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**REPUBLIC OF CUBA**

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

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## **1 Outline of EU international cooperation in Cuba**

### **1.1 Basis for programming**

The EU-Cuba 2021/2027 MIP is firmly anchored in the *Political Dialogue and Cooperation Agreement (PDCA)*<sup>1</sup>, provisionally implemented since 1st November 2017, which constitutes the basis for the Union's engagement with Cuba.

In the context of the 2015 global commitment to *Agenda 2030*, Cuba developed the National Economic and Social Development Plan (*Plan Nacional de Desarrollo Económico y Social – PNDES*)<sup>2</sup> until 2030 in order to address new national and global challenges. The commitments of the Paris Agreement on climate change are also well reflected and developed by the National Environmental Strategy up to 2100 (*Tarea Vida*) and the Nationally Determined Contributions (NDCs)<sup>3</sup> in the adaptation and mitigation dimensions.

The PNDES also emphasises the importance of a structural transformation of the Cuban economy towards a more open economy in terms of its participation in world trade and internally articulated and linked to economic and technological progress towards higher competitiveness. In this respect, the plan promotes the *role of SMEs* that contribute to local development and efficient value chains together with the main state-owned enterprises in these strategic sectors. It also recognises that significant changes in the regulatory framework, organisational systems, management processes and business structures will be needed to promote *greater business autonomy*.

The *Covid-19 pandemic* occurred at a time of economic crisis, a further reinforcement of the US embargo, severe drought in some regions and a cycle of damaging hurricanes. These and other factors have reduced production, exports, imports, tourism, remittances and investment, while inflation, unemployment and budget deficits have increased.

Hence, the PNDES has been adapted in 2020 to the impact of *Covid-19* with measures which include the development of cooperatives, micro, small and medium-sized enterprises, self-employment; as well as the promotion of social strategies for the management and direction of the economy.

A key vector for advancing the above mentioned priorities and objectives is *foreign direct investment (FDI)*. Although attracting foreign investment to boost its social development is a policy priority for the Cuban government, the rate of foreign investment remains below the levels required by the above-mentioned objectives within the strategic sectors. The embargo has been a key obstacle to increasing FDI. That is the main reason why, currently, the only EU development bank active in Cuba is the “*Agence Française de Développement*” (AFD). There are also internal difficulties such as red tape and an imperfect legal and regulatory framework which discourage potential investors and need to be analysed and corrected. In order to attract FDI, the country is working to improve the investment climate, i.a. through the Foreign Investment Single Window and the Single Foreign Trade Window (both with support from the

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1 It includes five political dialogues in the following areas: human rights, unilateral coercive measures, sustainable development, non-proliferation of weapons of mass destruction, and conventional arms control. Under this agreement, several sector policy dialogues are also held.

2 The PNDES is based on 6 strategic axes: 1) Socialist, effective, efficient and socially inclusive government; (2) Productive transformation and international integration; (3) Infrastructure; (4) Human resources, science, technology and innovation; (5) Natural resources and the environment; (6) Human development, equity and social justice. It targets 6 strategic sectors (tourism, biotechnology and pharmaceuticals, energy, food production, professional services abroad and construction), and sets 22 general objectives and 111 specific objectives.

3 Initially limited to increasing by 2030 the share of electricity from renewable sources to 24%, and recently updated to include energy efficiency and energy saving actions, having 50% of transport fuelled by renewable sources and increase the forest land to one third of the country by 2030.

European Union) and through regulations<sup>4</sup> aimed at more flexible and to simplified business evaluation and approval processes.

Regarding other global actors, Cuba has been strengthening political and economic relations with historical and likeminded partners such as Russia, China, Vietnam and North Korea. Several agreements has been signed with Russia, mostly in the energy and infrastructure sectors and high-level visits have increased notably. Sino-Cuban bilateral relations continue to be politically strong and China remains the second trade partner after the EU. Cuba is seeking to further diversify its external relations by strengthening ties with old friends like Angola or Algeria, with Persian Gulf countries like Saudi Arabia, United Arab Emirates and Qatar or with Turkey.

Regionally, the EU considers that Cuba's participation in the *post-Cotonou ACP-EU Partnership Agreement* and its accession to the EU-Cariforum Economic Partnership Agreement (EPA) would provide a stable and robust framework for trade and investment relations as well as stable economic cooperation with the EU in the future.

As regards the link with EU interests and overall priorities, there is a clear convergence around the 2030 Agenda. There are also clear linkages between the *EU Green Deal* and the above mentioned *Tarea Vida*. The EU priority for *growth and jobs* can be linked to the potential role of emerging Cuban SMEs and the strengthening of other economic actors such as state enterprises, diverse forms of non-state management and local actors.

There is also a common interest in promoting *gender equality and women's empowerment (SDG 5)* in all areas and sectors, in line with the *EU Gender Action Plans* and the recently announced *National Programme for the Advancement of Women*, among other Cuban strategies and gender sector plans.

The Covid crisis opens up key areas for joint action on socio-economic recovery in the context of "*New Generation EU*", and global solidarity, to confront the pandemic. In this respect it is pertinent and timely to consider Cuba's added value in scientific research, innovation and development of potential global public goods, especially in the field of *biotechnology*.

Another dimension to be taken into account is the need for *greater regional integration in Latin America and the Caribbean*. Regarding the latter, despite Cuba not being a full member of CARICOM and not having signed the Cotonou Convention, there are agreements that allow for a close link with its Caribbean neighbours with which Cuba shares challenges, especially those related to climate change and increased natural disaster risks.

In addition, greater *national ownership* of the funds allocated for cooperation should be sought. This requires a gradual transition from existing funding delegation agreements to direct implementation. It should be based on country-led sectoral dialogues, including all cooperation partners and aimed at analysing the financing needs, management capacities and cooperation opportunities of each sector.

Synergies between bilateral programmes and regional, *thematic, blending, Erasmus + and EU research* cooperation should continue to be maximised in order to achieve a greater impact on cooperation actions.

As regards research, an EU-Cuba Liaison Office will be considered, with the aim of strengthening cooperation in areas of common interest, improving knowledge of existing policies and instruments for the development of science, technology and innovation between Europe and Cuba.

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4 Amendment of supplementary rules to Law 118.

EU-Cuba cooperation will further explore opportunities for *triangular cooperation* in a variety of areas where the country represents and added value. For example, but not exclusively, in responding to natural disasters and emergencies. In this regard, Cuba shares with the Caribbean a high vulnerability to cyclones and sea water level increase, and has been for decades providing regional cooperation in the emergency response and its aftermath, mainly with regard to health emergency and in the rehabilitation of damaged infrastructures, such as electrical grids. In synergy with EU regional programmes such as “Adelante 2”, the multi-country initiatives and ECHO operations, the MIP will explore ways to strengthen such cooperation.

This programme will ensure a *human rights-based approach* in all priority sectors, emphasising the coherence of economic, social and environmental rights with the EU Green Deal, including a particular focus on *gender equality* (as well as LGBTI persons rights), youth participation and improving the socio-economic situation of persons with disabilities in line with ILO Convention C111 on Discrimination.

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 State of play of Joint Programming**

The main Member States implementing cooperation strategies are Italy and Spain, both with cycles launched in 2020. France, through AFD loans and Belgium through academic cooperation, have more ad hoc strategies. Germany cooperates in Cuba through triangular actions and regional projects, and the Netherlands and Sweden through line ministries or NGOs. The EU also contributes indirectly through the UN system<sup>5</sup>. Debt relief funds provided by Spain, France and Italy also contribute with significant resources (725M€) in support of projects aimed at economic growth and development, through local currency and in mutual benefit with EU Member States companies. Switzerland, the second donor in Cuba after the EU with which the EU has completed two major joint programmes, will gradually abandon cooperation with Cuba after 2021.

EU Member States are very interested in evidence-based, inclusive and structured dialogue to explore new sustainable paths for joint cooperation, including shared analyses (joint assessments) exercises, country-led regular policy dialogues, exploring combined implementation strategies within a Joint Programming Document based on the present MIP and coordinated monitoring and evaluation. They agree on the key Team Europe Initiative (*ecological transition*). The Cuban government has agreed to establish regular sectoral dialogues with key national and international partners on innovation, science and technology (particularly in relation to health and biotechnology issues), food and energy security, digital transition and computerisation of society and cultural and creative industries.

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5 The EU and its Member States contribute roughly a third to the UN system budget, while representing less than 15 % of UN membership. The EU alone is the biggest non-government donor to the United Nations. In 2018, it contributed approximately €3.12 billion<sup>38</sup> (not including EU Member States' contributions, which are an important part of UN budget).

### 1.3 Priority areas for EU cooperation with Cuba

Taking into account global, regional and local challenges, the current level of relevance of ongoing cooperation, the EU strategy and the added value in contributing to Cuba's National Development Plan and possible global and regional socio-economic and ecological scenarios over the next seven years, the EU's priority areas with Cuba that will receive financial support from the MIP are the following:

#### 1.3.1 *Ecological transition: Sustainable municipalities.*

The main global challenge for every country in the world over the next decade, and beyond, is to reduce greenhouse gas emissions in order to avoid an imminent global warming of more than 1.5 degrees above pre-industrial levels (SDG 13.3 target) with unprecedented consequences. In line with the Cuban State Policy of 2100 "Tarea Vida", Cuba's mitigation and adaptation NDCs and the EU's commitment to carbon neutrality by 2050, this priority area will focus on the *local level*. The Cuban Government will identify municipalities representing the diverse socioeconomic conditions in the country, in order to advance the process of decentralisation based on the pioneering UE-Cuba cooperation project in the municipality of Marti, in the province of Matanzas.

The EU-Cuba current cooperation strategy 2014-2020 includes actions towards *energy and food security* based on renewable energy, circular economy and agroecology, incorporating resilient strategies to address potential natural risks related to climate change. The priority area aims to take these actions at local level in selected municipalities, include other key areas for local sustainable development and wellbeing such as *access to water and sanitation, solid waste management* and integrate them into the territorial development planning under municipal and provincial strategies. Towards that aim, the cooperation should include the development of *scientific and technological capacities* and count on the role of local universities and research centres.

In support to this process an inclusive approach will be followed with key stakeholders, notably state sector, civil society organisation, universities, private cooperatives and SMEs, with special attention to promote gender equality and youth inclusiveness, maximising the interactive dimension of local e-government strategies.

#### 1.3.2 *Modernising the economy, maximising the potential of all economic actors in key sectors*

The Cuban economy is undergoing a process of modernisation as foreseen in the economic and social policy guidelines of the Communist Party of 2011, subsequently institutionalised in the 2019 Constitution and the PNDES 2030, above mentioned.

This priority area shall have a *national dimension* promote all economic actors, both state-owned and private, while aiming at socio-economic equity. It will focus on exchange of experiences, building on the current EU experts' exchange programme. Towards that aim it will count on the contributions by EU and third countries' experts and officials in related key policy areas (such as business, banking, labour, tax revenues, private sector development, and trade and investment). It will also seek ways to facilitate public and private investment in strategic sectors (focussing on *energy, agriculture, ICTs, creative industries and biotechnology*).

The current *Covid-19 pandemic* is likely to continue to pose health and economic hardships for at least the next years, while there is a risk that other outbreaks related to the environmental impact will affect the region and the world for the next decade and beyond. Another factor is

the *ageing population*, both in the EU and Cuba. One of the most critical factors for preserving development progress will relate to *epidemiological surveillance* in collaboration with regional and global initiatives. It will also explore ways (including digitalisation) of supporting research, development and equitable distribution of key strategic biotechnology products such as safe and effective *vaccines against Covid-19*<sup>6</sup> and other potential health threats, diagnostics and therapies responding to national needs and contributing to the EU's global response to Covid-19 and other global health challenges.

To further strengthen all economic actors and their potential economic, environmental and social impact, *collaboration with academia* is a key factor, promoting knowledge sharing, innovation and (green) technology. As mentioned above, the programme will ensure *gender equality* and the inclusion of people with *disabilities*, with an emphasis on broad social participation of *youth through* state sectors, civil society organisations (CSOs) including social partners, cooperatives and SMEs, among others.

#### **1.4 Rationale and background**

The two priority areas of the EU-Cuba MIP 2021-27 are justified by the needs of the Cuban context and the EU added value in supporting its progress in the context of the wider Agenda 2030 of the SDGs. They contribute to *eight of the SDGs directly*, to three of the priority sectors of the PNDES and to all its strategic axes. They are in line with the *main EU priorities* and shared interests related to EU values (preserving nature, boosting citizens' innovation, ensuring fairness and promoting global public goods). Joint actions in some key areas such as *clean energy storage (linked to Cuba's nickel and cobalt resources)* and *biotechnology products (as Covid-19 vaccines)* can also benefit the EU's objectives internally and globally.

As regards the *ecological transition* focused on sustainable municipalities, the need to increase national and local food security (SDG 2), in line with the EU Green Deal and its "Farm 2 Fork Strategy", as well as energy production (SDG 7), in line with Cuba's NDC commitments, are also essential to reduce trade imbalances and contribute to macroeconomic stability. Cuba has enough arable land and biocapacity to be *food self-sufficient* and it has one of the lowest malnutrition indexes in the continent. However, it imports some 80% of its food consumption and has distribution's limitations for local production, leading to a high rate of food waste. Cuba's Tourism sector has been heavily impacted by COVID19 pandemic and the agro-food sector is increasingly committed towards circular economy and integrating sustainable ecotourism. *Reducing greenhouse gas emissions* is of paramount importance for all EU external actions, in coherence with the most urgent EU and global challenge in preventing climate change and its devastating effects on the coming generations. Cuba, once referred as the only country with very high Human Development Index keeping a sustainable ecological footprint, has *increased carbon emissions* during the last two decades, which are now above the sustainable threshold per capita, posing also a heavy economic burden on oil imports. The focus on access to water, sanitation and solid waste management (SDG 6) will also help address an increasingly critical challenge in these areas, and expand opportunities for the *circular economy* in line with the EU Circular Economy Action Plan (CEAP). Integrating these areas of cooperation at local level will help address the national challenge of *municipal decentralisation* through an *inclusive participatory approach*, capacity development, the promotion of responsible production and consumption (SDG 12) and the regional and global

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<sup>6</sup> The initial results of phase III trials point at Cuban Covid-19 vaccines as safe and effective.

challenge of reducing greenhouse gas emissions (SDG 13), while increasing capacities to adapt to climate change, in particular in the agricultural sector.

Actions on sustainable agriculture and renewable energy will build on the *ongoing EU-Cuba cooperation projects* in these areas, integrating their work in a limited number of municipalities and maximising synergies between the two areas.

*Modernisation of the economy* has been a permanent priority since the Communist Party Economic and Social Policy Guidelines (*Lineamientos*) of 2011. It requires generating wealth in a sustainable way and distributing it equitably. In order to increase the generation of decent jobs (SDG 8) and the supply of goods related to Cuban welfare this area will pursue *maximising the potential of all economic actors, state-run and private*. It will hence contribute to develop a robust *legal framework* allowing access to permits, credits, and skills, wholesale and, labour markets, tax obligations and trade opportunities, thus boosting the Cuban economy.

Some twenty-five million SMEs generate two-thirds of employment and more than half of GDP in the EU. The support for SME development in Cuba is therefore considered to be one of the EU's main added values in the current cooperation strategy. The legal and regulatory space for self-employed entrepreneurs ("*cuentalpropistas*") and SMEs is being expanded, which is crucial to maximise their potential.

Although Cuba is developing its modernisation and decentralisation processes, several factors such as the insufficient formal market supply, the non-conducive regulatory framework, and the low levels of electronic transactions give way to the informal economy and its inherent risk of inequalities. Similarly, the EU has recently been confronted with economic crisis that have increased inequality and challenged its social model based on the promotion of entrepreneurship, fiscal equity and social protection.

In order to ensure that the equity principles enshrined in the Cuban socio-economic model, in the 2019 Constitution and in line with SDG 10 on reducing inequalities, *tax revenue rates and fiscal equity*, must be strengthened (SDG 17.1), contribute to domestic mobilisation of resources, public spending on *social services and preserve social cohesion*. This domain will benefit from the long and extensive experience of the *EU-Cuba Expert Exchange Programme* and the Single Windows for Trade, Investment and Cooperation.

As mentioned above, major global and regional risks of this decade are related to emerging and re-emerging diseases, mostly related to environmental factors, including destruction of biodiversity and climate change. Strengthening *public health capacities* (SDG 3), including *early warning, risk reduction and risk management* at national and global level (SDG 3 d) will be crucial to protect any development progress from the devastating erosive effect the world has suffered in 2020. No country can be safe without regional and global cooperation in this regard. Hence, this area will be linked to regional actions, multi-country initiatives and ECHO programmes.

Cuba's excellence in biotechnological capacities provides a clear opportunity for the EU to jointly advance research and *development of vaccines and medicines* (SDG 3b) and contribute to the global response to Covid-19 through multilateral and triangular cooperation (SDG 17.9). This area will also provide opportunity for alliances between *Cuban and EU biotechnology companies* and contribute to EU and global security through the potential development of global public goods and their global impact on human development and well-being.

Both *education and culture* are key horizontal vectors for raising awareness, skills, both at public and private level, and channelling youth participation towards the objectives in each priority area. The ongoing modernisation of the economy -including new economic actors and SMEs- should include incentives for young generations to seek vocations in the evolving

professional landscape. There is hence a clear need to strengthen Cuba's TVET System in order to adapt the capabilities of the young people to the new socio-economic context. The *role of universities* in current and future cooperation is essential to achieving these goals (SDGs 4.3, 4.4 and 4.7).

Within the two priority areas, *gender* mainstreaming will be promoted as the main means of achieving gender equality (SDG 5), which is a key factor in achieving sustainable development in all these sectors. In this perspective, the design of all programmes will be based on updated sectoral gender analysis. In addition, actions targeting gender equality (including LGBTI people) will be supported as a primary objective, with a transformative potential, aligned with national priorities and in line with the EU Gender Action Plan (GAP) III. To this end regular contacts have been held with the Federacion de Mujeres Cubanas (FMC) and actions will be aligned with the Plan Nacional para el Adelanto de las Mujeres, coordinated by FMC. In addition an electronic questionnaire –due to the pandemic- was sent to main European NGOs operating in Cuba in preparation of GAP and CLIP.

The overall strategy will be based on a *human rights-based approach*, strengthening the capacities of right duty bearers –institutions- to guarantee the respect to human rights (including labour rights), and those of right holders –citizens- to exercise their rights, and contributing to fair societies. In this regard and in line with EU development policies and complementing thematic programmes and instruments, this MIP will seek to strengthen the role of civil society as a key actor in governance local development and the implementation of the 2030 Agenda.

## **1.5 Duration of the MIP and option for synchronisation**

The EU-Cuba MIP will run for 7 years. A first phase (2021-2024) will put more emphasis and urgent priority on the areas most related to the Covid-19 pandemic and its socio-economic impacts as well as the opportunities of expanding the space for SMEs within the related emerging legal frameworks. A mid-term review during 2024 will evaluate progress and the convergence of Cuba and EU in multilateralism towards the Agenda 2030, and allocate accordingly the remaining funds.

## **2 EU support by priority area and Team Europe proposals for initiatives**

### **2.1 Ecological transition: Sustainable municipalities.**

This priority area corresponds to the Team Europe initiative agreed by the EU Member States plus Switzerland and Norway and, as mentioned above, is strongly aligned with country and EU policy frameworks. It will focus on increased food security based on local sustainable food systems, progress towards energy self-sufficiency based mainly on local renewable energy sources best suited to sustainable local development and improved sustainable use of water, sanitation and solid waste management linked to circular economy including sustainable tourism initiatives. All actions will be based on a participatory decentralised management and use of digital transition means. According to the available budget, a number of municipalities will be selected on the basis of the highest potential impact criteria, while representing the various geographical and socio-economic regions in Cuba.

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

1. Contribute to gradually achieving sustainable and resilient food production, including deforestation-free supply chains.
2. Contribute to progressively achieving energy self-sufficiency with renewable energy sources and increase of energy efficiency.
3. Support equitable access and rational use of drinking water, sanitation and solid waste management and link it to the circular economy.
4. Contribute to the development of participatory decentralised management, promoting the leadership of local governments, an emphasis on the inclusion of non-state actors, women and young people, and the use of adequate digital means.

The objectives described will be in coherence with national, provincial and local plans and will include the promotion of actions for the management of science, technology and innovation and the promotion of the link between universities, in particular municipal university centres, and enterprises.

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

#### **2.1.2.1 Sustainable and resilient food production:**

Contribute gradually to sustainable and resilient food production in line with the “Policy for the Promotion of Territorial Development”, which seeks to enhance governance of local food systems (LFS), through knowledge management and innovation as well as capacity building for the food self-sufficiency management at municipal level, securing the participation of all actors, and with a special focus on women and youth (in line with SDG 2):

- (a) Adequate nutritional status of the population of the municipality, with particular attention to children under 5 years of age, pregnant women and elderly groups.
- (b) Healthy food knowledge, attitudes and practices among the population through nutritional education.
- (c) Sufficient and quality agricultural production, marketing and distribution to satisfy nutrient needs while boosting the local economy and link to circular economy and deforestation-free supply chains (see below).
- (d) Sustainable use of biomass, soil, water and biodiversity (link to SO2, result d).
- (e) Agroecological production resilient to climate change and associated hazards.
- (f) Adequate share of the population, disaggregated by age group and gender, devoted to agroecological primary production, through the improvement of living, working, investing and marketing conditions, including the link to rural tourism.

It will be important to promote greater involvement of all actors and economic sectors and the use of digital tools in agricultural production, food processing and distribution.

The broad participation of civil society is also crucial in this sector, notably through farmers’ associations (ANAP, ACTAF), cooperatives, smallholders, young people, women’s organisations, and university and research institutions, among others. They shall be included at all stages of programme design and implementation.

All results will include links between the Cuban TVET System, the universities and businesses through applied science, technology and innovation performance, improved educational, scientific and technological capacities to reach the goal of municipal food security.

The promotion of gender equality is essential in this sector, in line with the Ministry of Agriculture's gender strategy. In coordination with other Member States active in this sector, the empowerment of rural women and support for women farmers and entrepreneurs will be explored.

Actions will seek to accompany the current government efforts to integrate special-needs students within the TVET System ("Escuelas de oficios").

Climate change and its related impact influence migration of young people to cities are the main risks that may undermine the achievement of the objectives set out in this priority area. A participatory, as mentioned above, and strategic approach to attracting young people to primary agroecological production will be a cornerstone of the programme. This will include social infrastructure, a conducive business environment, incentives, contingency plans and strategies for climate-resilient agroecological practices.

#### 2.1.2.2 Energy municipal self-sufficiency:

Contribute to progressively achieving energy self-sufficiency with renewable energy and energy efficiency, through municipal actions linked to its national policy (in line with SDG 7).

- (a) Net reduction of greenhouse gas emissions through an increase in the share of energy produced from renewable sources at local level and through improved energy efficiency.
- (b) Promotion of the culture of energy saving and energy efficiency solutions applied locally in relation to responsible production and consumption patterns (SDG 12).
- (c) Gradual transition to sustainable energy production through the development of infrastructure resilient to climate change events.
- (d) A strengthened national policy enabling energy security and the reduction of greenhouse gas emissions. National policy will be based on expert exchanges with the EU and third countries, inclusive studies and consultations leading to policy and policy choices for decision making (related to the second priority area of the MIP).
- (e) Active involvement of universities and research centres in the development of innovative and alternative proposals.
- (f) Strengthened educational, scientific and technological capacities to reach the goal of municipal renewable energy self-sufficiency.

As awareness of responsible production and consumption patterns is crucial for the success of the ecological transition, civil society, with an emphasis on women and young people, will be encouraged, from the start, to contribute to the design and implementation from the outset taking gender equality as a horizontal issue, based on a sector gender analysis.

In addition to the current challenges confronted by the Cuban Government to implement *Tarea Vida*, the main risks undermining the success of the programme will be the lack of necessary technological investments and the impact of natural hazards, especially hurricanes and other extreme events. Contingency plans and climate-resilient infrastructure shall be foreseen.

Of particular importance will be the promotion of the involvement of local businesses, universities and end-users, public or private, in the implementation of renewable energy and energy efficiency solutions at local level.

#### 2.1.2.3 Sustainable water and solid waste management:

Ensure access to drinking water, sanitation and solid waste management, and link to the circular economy ensuring the link with the agriculture and energy sectors (in line with SDG 6).

- a) Increase access to quality drinking water through water infrastructure water treatment plans, including nature-based solutions and regular monitoring through digital data.
- b) Increase water efficiency and reuse in the agriculture and energy sectors.
- c) Preserve water cycles in key ecosystems such as forests, wetlands, rivers, aquifers and lakes through integrated water resource management (IWRM).
- d) Develop safe and affordable solid waste management systems and increase waste recycling, especially in relation to the agriculture and energy sectors.
- e) Promote circular economy practices promoted, in coordination and synergy with the food and agricultural component, focusing on agro-energy and integrating young people and women, including access to microcredits and the use of digital solutions.

As with the above objectives, civil society involvement is important in water and waste management and will be involved in all phases of programme design and implementation. Participation of universities and knowledge management will also be promoted.

The promotion of gender equality is also of vital importance in this area, given women's leading role, especially in residential water use, and should lead to a gender strategy integrated into national and local hydrological plans within the framework of the National Institute for Water Resources (INRH).

The use of digital tools and data, including those provided through Earth observation, will be addressed in particular to improve the monitoring and sustainable management of resources.

#### 2.1.2.4 Participatory municipal governance:

Contribute to the development of participatory decentralised management, promoting the inclusion of women and young people (in line with SDG 16.6-7, SDG 5).

- a) Strengthening the capacity of municipalities to analyse situations, group discussion and design of development holistic plans led by their representatives, in coordination with the exchange of policies and experiences.
- b) Increase local tax revenue rates, in line with national strategies and linked to priority investments and local running costs, as appropriate.
- c) Develop an open e-government system with a two-way flow of information (between citizens and institutions) related to public services, municipal budget, investments and contingency plans.
- d) Promote, especially among young people, an education strategy towards the use of internet and artificial intelligence, including access to open software and open

hardware, 3D printers and FabLabs in municipal university centres and science and innovation centres (in line with SDG 4.4), especially for local production and marketing of food and energy.

As important as the ecological dimension in this priority area is the degree of social participation in the decentralisation process. The involvement of all views and sensitivities in local development plans, including innovative proposals, gender equality and especially the role of young people, is essential. This would achieve SDG 16.6, which targets a large proportion of the population satisfied with public services. In relation to youth and its access to means and networks to maximise creative and innovative potential and link it to local food and energy security challenges, the participation of youth groups, the federations of vocational and university students, the Cuban association of ICT professionals (Cuban IT Union) and other civil society actors will be essential.

Digital tools and the use of data are a key factor for planning, budget execution, transparency and participation, and will be promoted throughout the programme, ensuring links with educational, scientific and technological capacities.

Culture, as a vector of economic and social development, will be promoted at local level, seeking to ensure that this area is included in local development plans (both at municipal and provincial level).

### ***2.1.3 Indicators (including baseline and targets) by expected result***

Baseline indicators will be analysed at the initial stage in each municipality and objectives will be defined accordingly.

Horizontal indicators will relate to the global efforts towards the progressive reduction of the use fossil fuels aimed at zero greenhouse gas emissions (taking into account carbon sequestration in forest and soil) -related to SDG 13.1- sustainable groundwater management (linked to SDG 6) and sustainable management of forest land , including fighting deforestation and forest degradation, and biodiversity (SDG 15), including marine ecosystems where relevant (SDG 14), as well as gender disaggregation, youth participation and the use of digital technologies.

The framework of indicators shall include qualitative indicators, including the level of satisfaction and trust of farmers and young people.

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

Strategic grants will co-finance priority local and innovative investments in ecological transition. Linkages will be established among local development plans and provincial and national sectoral investment plans. EFSD+ blending and guarantees will be channelled to encourage investments of of EU SMEs and financial institutions. In line with the Team Europe Initiative, the focus will be in areas such as agroecological means, renewable energy infrastructure, digital hardware and software).

## **2.2 Modernisation of the economy: maximising the potential of all economic actors in key sectors**

While the ecological challenge is closely linked to the search for self-sufficiency in food and energy at local level, social and territorial cohesion requires constant improvement in the sustainable generation and equitable distribution of wealth at *national level*. This goal requires a boost in the dynamism of all economic actors, including the private sector, public enterprises

and the efficiency and equity of public policies and services. This area will include the *matching between Cuban and EU SMEs* in key sectors of the Cuban and Caribbean economy, especially those related to *agriculture and energy* (in synergy with the first priority area), and to *ICTs, creative industries and biotechnology*.

A key objective in this priority area aims at strengthening Cuban fair fiscal policies towards equitable public funding to preserve the universal coverage of public services and social protection and protect socio-economic rights, while providing a conducive business environment. This area will also include support for the modernisation of other key public services, promoting the use of ICTs towards digital administration aimed at improving the efficiency of public service delivery and transparency. The *link to regional and global economic flows* will focus on the support to Cuban *biotechnology*, especially in the development, production and distribution of global public goods confronting the present *Covid-19* pandemic and possibly other emergent diseases during the decade, and the continued support and effective use of the *trade, investment and cooperation windows*.

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

1. Contribute to the development of all economic actors, with an emphasis in SMEs, 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<sup>7</sup>.
2. Support measures to increase the tax revenue rate and further develop its principles of fair taxation by reducing the size of the informal economy, expanding fiscal space and public financing capacities, while fostering entrepreneurship.
3. Support the development, production and national and global distribution, through multilateral mechanisms such as COVAX, of safe and effective vaccines, diagnostic and therapeutic products against Covid-19 and other priority health challenges.
4. Improve the business environment and investment climate for external trade and investment at territorial level, enabling all economic actors to be integrated into local and regional initiatives.

It is crucial for this priority area to support current efforts from Cuban academy and business sectors in the development of digital tools to achieve a greater impact on socio-economic reforms (through process information and statistics; the facilitation of communication with citizens, etc.) and to reduce the "digital divide", which has particular characteristics due to the embargo (higher cost).

Equally, it will be important to accompany the Government efforts to face the digital challenges generated by the health emergency caused by the COVID 19 pandemic. Actually, in the midst of this crisis Cuba already managed to expand in a few months its telecommunications infrastructure capacities and the digital television services, the use of teleworking, tele-training and videoconferencing systems, as well as e-government and e-commerce processes; and several computer health platforms have been rapidly developed for diagnosis, management, surveillance and prevention of the pandemic (such as "Covid-19-Cuba-Data", "Pesquisador virtual", "Andariego", "EnSuCasa" and "Portero").

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<sup>7</sup> 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.

## 2.2.2 *Expected results per specific objective*

### 2.2.2.1 Participatory economy towards equity

Contribute to the development of all economic actors, with an emphasis on SMEs, promoting complementarity between them, primarily in key areas where Cuba has added value, such as agroecology, biotechnology, renewable energy production and storage, and creative industries, among others (in coherence with SDGs 8 and 5):

- a) Support the development of supportive legal and regulatory frameworks by the exchange of successful experiences from the EU and third countries.
- b) Support the development of adequate banking, access to credit, wholesale trade, labour market, management and innovation tools, e-economy and supporting trade and tax systems, enabling the development of Cuban SMEs.
- c) Facilitate networking between EU and Cuban local economic actors in key sectors related to this strategy (agroecology, renewable energies, digital services, biotechnology) and other sectors where Cuba has a specific added value (such as creative industries).
- d) Continue to support the work of the Ministry of Economy and Planning (MEP) and the National Information and Statistics Office (ONEI) in the development and transparency of public finance management services and Cuba's economic performance and Agenda 2030 reports (including GDP and HDI estimates).

The involvement of civil society, notably through networks of professional associations, trade unions and experts in certain fields, will be of paramount importance to ensure a level of belonging, trust and commitment that fosters entrepreneurship. In addition, attention will need to be paid to the percentage of businesses/SMEs managed by women and to the sectors in which they participate; and explore the possibility of supporting women's entrepreneurship in innovative sectors.

Likewise, the programme will ensure the socio-economic integration of persons with disabilities and the removal of all barriers to information and public services, both physical and digital.

As mentioned above, the approach to culture as a vector for economic development will be promoted maximising the potential of heritage and creative industries in all its expression channels and building on the experience and leadership of the ongoing EU-Cuba-Caribbean "Transcultural" programme.

Macroeconomic conditions (with current inflationary risks following monetary and exchange rate unification), the US embargo and the global Covid crisis may discourage investment and undermine trade dynamics. The development of a strong internal market will reduce dependence on external factors outside Cuba's control.

### 2.2.2.2 Efficient fiscal equity and e-government:

Fiscal equity: Support measures to increase the tax revenue rate and further develop its principles of fair taxation by reducing the size of its informal economy, expanding fiscal space and public financing capacities, while fostering entrepreneurship (in line with SDGs 10 and 17.1).

- a) Promoting a culture of fiscal responsibility through education and awareness-raising campaigns.
- b) Develop a more efficient and equitable tax system that promotes the activities of all actors and universal social protection, while avoiding high levels of inequality.
- c) Build on existing programmes and expert exchanges with the national tax revenue office (ONAT) to boost infrastructure, software and skills to increase electronic transactions and tax revenue rates, as well as the use of digital tools in taxation in general.

E-government: Support the modernisation of key public policies and services including those that have an impact on the business environment and attractiveness for foreign direct investment, including the judicial system, by promoting information and communication technologies (ICTs) towards digital administration and the integration of registers, one-stop shops for trade, investment and cooperation.

- d) Continue the ongoing work with the Ministry of Justice (MINJUS), the Institute for Infrastructure Planning (IPF), the Central Bank and the Attorney General's Office (Public Prosecutor's Office), inter alia, to further develop an integrated registration system to improve public services and help prevent tax evasion and money laundering.
- e) Continue to support the work of the Ministry of Economy and Planning (MEP) and the National Bureau of Statistics and Information (ONEI) in the analysis of GINI and other equity indices in Cuba (in line with SDG 10).
- f) Involve the central government bodies in the modernisation of public services through the use of ITCs towards an e-government, aimed at improving and facilitating the exchange between those institution and citizens, considering and promoting EU human-center digital approach.

As awareness of responsible citizenship through tax responsibilities is essential for the development of a fair and efficient tax system, civil society and civil society groups, including professional groups such as economists and professionals, will be encouraged to contribute to design and implementation from the outset.

The main risks undermining the success of increased tax revenues, fiscal space and equity will be related to insufficient progress in improving the business environment, the economic trend, including its informal dimension, and the permanence of the USA embargo.

Efforts to use digital tools to improve public services and the digital shift should go hand in hand with cooperation on wider issues such as privacy and data protection.

### 2.2.2.3 Biotechnology confronting Covid-19 and other global health threats.

Support the development and distribution, through multilateral mechanisms such as COVAX, of safe and effective vaccines, diagnostic and therapeutic products against Covid-19 and other priority health challenges.

- a) Identify and strengthen the Cuban potential to participate in Horizon Europe to develop possible strategic developments in the fight against Covid-19 with emphasis on vaccines that are safe, effective and accessible to the population in low income countries.

- b) Support the development of infrastructure compatible with good manufacturing practices and international standards in the production of safe and efficient biotechnological products, both in Cuba and through technology transfer in third countries in the region and Africa.
- c) Promote Cuban and EU biotechnology companies to compete with priority product joint ventures to tackle Covid-19 and other major health threats.
- d) Support the distribution of and equitable access to key Cuban biotechnology products in low-income countries in the framework of Global Public Goods<sup>8</sup> and the EU's global response to Covid-19. EU funding will support universal and equitable access to safe and effective vaccines and treatments, especially in low-income countries, such as through the COVAX mechanism.
- e) Encourage the dialogue between the European Medicines Agency (EMA) and the Cuban Medicines Regulatory Agency (CECMED) in order to facilitate the approval process of Cuban biotechnological products of pertinence to the EU and with the necessary guarantee of their efficacy, safety and good manufacturing practices.

These actions would benefit from the suggested establishment of an EU-Cuba liaison office mentioned above by strengthening capacities, enabling networking and supporting capacities to apply for EU and international competitive R&D funding.

#### 2.2.2.4 Attract foreign investment and trade:

Improve the business environment and investment climate for external trade and investment at territorial level, enabling all economic actors to be integrated into local and regional initiatives.

- a) Improve the business environment and investment climate for the EU and other investors, including the maintenance and strengthening of one-stop shops for trade and investment.
- b) Promote the integration of all economic actors into local and regional initiatives, including those towards the countries of the Caribbean region, in the context of the post-Cotonou ACP-EU Partnership Agreement and the EU-Cariforum Economic Partnership Agreement (EPA).

#### **2.2.3 Indicators (including baseline and targets) by expected result**

Baseline indicators will be analysed at the early stage of each sector (SME activity and contribution to GDP, tax revenues and fiscal progressivity rates, biotechnology production and reach, foreign investment and trade indexes and the digital transaction rates) and targets will be set according to the programme's potential impact.

The framework of indicators shall include qualitative indicators, including the level of satisfaction and trust of employers.

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

In order to boost economic opportunities in selected key sectors (such as agroecology, renewable energy, digital technologies, creative industries and biotechnology), the EU will support international fairs in those domains, focusing on EU and Cuban companies,

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<sup>8</sup>[Ec.europa.eu/environment/archives/wssd/pdf/publicgoods.pdf](https://ec.europa.eu/environment/archives/wssd/pdf/publicgoods.pdf)

including SMEs, to help explore synergies, joint ventures, trade and investment opportunities. This will be supported with feasibility studies and business plans.

## **2.3 Proposal of Team Europe initiative and transversal support**

### ***2.3.1 Team Europe initiative (TEI): Ecological transition***

The EU Green Deal is first and foremost a commitment to a sustainable EU by 2050, encouraging the rest of the world to move in this direction and safeguard the lives of future generations. Second, moving towards clean energy reduces dependence on oil imports. And thirdly, a low-carbon and carbon-free economy is based on a knowledge society and innovation in almost all social dimensions, leading to creative jobs and a sense of belonging in shaping the future. The Green Deal goes hand in hand with social inclusion and equity. Although it has its specificities and an emphasis on adaptation, Cuba shares the three arguments for prioritising a national Green Deal through its state policy “Tarea Vida”: commitment to multilateralism and to address the challenge of climate change, overcome the unsustainable and volatile dependence on oil imports and its pledge to a knowledge-based society.

The EU/Cuba TEI on the ecological transition will prioritise the dimensions of mitigation (mainly towards the increased use of clean renewable energy), adaptation (mainly through sustainable agriculture) and resilience to climate and environmental-related emergencies. In general, it should address and measure not only greenhouse gas emissions and their relation to the share of renewable energy, energy use and energy efficiency, but also other stress parameters in Cuba, such as salinisation of surface waters, ocean acidification, drought and soil erosion, biodiversity loss, mainly marine, and deforestation and forest degradation in some areas.

It will have a local dimension (priority area 1 of the MIP) supporting pilot municipalities towards sustainability (integrating food and energy production, ppp in sustainable tourism and decentralised participatory governance), a national dimension by supporting policies (from land-use planning to TVET), investments and the role of all economic actors (the private sector, including networking with EU SMEs), and a regional and global dimension by fostering cooperation with third countries in preparedness and response to natural disasters and environment-related outbreaks.

The main objectives should be: low greenhouse gas emissions in line with SDG 13.1 (one third of current emissions per capita per year), food production based on agroecological production (in line with SDG 2), clean and affordable energy production through the progressive use of renewable sources (SDG 7) and disaster preparedness, including capacities to monitor and respond to climate change and environment-related emergencies (in line with SDG 13a). A cross-cutting gender perspective should be taken into account in achieving these objectives.

The EU and its Member States are actively engaged in cooperation towards sustainable development and ecological transition in Cuba, focusing on the sectors of energy, agriculture, access to water, sanitation and solid waste management and disaster preparedness (through the DIP-ECHO sectors). A working group with Member States and Switzerland and Norway regularly outlines the consolidated EU portfolio on green transition and commits to explore joint plans for analysis, programming and implementation modalities with the Cuban counterparts, including joint programming, coordinated, pooled and joint financing.

EU interests converge through the EU’s main strengths in innovation and development, especially with regard to renewable energy infrastructure and expertise in regulatory frameworks and local development, among others. Cuba is an important source of cobalt and nickel, critical for the storage of renewable energy. An investment in large-scale production of

renewable energy batteries with the contribution of EU companies is an example of how actions could aim at mutual benefit.

The EU's indicative contribution to this TEI (EUR 41.4) 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.

### ***2.3.2 Digital transition as an horizontal vector in all objectives***

In alignment with the EU Digital Agenda, technologies can become essential tools for improving e-government, including transparency and citizen participation, whilst safeguarding data protection and privacy rights.

Digital development is crucial to keep up with social communication and economic transactions in national and global relations towards the e-economy, which is even more evident in the current confinement of the pandemic. Digital development is also crucial in the e-research dimension to boost research and innovation and channel creativity towards local challenges and global public goods.

Cuba faces connectivity and technological infrastructure challenges and is committed to strengthening and updating digital infrastructures, legal frameworks and e-government<sup>9</sup>.

Cooperation between the EU and Cuba towards the digital transition should be considered in a transversal manner, including the dimensions of governance (increasing the space for citizen participation, accountability), the economy (e-commerce, tax revenues, public and private financial transparency — reduction of the informal economy, the financial system) and innovation (through open hardware, software, access to 3D printers, FabLabs and others).

EU-Cuba cooperation will explore the synergy with regional programmes such as Red Clara/Bella, -including the recent transatlantic LA-EU cable-, regional initiatives of the Caribbean as the Centre of digital government studies and the essential boost of investments in digital infrastructure (including the submarine wavelength cable with Yucatán).

## **2.4 Subregional 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.

Additionally, the MIP will explore opportunities to foster triangular cooperation in relevant areas, namely in the areas of emergency and disaster risk preparedness.

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<sup>9</sup> The EU is already working with several institutions 'as MEP, MINJUS, ONAT, ONEI and MINCOM, among others as well as with the 'Union of Informaticos of Cuba'.

## **2.5 Support for investments under the EFSD +**

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 9 million euros for 2021-2024 under the priority areas 1 and 2 (see section 1.3.1 and 1.3.2). Sustainable finance represents a real potential in the region and will help accelerate financial flows towards green, inclusive and resilient transitions.

The mobilisation of EFSD+ will be key to unleash additional funding resources. For instance, the ratio of climate change mitigation allocations to loans would need to be 1:20 so as to reach 10% of the investments required in Cuba to meet the NDCs<sup>10</sup>. The EFSD+ leverage potential is therefore essential, particularly by involving the EU private sector. Support will be provided to the development of SMEs in the selected priority sectors. However, the level and flow of investment is hampered by foreign (mainly the US embargo and its extraterritorial measures) and domestic bottlenecks (excessive bureaucracy, slow and restricted procedures for permits and guarantees). Current investment studies developed by AFD, with the support of the EU, point to some EUR 1 billion of public investment opportunities in the field of green transition, of which AFD plans to provide EUR 250 million in loans. However, for the moment there is no other European Financial Institution engaged in the country, and it is unlikely that EIB investments materialise in the short and medium term, due to the effects of the US embargo.

## **3 Support measures**

### **3.1 Measures in favour of civil society**

The role of civil society<sup>11</sup> is essential to boost the inclusive participatory development process and will be promoted under each priority area. Over the last decade, the EU has supported actions implemented by a limited number of Cuban and EU civil society organisations, in particular in the fields of human development and social inclusion. The level of support and the scope of actions need to be further enhanced and promote the interaction, mutual learning and networking between EU and Cuban NGOs. These actions should find synergies with the key priority areas of the present MIP where civil society actors will be essential to achieve the intended objectives, including farmers' associations, youth and women organisations, SMEs, trade unions, and academic and professional organisations.

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<sup>10</sup>Calculation of EU impact on Cuba NDCs mitigation through cooperation on renewable energy and energy efficiency: given Cuba targets of reducing 31.3 m ktCO<sub>2</sub>eq, the MIP direct allocations to energy (18% of MIP, €27m) and the estimated investments required to meet the NDCs (€4,983m), the overall EU-Cuba MIP impact on reduced emissions would be 0.27 m ktCO<sub>2</sub>, that is 0.54% of the targeted CO<sub>2</sub> emissions reduction (160,000 ktCO<sub>2</sub>eq) and the estimated investment required. In order to increase the impact, cooperation grants should have a meaningful leverage ratio of investments (some 1:20 to contribute to 10% of the NDC target).

<sup>11</sup>The concept of civil society for Cuba has its independent functional structure but works jointly with the government towards meeting the society's demands and needs, while the EU describes that all forms of social action carried out by individuals or groups not belonging nor managed by the State (see [https://eur-lex.europa.eu/summary/glossary/civil\\_society\\_organisation.html?locale=es](https://eur-lex.europa.eu/summary/glossary/civil_society_organisation.html?locale=es))

Dialogue with civil society is an essential part of the PDCA and will be promoted through annual exchanges between Cuban and European organisations as well as through consultations and interactions at different levels. An EU roadmap to strengthen the role and space of civil society is under preparation and a Gender Equality Implementation Plan has been developed. Both exercises analyse and include actions to strengthen dialogue and cooperation with the different social actors, especially in view of promoting development at local level. To this end, it will be important to have a greater understanding of the social actors in the different territories and to seek efficient participation mechanisms in cooperation programs. Special emphasis will be placed in promoting the participation of women and young people in the articulation spaces stimulated in the cooperation actions.

### 3.2 Cooperation facility

Under the MIP 2021-2027, and in support to the PDCA, 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 Cuba, mostly in relation or complementary to the intervention policy areas, but also open to new needs that may emerge in the political dialogue.

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 of EU-Cuba policy dialogue in key areas.

The facility will also facilitate EU coordination towards Joint Programming and in the framework of the Team Europe Initiative, including with interactive maps and updated data tables - linked to Cuba's Open Window for Development Cooperation.

In order to show the level, depth and impact of EU-Cuba cooperation, the facility will support strategic communication and public diplomacy, including through social media, by encouraging participatory approaches between Cuban and EU citizens and by promoting debates in universities.

## 4 Financial overview

Although the duration of this MIP is seven years, the indicative allocations for Cuba 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 Cuba.

<b>Priority Area</b>	<b>M EUR 2021-2024</b>	<b>% of total</b>
<b>Ecological transition — sustainable municipalities</b>	<b>43</b>	<b>47</b>
<b>Modernisation of the economy — emphasis on SMEs</b>	<b>43</b>	<b>47</b>
<i>Support measures</i>	<b>5</b>	<b>6</b>
<b>Total</b>	<b>91</b>	<b>100</b>



## 5 Annexes

### Annex 1 Model intervention framework

<b>Priority area 1: Ecological transition through sustainable municipalities.</b>		
<b>Specific objective 1:</b> , Contribute to gradually achieving sustainable and resilient food production.		
<b>Results expected</b>	<b>Indicators (disaggregated by sex)</b>	<b>Baselines &amp; targets<sup>12</sup></b>
(a) Achieved adequate nutritional status of the population in the municipality	a1) % of children < 5 overweight, by sex a2) % of pregnant women 15-49 years old with anaemia (SDG indicator 2.2.3)	<b>a1)</b> <b>Baseline:</b> 10.3% <b>Target :</b> 10% <b>a2)</b> <b>Baseline:</b> 22.1 (2019 SDG data) <b>Target:</b> 22.1
(b) Developed healthy food knowledge, attitudes and practices among the population.	b1) % of the population with knowledge of basic healthy nutrition, by sex	To be determined through EU-funded baseline and end-line surveys
(c) Reached sufficient agricultural production for nutrient needs.	c1) Number of pounds of food locally supplied per capita per month	<b>Baseline :</b> to be determined; <b>Target:</b> 30 pounds per capita and month (PAHO and FAO standards). Data collection through EU-funded baseline and end-line surveys

<sup>12</sup> Many baselines and targets remain to be determined through the identification of specific programmes (selection of municipalities, specific policy areas, regulations and actors in Priority area 2, since legal reforms is still developing). The development of baseline data shall be done either through the access to official data and ONEI (Oficina Nacional de Estadística e Información, with whom the EU has active collaboration), data from UN agencies and relevant institutions and through inception phases – as most often done in EU cooperation programmes in Cuba.

(d) Increased sustainable use of biomass, soil, water and biodiversity	d1) Agricultural and pastoral ecosystems where sustainable management practices have been introduced with EU support (ha, EURF 2.4)	<b>Baseline:</b> zero <b>Target:</b> To be determined
(e) Increased % of population, broken down by age group, devoted to agro ecological primary production.	e1) Level of satisfaction of farmers, disaggregated by sex and age group, on living and working conditions.	To be determined through EU-funded baseline and end-line surveys
(f) Enhanced participation of women and young people in the agricultural sector	f1) Proportion of female-led and/or youth-led agricultural cooperatives	<b>Baseline:</b> To be determined, data collection through EU-funded baseline and end-line surveys <b>Target:</b> At least half of agricultural cooperatives' leads.
<b>Specific objective 2:</b> to contribute to progressively achieving energy self-sufficiency		
<b>Results expected</b>	<b>Indicators</b>	<b>Baselines &amp; targets</b>
(a) Improved municipal use of clean energy towards self-sufficiency.	a1) Renewable energy generation capacity installed (MW) with EU support (EURF 2.10)	<b>Baseline:</b> zero <b>Target :</b> To be determined
(b) Reduced greenhouse gas emissions through an increase in the share of energy produced from renewable sources at local level.	b2) Greenhouse Gas (GHG) emissions avoided (tonnes CO <sub>2</sub> eq) with EU support (EURF 2.21).	<b>Baseline:</b> zero <b>Target :</b> To be determined
(c) Promoted an energy-saving culture and locally-applied energy efficiency solutions in relation to responsible production and consumption patterns (SDG 12).	c1) Electricity consumption per capita and year by MW/hours. c2) use of transport based on renewable energy, by proportion of kilometres travelled.	To be determined through EU-funded baseline and end-line surveys
(d) Implemented a gradual shift towards energy production through climate resilient infrastructure and related events.	d1) Percentage of renewable energy infrastructure resilient to climate change-related risks	To be determined through EU-funded baseline and end-line surveys

(e) Ensured links between increased sustainable use of biomass and biofuels by food security programmes, with increased use of these renewable energy sources.	e1) share of wind energy solar power and biomass in the municipal energy mix	To be determined through EU-funded baseline and end-line surveys
(f) Strengthened policy at national level to increase energy production and reduce greenhouse gas emissions, through exchanges of experts with the EU and third countries, studies, inclusive consultations and decisions on policies and programmes.	f1) Extent to which participation, evidence-based design, pertinence and monitoring framework of new policies are improved with EU support	Baseline and target values to be determined through a baseline study and Quality evaluation
<b>Specific objective No 3:</b> Ensure access to drinking water, sanitation and solid waste management, and link to the circular economy with an emphasis on the agriculture and energy sectors (SDG 6).		
<b>Results expected</b>	<b>Indicators</b>	<b>Baselines &amp; targets</b>
(a) Increased access to quality drinking water through water treatment plans and regular monitoring.	a1) Number of individuals with access to improved drinking water source and/or sanitation facility with EU support (EURF 2.8)	<b>Baseline:</b> zero <b>Target:</b> To be determined
(b) Increased water efficiency and reuse in the agriculture and energy sectors.	b1) Percentage of existing capacities and infrastructure that maximise water reuse and use in the agricultural sector	To be determined through EU-funded baseline and end-line surveys
(c) Preserved water cycles in key ecosystems, including forests, wetlands, rivers, aquifers and lakes.	c1) Status of water balance assessment for local ecosystems	To be determined through EU funded baseline and end-line surveys

<p>(d) Developed safe and affordable solid waste management systems and increase waste recycling, especially in relation to the agriculture and energy sectors.</p>	<p>d1) % of Residential and industrial waste that is recycled in agriculture and energy sectors .</p>	<p><b>Baseline:</b> to be determined <b>Target:</b> 80 % increase in recycling in agriculture and energy of residential and industrial waste recycled in the agriculture and energy sectors. Data to be collected through EU-funded baseline and end-line surveys</p>
<p>(e) Promoted circular economy practices, in coordination and synergy with the food and agricultural component, focusing on agro-energy and integrating young people and women.</p>	<p>e1) Number of people with increased skills in the circular economy, disaggregated by sex</p>	<p>To be determined through EU-funded baseline and end-line surveys</p>
<p><b>Specific objective No 4:</b> Contribute to the development of participatory decentralised management, promoting the participation of women and young people.</p>		
<p><b>Results expected</b></p>	<p><b>Indicators</b></p>	<p><b>Baselines &amp; targets</b></p>
<p>(a) Strengthened the capacity of municipalities in case analysis, group discussion and design of development plans led by their representatives. .</p>	<p>a1) Number of community-led diagnosis and local development plans and budgets drawn up. a2) Percentage of women and girls participating in technical training courses on topics promoting territorial development a3)% of women in management positions</p>	<p>To be determined through EU-funded baseline and end-line surveys</p>
<p>(b) Increased local tax revenues, in line with national strategies, the type of local tax revenues and linked it to priority investments and operating costs, as appropriate.</p>	<p>b1) Amount of potential local tax revenues collected, budgeted and allocated to local development priorities</p>	<p>To be determined through EU-funded baseline and end-line surveys</p>

<p>(c) Developed an open government system with two-way flow of information (citizen-institutions) related to public services, public budget, innovative and contingency plans.</p>	<p>c1) % of population in the municipality using online public information services, including proposing policy and programme initiatives.</p>	<p>To be determined through EU-funded baseline and end-line surveys</p>
<p>(d) Promoted, especially among young people, the use of open software and open hardware, 3D printers and working laboratories in the framework of Municipal University Centres (in line with SDG 4.4), especially targeting the local challenges of food and energy production.</p>	<p>d1) % of young people using innovation laboratory services in municipal university centres and involved in open software developments, disaggregated by sex. d2) number of open software or patents developed with EU support for locally adapted solutions for food and energy production.</p>	<p><b>d1)</b> <b>Baseline:</b> To be determined <b>Target:</b> Minimum 50 %. Data to be collected through EU-funded baseline and end-line surveys <b>d2)</b> <b>Baseline:</b> Zero <b>Target:</b> At least 10 solutions locally adapted to food and energy production</p>

**Priority area 2: Modernisation of the economy through maximizing the potential of all economic actors in key sectors**

**Specific objective 1:** contribute to the development of all economic actors, with an emphasis on SMEs, in key areas where Cuba has an economic potential, such as agroecology, biotechnology, renewable energy production and storage, ICTs and creative industries, among others.

<b>Results expected</b>	<b>Indicators</b>	<b>Baselines &amp; targets</b>
<p>(a) Contribution made to the development of appropriate legal and regulatory frameworks for all economic actors, with an emphasis on SMEs</p>	<p>a1) % of SMEs satisfied with developed frameworks.</p>	<p>To be determined through EU-funded baseline and end-line surveys</p>

<p>b) Supported the development of adequate banking, access to credit, wholesale trade, labour, management and innovation tools, the e-economy and trade and tax systems, enabling the development of PPP, Cuban SMEs and the autonomous sector.</p>	<p>b1) Number of beneficiaries with access to financial services with EU support: (a) firms, (b) individuals (all financial services), (c) individuals (digital financial services). (EURF 2.13)</p> <p>b2)% of female entrepreneurs (or director of non-agricultural cooperatives) involved in and satisfied with the training of cultural entrepreneurs</p> <p>b3) Number of national measures to give effect to specific areas mentioned under Result 2)</p>	<p>b1) <b>Baseline:</b> zero <b>Target:</b> to be determined.</p> <p>b2) <b>Baseline:</b> To be determined through EU-funded baseline and end-line surveys <b>Target:</b> At least 80 % of satisfaction at the end of the project</p> <p>B3) to be determined</p>
<p>(c) Facilitated networking of joint ventures between EU and Cuban SMEs in key sectors related to this strategy (agroecology, renewable energy, digital services, biotechnology, creative industries).</p>	<p>c1)Number of EU/Cuban companies involved in joint ventures in each of the key sectors (agroecology, renewable energy, digital services, biotechnology, creative industries)</p>	<p><b>Baseline:</b> to be determined by sector <b>Target:</b> At least 5 to 10 companies per sector Data to be collected through EU-funded baseline and end-line surveys/studies</p>
<p>(d) Continued support for the work of Members of the Ministry of Economy and Planning and the ONEI in the development and transparency of Cuba’s public finance management and economic production services</p>	<p>d1)Status of the Cuba’s public financial management assessment according to international standards</p>	<p>To be determined</p>
<p><b>Specific objective 2:</b> To increase the tax revenue rate and further develop its principles of fair taxation by reducing the size of its informal economy, promoting ITCs towards digital government</p>		
<p><b>Results expected</b></p>	<p><b>Indicators</b></p>	<p><b>Baselines &amp; targets</b></p>
<p>(a)Enhanced the culture of fiscal responsibility through education and awareness-raising campaigns.</p>	<p>a1) Percentage of the population with a positive attitude towards budgetary responsibilities, disaggregated by sex.</p>	<p>Baseline to be determined through an EU-funded baseline survey <b>Target:</b> At least 80 % at the end of the project (to be confirmed through an EU-funded survey)</p>

(b) Increased the efficiency and equity tax system that promotes the activities of all actors and universal social protection, while avoiding high levels of inequality.	b1) Tax revenue rates	TbD through EU-funded baseline and end-line surveys
(c) Increased use of electronic transactions and their types of tax revenue.	c1) Percentage of transactions in key sectors with electronic tax payments.	<b>Baseline:</b> to be determined through an EU-funded baseline survey. <b>Target:</b> At least 50 % of SME transactions electronic payments (to be checked through an EU-funded end-line survey)
(d) Developed an integrated registration system to improve public services and help prevent tax evasion and money laundering.	d1) Degree (%) of integration and online access to public registers	<b>Baseline:</b> to be determined <b>Target:</b> At least 80 % of all land and property data are integrated into joint registers Data to be collected through EU-funded baseline and end-line surveys/studies
(e) Estimated and analysed inequality indexes across regions.	e1) GINI by region	To be determined through EU-funded baseline and end-line surveys/studies
(f) Modernized public services through ICTs aimed at e-government development with the aim of improving and facilitating the exchanges with citizens	f1) Number of people supported by the EU with enhanced access to digital government services (EURF)	<b>Baseline:</b> zero <b>Target:</b> To be determined
<b>Specific objective 3:</b> Contribute to the development, production and distribution of safe and effective vaccines, diagnostic and therapeutic products against Covid-19 and other priority health challenges.		
<b>Results expected</b>	<b>Indicators</b>	<b>Baselines &amp; targets</b>
(a) Identified, in collaboration with DG RTD and Horizon Europe, the main potential developments in the fight against Covid-19.	a1) Number of safe biotechnological products and effective evidence against Covid based on its production and distribution capacity	<b>Baseline:</b> none identified. <b>Target:</b> Effective production of at least five proposed biotechnological products.

(b) Supported the development of infrastructures compatible with good manufacturing practices and international standards in the production of safe and efficient biotechnology products.	b1) Number of approved Good Manufacturing Practice laboratories of BioCubaFarma.	<b>Baseline:</b> No GMPs at present. <b>Target:</b> at least three laboratories in BioCubaFarma.
(c) Enabled Cuban and EU biotechnology companies to compete with priority product joint ventures to tackle Covid-19 and other major health threats.	c1) Number of joint ventures between the EU and Cuban biotechnology initiatives with EU support.	<b>Baseline:</b> zero <b>Target:</b> At least ten joint ventures agreed and set up with EU support.
(d) Increased distribution and equitable access of key Cuban biotechnology products in low-income countries in the framework of Global Public Goods and the EU's global response to Covid-19.	d1) Number of Safe and effective Cuban biotechnological products against Covid are used in the EU's global response to Covid-19.	<b>Baseline:</b> zero <b>Target:</b> At least three products used in a comprehensive response with EU support.
<b>Specific objective 4:</b> to improve the business environment and investment climate for foreign trade and investment		
<b>Results expected</b>	<b>Indicators</b>	<b>Baselines &amp; targets</b>
(a) Improved business environment and investment climate for the EU and other investors, including the maintenance and strengthening of single windows for trade and investment (link to 2.2.2c)	a1) % of transactions and financial flows following the Investment and Trade Single Windows.	To be determined through EU-funded baseline and end-line surveys/studies
(b) Participation of Cuba in the post-Cotonou ACP-EU Partnership Agreement and accession to the EU-Cariforum Economic Partnership Agreement (EPA).	b1) Status of Cuba of joining post-Cotonou EU-ACP partnership. b2) – number of national trade related and trade facilitating initiatives aligning the policies with the objectives of CARIFORUM EPA	To be determined

## Annex 2 Donor Matrix showing current indicative bilateral allocations per sector

<b>Development partner</b>	<b>Grants (EUR)</b>	<b>% of total</b>
EU	160,374,698	49.10 %
Switzerland	86,240,000	26.40 %
Spain	37704332	11.54 %
Italy	23,300,000	7.13 %
Belgium	14,827,413	4.54 %
France	3,640,000	1.11 %
Netherlands	355153	0.11 %
Portugal	117,267	0.04 %
Germany	55,000	0.02 %
<b>Total</b>	<b>326,613,863</b>	<b>100.00 %</b>
Total EUMS	166,121,898	50.86 %
Total EU & MS	240,373,863	73.59%
<b>Development banks</b>	<b>Loans (EUR)</b>	
France	265,000,000	100.00 %

<b>Development partner</b>	Agriculture, water and sanitation	Energy, environment and climate change	Governance and economic modernisation	Education, research and culture	Health	<b>Total</b>
EU	52929574	59633869	11648712	26543482	9619062	160374699
Switzerland	29247000	9152400	36250600	8650000	2940000	86240000
Spain	32851003	1366654	2411675	270	500	36630102
Italy	10300000	1000000	4800000	7200000	0	23300000
Belgium	5306333	369992	2788535	4123218	2239335	14827413
France	2000000	600000	700000	90000	250000	3640000
Netherlands	32353	0	0	52800	270000	355153
Portugal	0	0	117267	0	0	117267
Germany	45000	0	0	0	10000	55000
<b>Total</b>	<b>132711263</b>	<b>72122915</b>	<b>58716789</b>	<b>46659770</b>	<b>15328897</b>	<b>325539634</b>
EU MS	77781689	11889046	46368077	20026288	5459835	161524935
Total EU + MS	130711263	62970515	22466189	37956970	12118897	238944481
Share by sector	40.77 %	22.15 %	18.04 %	14.33 %	4.71 %	