STRATEGIC COMMUNICATION AND PUBLIC DIPLOMACY

The 2021-2027 programming cycle will adopt a new approach to pooling, programming and deploying strategic communication and public diplomacy resources.

It will remain a contractual obligation for all entities implementing EU-funded external actions to inform the relevant audiences of the Union's support for their work by displaying the EU emblem and a short funding statement as appropriate on all communication materials related to the actions concerned. This obligation will continue to apply equally, regardless of whether the actions concerned are implemented by the Commission, partner countries, service providers, grant beneficiaries or entrusted or delegated entities such as UN agencies, international financial institutions and agencies of EU member states.

However, action documents for specific sector programmes are in principle no longer required to include a provision for communication and visibility actions promoting the programmes concerned. These resources will instead be consolidated in Cooperation Facilities established by support measure action documents, allowing Delegations to plan and execute multiannual strategic communication and public diplomacy actions with sufficient critical mass to be effective on a national scale.

Appendix 1 REPORTING IN OPSYS

An Intervention (also generally called project/programme) is the operational entity associated to a coherent set of activities and results structured in a logical framework aiming at delivering development change or progress. Interventions are the most effective (hence optimal) entities for the operational follow-up by the Commission of its external development operations. As such, Interventions constitute the base unit for managing operational implementations, assessing performance, monitoring, evaluation, internal and external communication, reporting and aggregation.

Primary Interventions are those contracts or groups of contracts bearing reportable results and respecting the following business rule: ‘a given contract can only contribute to one primary intervention and not more than one’. An individual contract that does not produce direct reportable results and cannot be logically grouped with other result reportable contracts is considered a ‘support entities’. The addition of all primary interventions and support entities is equivalent to the full development portfolio of the Institution.

The present Action identifies as

Action level		
<input checked="" type="checkbox"/>	Single action	Present action: all contracts in the present action