

**MULTIANNUAL INDICATIVE PROGRAMME (MIP)
FOR CUBA 2014-2020**

LIST OF ACRONYMS

AECID -	Spanish Agency for International Cooperation
BASAL -	Bases Ambientales para la Sostenibilidad Alimentaria Local (Environmental bases for sustainability of local food production)
CIDA -	Canadian International Cooperation Agency
CITMA -	Ministry of Science, Research and Environment
COSUDE -	Swiss Agency for Development and Cooperation
CSP -	Country Strategy Paper
DCI –	Development Cooperation Instrument
DRR -	Disaster Risk Reduction
GDP –	Gross Domestic Product
INRH -	National Institute of Hydraulic Resources
MEP -	Ministry of Economy and Planning
MES -	Ministry of Higher Education
MINAG -	Ministry of Agriculture
MINCEX –	Ministry of Foreign Trade and Investment
MINEM -	Ministry of Energy and Mining
MIP –	Multiannual Indicative Programme
NIP -	National Indicative Programme
OR –	Outermost Regions
SOE –	State-Owned Enterprises
UNDP –	United Nations Development Programme

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1. THE OVERALL LINES FOR THE EU RESPONSE

1.1. STRATEGIC OBJECTIVES OF THE EU'S RELATIONSHIP WITH THE PARTNER COUNTRY

EU development cooperation with Cuba restarted following the Council Conclusions of June 2008. In October 2008, the European Commission and Cuba signed a Joint Declaration on the resumption of cooperation and in November the following priorities for cooperation were identified: 1) reconstruction and rehabilitation following hurricanes; 2) food security; 3) trade; 4) environment; 5) research & technology; 6) disaster preparedness & risk reduction; 7) culture; 8) non-state actors.

Since then, the **EU has made available over EUR 86 million** for cooperation programmes in Cuba (this amount does not include the EUR 50 million foreseen under the present MIP).

The first EU Country Strategy Paper (CSP) and National Indicative Programme (NIP) for Cuba, covering the period 2011-2013, were adopted by the Commission in May 2010 after consultation with EU Member States and the European Parliament. In this document, the objective of EU cooperation with Cuba was defined as "**contributing to the sustainable economic and social development of Cuba**". The same objective is proposed for EU cooperation with the country in the upcoming period, as fully consistent with the DCI regulation¹.

Resilience building is an overarching goal² and strategies should contribute to different policies, in particular food security, climate change adaptation and Disaster Risk Reduction (DRR). In this context, the EU has consistently supported prevention and preparedness for crises in the most vulnerable countries and identified the need to integrate DRR and adaptation to climate change, notably into both development cooperation and humanitarian response.

Current relations between the EU and Cuba are entering a new phase. They remain governed by the EU Common Position of 1996. At the same time, many Member States have moved forward bilaterally with various memorandums and agreements. The EU recently reviewed its strategic approach with a view to promoting its values and interests in Cuba more effectively. The Council adopted negotiating directives in February 2014 for a Political Dialogue and Cooperation Agreement. Cuba responded positively in early March. Negotiations may start in the first semester of 2014. Such an agreement would encompass the full scope of relations between the EU and Cuba: political dialogue, cooperation, economic relations and trade.

On this basis, the strategic objectives for EU relations with Cuba would be to encourage a process of reforms in Cuba, to engage in a political dialogue based on respect of human rights, to strengthen cooperation in multilateral fora, to promote sustainable development, trade and economic relations, to support the Cuban development agenda and to foster regional cooperation.

The country is facing deep societal changes. The EU should remain a reliable partner, accompany the ongoing reforms while encouraging the creation of social protection systems and support Cuba's further integration in the region, including regarding security issues, migration and illegal trafficking. Cuba will also be eligible for support under the Regional Programmes for Latin America, including from the Latin America Investment Facility, as well as from thematic programmes of the Development Cooperation Instrument (DCI) or the Caribbean Regional Programme funded from the European Development Fund to complement this MIP.

As regards **aid effectiveness principles**, there are no specific joint action plans concluded between Cuba and its main donors in this respect, not least because Cuba is not a signatory of the Paris Declaration on Aid Effectiveness of March 2005 and of the Accra Agenda for Action of September 2008. However, the established rules and practice applicable to international cooperation in Cuba in

¹ Regulation 232 (2014) of the European Parliament and of the Council establishing an instrument for development cooperation

² Commission Communication COM (2012) 586 final and SWD(2013) 227 final

many cases help enforce precisely some major principles of aid effectiveness, notably with regard to the principles of alignment and ownership. Indeed the country has very strong ownership of its development policies and related cooperation programmes, and exercises clear leadership in this respect.

Cuba has had significant cooperation with two neighbouring European Outermost Regions (OR) located in the Caribbean, namely Guadeloupe and Martinique, which are part of France. The projects implemented were supported through European Regional Development Fund for the French side. The EU will continue to encourage such cooperation between Cuba and the French OR.

1.2. CHOICE OF SECTORS

It is proposed to concentrate EU cooperation with Cuba in the upcoming period on three sectors, namely: **1) Sustainable agriculture and food security, 2) Environment: Support for a better use of key natural resources for sustainable development 3) Support to economic and social modernisation.** The choice of a limited number of sectors is fully in line with the principles outlined in the Agenda for Change. Concentration aims to achieve maximum impact of EU funds.

The selected sectors also respond to national priorities identified in the 2011 "Guidelines for economic and social policy" (*Lineamientos*), submitted to wide consultations and eventually approved by the National Assembly. The Guidelines outline Cuba's medium-term strategic objectives in a package of more than 300 measures. The Guidelines aim at a significant reduction and redeployment of the state workforce, as well as some support for the incipient private sector. Private employment in specific categories has been reintroduced or expanded, private transactions have been authorised in real estate, legislation allowing limited bank credits was passed, the legal framework for foreign investment was modified and an important migration reform has eased the travelling of Cubans abroad.

1.2.1. Sustainable agriculture and food security

The EU seeks to better address the principle of sustainability as a paradigm for growth and human development as put forward in both the EU's "Agenda for Change" and the above Guidelines. 'Sustainable agriculture and food security' also remain at the top of the international development agenda.

Food security has been declared a national priority in view of the fact that Cuba continues to import most of the food it consumes and spends much of its hard-earned foreign currency revenues on food imports. In order to produce more food nationally, in 2008 Cuba initiated a series of far-reaching reforms in the agricultural sector, including the free lease of idle land to farmers, a series of incentives for production and a process to give more autonomy and decision power to municipalities and cooperatives. Concurrently, Cuba oriented resources – including most of the international cooperation – to the modernisation of its agriculture sector and in particular food production. While several important advances have been made, the process is at its inception and more measures will be necessary (mainly to face bureaucracy and central planning by introducing some market elements).

Supporting the country's food production, in addition to the expected positive macro-level impact, namely increased self-sufficiency and improved balance of payments, should also have considerable **impact on the livelihoods of direct beneficiaries**, i.e. the farmers and their families.

Such support should also improve the population's **access to food** (assuming that larger locally produced quantities will in time account for lower prices in the local markets), which features prominently in the "Guidelines of Economic and Social Policy". At the same time, the **increased range and better quality** of locally available food products should improve the nutritional situation,

especially for the most vulnerable groups.

Beyond the production of food, the farming of other commercial crops (e.g. cocoa) could be supported. This would further expand the viability of rural livelihoods in Cuba by increasing farmers' income. The new perspectives opened in the agricultural sector are expected to attract workers **contributing therefore to gradually reducing the rural exodus** over the past decades, and countering the ageing of population in the countryside. This may prove even more important in the context of further layoffs in the country's public administration, as redundant workers would be able to return to the countryside and make an alternative living off the land. Average farmers' incomes are higher than the average wage in the public administration.

Cuba seeks **long-term sustainability of agriculture**. The Guidelines promote the development of an environmental-friendly sustainable agriculture, through an integrated management of science, technology, innovation and the environment, oriented to increasing food production in the whole production chain. The Guidelines specifically underline the need of preserving and making rational use of natural resources.³ In this context, the environmental as well as economic sustainability of Cuban agriculture (including food production) will remain central to programmes supported.

As a Small Island Development State with extended low coastal areas, Cuba is highly vulnerable to climate change in general. The national climate change adaptation strategy is further translated into sector adaptation strategies, including one for the agricultural and forestry sector, to ensure that short-term production increases will not be achieved at a high environmental cost. This aspect is all the more important since much of the country's current agricultural production – partly out of choice and mostly out of necessity – is low-input based. With growing liberalisation and decentralisation of the sector, however, there is a risk of a shift to an agricultural model more heavily reliant on chemicals (e.g. fertilisers, pesticides) and environmentally-harmful machinery. The legacy of the sugarcane industries in that respect is challenging. There are significant links between ecosystems, agriculture and food security, which also need to be fully integrated and taken into account.

In this context of on-going reform of agriculture and food production, it is important to continue the already considerable EU support to this sector. The fact that most other donors are also likely to continue making food security the key priority of their cooperation further strengthens the “concentration” effect, potentially increasing the overall impact of cooperation.

Investments will follow a risk-informed approach and the design of future investments will take into consideration potential impact of hurricanes, drought and floods.

1.2.2. Environment and climate change: Support for a better use of key natural resources for sustainable development

Protection of the environment and the rational use of natural resources have been national strategic objectives in Cuba since 1959. Cuba has been strengthening its administrative and institutional structures, as well as fostering programmes and activities with a view to reducing environmental vulnerability and promoting an integral and sustainable management of its natural resources.

The 2011-2015 National Environmental Strategy is the third strategic framework adopted since 1997 to guide the country's work towards environmental protection and sustainable socio-economic development. It defines strategic objectives and identifies the most crucial environmental problems: soil and land degradation, reduced forest cover, pollution, loss of biological diversity, water shortages and poor water quality and climate change impacts. In the framework of the support

³ *Lineamientos n. 133 and 136.*

provided by the EU between 2014 and 2020, it is proposed to **focus on water issues and the challenges related to climate change adaptation and mitigation.**

Water constitutes a limited natural resource and is unequally distributed throughout the archipelago. Access to and a greater availability of water are restrained by various factors, including pollution, inefficient management, planning and use of water sources and reserves, salinity, the use of inadequate technologies, the deteriorated state of hydraulic networks (almost 60% of the water distributed nationwide via pipes gets lost in the way, representing a loss of over 1500 million m³ yearly) as well as sewerage facilities, and a very limited recycling and re-use of water. Climate change furthermore impacts on the quality of soils and their storage capacity (salt water intrusion due to sea penetration, modified rain patterns resulting in intense rains and flooding as well as longer periods of intensified dryness and heat and consequently increased evapo-transpiration) resulting in soil erosion, decreased fertility and further strain on water availability year-wide. Climate Change adaptation thus enables to reduce the financial, economic and social vulnerabilities linked to changing climatic conditions while promoting a sustainable development.

Mitigation (through reforestation, reduction of energy waste, switch to low-carbon energy sources, such as renewable energy, energy efficiency) also enhances the preservation and rehabilitation of the natural resources in use, in particular soils and water resources. Boosting the share of renewable energy sources in Cuba is a clear priority for the country⁴ in order to increase its energy security (oil importation represents 20% of all import expenditure, mostly at concessionary terms mostly) and secure state revenues that could be directed at public services and key investments. The level of exploitation of the country's considerable potential of renewable energy in agriculture and other sectors is very low: in 2010 only 3.6% of the electricity produced came from renewable energy sources, including 2.6% from the sugar industry. The government's target is to cover 16.5% of its electricity needs from renewable energy by 2020. Yet it does not have an energy regulatory framework setting precise targets as to the prospective contribution of each available renewable energy source in the country's economic and industrial development and specific support measures and mechanisms to incentivise the use of renewable energy sources in each sector. In December 2012 a presidential decree established a Government Commission to prepare a policy proposal up to 2030, including the establishment of legally binding regulations. The other main limitations to an enhanced use of renewable energy are technical (need for capacity-building and knowledge transfer, lack of exposure to modern and adapted technologies; lack of awareness on the potential and the cost-benefit ratio of renewable energies) and financial (state companies and individuals have very limited investment resources and restricted access to stable sources of funding and equipment; investments towards the most cost-effective sustainable solutions are apparently not prioritised). Public education on energy and water conservation is ongoing but may need more efforts, as many engrained habits are very wasteful, while the provision of water and electricity have long been heavily subsidized for the consumer.

The water policy and environment strategy tackles these challenges in view of improving food security, human health and the environment. Yet support is required to implement them at national and local levels, starting with rigorous feasibility studies and further case studies or pilot projects with the view to feed policy and decision-making, find the most appropriate technological solutions according to the local problems and attract the adequate investments, as well as to further enhance the capacity and knowledge of specialists as to the technology and techniques globally available, which could match Cuba's economic and social specificities. A much greater effort to educate the public and influence decision-makers is also called for.

So far, some pilot and experimental projects focusing on the promotion and diversification of (renewable) energy, sustainable soil and water management and climate change adaptation (largely

⁴ *Lineamientos n.* 129, 131, 133, 135, 202, 204, 246, 247, 254, 267, 300-303.

funded by EU bilateral and thematic aid) have been implemented, notably in the agriculture sector, which consumes 60% of all the available water. The results of these actions could be systematized and analysed at local and national levels in order to assess whether and how they could be expanded for the identification / formulation of this sector. Likewise, the Latin America regional programmes, Euroclima, Ralcea and Waterclima, in which Cuba participates, could provide additional starting points for enhanced exchanges and applied studies in the island based on the analyses and recommendations produced by those programmes in relation to climate change adaptation and mitigation and water management.

1.2.3. Support to sustainable economic and social modernisation

Cuba is engaged in a far-reaching process of reforming and modernising the key sectors of its economy and public administration. This process was initiated in 2008 with the above-described modernisation of the agricultural sector. In 2010, further reform measures were implemented in other economic sectors, allowing small-scale private economic activity in a number of sectors, introducing some elements of a market economy, aiming to gradually reduce the role and size of the public sector and rationalise public expenditure, and announcing a gradual decentralisation to the local level. Those measures should be accompanied by a modernisation of the social security system, from the current "same for all" entitlements to a system targeting the neediest. A comprehensive package of reform measures for the medium term was agreed in the Guidelines. The Cuban authorities – and in particular the Commission for the implementation of the Guidelines, together with the key line ministries – are designing and implementing the corresponding legislative and regulatory measures, at the same time as the new economic operators (the self-employed, but also the increasingly autonomous private cooperatives) are adapting to the new context. Further impetus is to be expected from foreign investment, for which the legal framework was revised and the tax regime alleviated.

This process was launched in the context of a difficult international economic down-turn, exacerbated locally by the low access to quality goods and services, scarcity of foreign currency, and acknowledged scarce efficiency and sustainability of the country's economic model.

To ensure success of this process, it will be necessary to enhance the capacity of the relevant national authorities as well as other societal actors such as self-employed, cooperatives and newly emerging small enterprises. They will need support in the formulation and implementation of modernisation measures and in reaping the new opportunities offered by the update of the economic model (e.g. new economic operators, strengthened local authorities).

Sectors in which the **capacity of the Cuban public administration** could be reinforced could include public sector management, private sector development, financial, monetary and fiscal systems, mainstreaming of environmental aspects, social security system and delivery of social services to the most vulnerable groups, foreign trade and investment, etc.

On the one hand, the country has made considerable achievements in the social sectors (health, education at all levels, care for the elderly, disabled) and has achieved a very high degree of formal gender equality and of women's participation, with many useful experiences to share. On the other hand, some of these achievements have been eroded since the difficult decade of the 1990s, and in some cases risk being further reversed in the on-going economic and social reforms. Other factors, especially the ageing of the Cuban population, make it indispensable to review related social services such as pension schemes and healthcare. Some sectors of the population may become particularly vulnerable. The country has also explicitly stated its intention to reform the system of social services, including through the gradual withdrawal of food subsidies, targeting the most vulnerable groups. Before the modernised systems are fully in place, these segments of the population that include the elderly, the disabled people, single parents and/or the organisations channelling support to these groups may require more direct assistance over the coming years.

The country has underlined that State Owned Enterprises (SOE) will continue to be the backbone of the economy and a strategy to improve their autonomy from the State and their competitiveness is being implemented. However, **new economic operators**, notably the self-employed and especially small private cooperatives, may have an important role to create employment opportunities, to stimulate the local economy on a small scale and contribute to a greener and more inclusive economy. These new operators will require training – directly or by training the trainers – notably on their new rights and obligations in the changing economic context, on preparing business models, on conducting their business in accordance with the new fiscal rules and financial reporting norms and on accessing credits and on socially and environmentally responsible management.

Local authorities, notably the municipalities, represent a sort of "new" operator – or rather of existing operator whose responsibilities are changing considerably in the on-going process: They are to assume new responsibilities, including financial ones, for the management of local economic development, yet they are often ill-equipped or insufficiently prepared to take on these new tasks. Besides strengthening their capacity, specific support to concrete initiatives at this level in sectors likely to have an impact on local economic growth, including culture and heritage, and local tourism appear to hold potential and would directly benefit local populations, including in deprived/stagnating provinces.

Finally, the reform process also relies on the generation of external resources, through foreign trade and investment. With a view to **improving exports of Cuban products to foreign markets**, Cuban relevant authorities and private operators would benefit from enhancing their negotiation and competition skills, by improving their knowledge of foreign markets and by enhancing the systems in place to comply with international market standards (environmental, safety and health standards, etc.), sanitary, phyto-sanitary measures or other quality standards and consumer protection regulations.

There is a **need to increase the gross capital formation** in order to achieve the desired level of growth in the economy. In this sense, given the difficulty in both the access to external funding and the recuperation of domestic savings for investment together with the obsolescence of some of the installations of the Cuban industry, it is essential to attract quality foreign investment to increase capital, technology, but also as a source of employment as recognised in the Guidelines. This seems to be increasingly recognised by the Cuban authorities, as demonstrated by the decisions to establish a development economic zone in the Mariel area and to enact a new foreign investment law in April 2014. The eventual success of those measures hinges however on an announced monetary reform (merging the presently coexisting convertible and non-convertible currencies into one standard).

In addition, to **improve its business environment and eventually promote foreign investment**, Cuba needs to facilitate trade and investment by cutting the red tape, reducing, time and costs of establishing businesses, simplifying imports and exports procedures. Such measures would mitigate the loss of tariff preferences and boost competitiveness and attractiveness of the Cuban market.

2. FINANCIAL OVERVIEW (INDICATIVE AMOUNTS)

<i>Focal Sector</i>	<i>Amount (EUR)</i>	<i>Share</i>
<i>Sector 1- Food Security and Sustainable Agriculture</i>	<i>21.0 million</i>	<i>42%</i>
<i>Sector 2- Environment and climate change</i>	<i>18.0 million</i>	<i>36%</i>
<i>Sector 3- Sustainable economic and social modernisation</i>	<i>10.0 million</i>	<i>20%</i>
<i>Support measures</i>	<i>1.0 million</i>	<i>2%</i>

<i>Total</i>	<i>50.0 million</i>	
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3. EU SUPPORT PER SECTOR

3.1 SUSTAINABLE AGRICULTURE AND FOOD SECURITY

3.1.1 Overall and specific objectives

The **overall objective** is to contribute to Cuba's sustainable socio-economic development.

The **specific objective** is to continue improving food security and sustainable agriculture in Cuba by supporting the sustainable increase of productivity and by making selected value chains more efficient, taking into account, if relevant, the results of projects previously financed by the EU and other donors. This objective is framed by the current reforms being implemented in the country, notably those promoting the role of small farmers and cooperatives, their autonomy and their articulation with local and sectoral development policies.

3.1.2. Main expected results

R1 Enhancing the transfer of knowledge leading to increased agricultural productivity while promoting environmental sustainability and safety techniques through the access to research, innovation and technologies and supporting public policy-making

Due to Cuba's high dependence on food imports and restricted access to international credit, international food availability trends and environmental or climate change-related threats (soil erosion, recurrent droughts, salt water intrusion, increased frequency of extreme weather events, etc.), Cuba faces a crucial need for "sustainable intensification", i.e. the increase in productivity of agricultural production, while at the same time ensuring the protection of ecosystems, including the efficient use of water, in close coordination with activities under focal sector 2.

Although there are many research centres in the country, they need to be reorganised in order to prioritise research activities, avoiding overlaps, introducing demand-oriented research and improving access to knowledge and innovative techniques to the farmers through innovation and extension networks.

This result could be achieved by:

- Strengthening the application of scientific/technical knowledge in food production (in particular applied research to increase productivity with low-impact and climate resilient agriculture practices), and promoting agricultural research aligned to producers' needs.
- Promoting and giving added-value to the use of sustainable agricultural practices (environmentally-friendly agriculture, resource optimisation and natural resources conservation, reduction and transformation of waste).
- Promoting a climate-smart agriculture by integrating climate mitigation and adaptation as well as ecosystem protection measures in order to reduce climate-related vulnerabilities and strengthen the resilience in the agricultural/food production sector.
- Improving capacities of farmers and other stakeholders.

R2 Increasing food availability, quality and safety through improved efficiency, financing and implementation of value chains in selected productions at decentralised level with a focus on local development and on nutritional, safety, environmental and quality standards

Value chains represent a good instrument for improving food governance by ensuring a fair distribution of the value of the agricultural produce through the whole cycle, from access to

agricultural inputs to the final consumer. This result aims at a coordinated (multi-level and cross-sector) response to achieving food security in line with the reforms being implemented.

Value chains can also provide a good opportunity for supporting local development by promoting a range of economy-driving activities in the whole chain (transport, food processing, food stalls or restaurants). The direct effect is an increase in the purchasing power of other actors, thus improving their access to food and “fuelling” the whole chain.

Working on the value chain in Cuba allows analysing the main bottlenecks and searching alternative sustainable solutions in the framework of the possibilities opened up by the new reforms being implemented. It is also a good instrument to include the demand-oriented approach and promote a closer involvement of local administrations in the whole chain. However, value chain approaches must guarantee food diversification at farmer's level also to ensure adequate nutritional offer in the territories.

This result could be achieved by:

- Working on strategic aspects to ensure a holistic and environmentally sound approach to sustainable agriculture and food security.
- Ensuring proper management of public goods, including ecosystem services, in agriculture.
- Promoting public-private partnerships.
- Developing strategic alliances with local authorities, all the more important in the context of the on-going decentralisation.
- Improving the analysis of value chains as an instrument to guarantee a fair distribution of the value of the agricultural produce through the whole cycle, from the access to agricultural inputs to the final consumer.
- Improving the processing, storage, marketing and distribution of agricultural/food production.
- Incorporating the concepts of social and environmental responsibility in farming management.
- Improving the financing of the value chains.
- Promoting healthier nutritional offer and habits among the population.
- Promoting the added value of specific key products by supporting "quality agriculture" (high quality ecological products) through certification, the development of geographical indications, marketing for selling to tourism industry, reducing export barriers through improving quality control standards.
- Supporting trade facilitation and quality control standards for exports.
- Improving quality, environmental and safety standards in the whole chain.

Mitigation measures and cross-cutting aspects

Cuban food security is vulnerable to environmental and economic hazards. On the environmental side, Cuba is affected by extreme weather events such as tropical storms and hurricanes as well as droughts and floods that add to high levels of land degradation encountered in many cultivable areas. The effects of the latter are increased by climate change, which leads to stronger and more frequent hurricanes and torrential rains, and longer and more intensive drought periods. On the economic side, the dependence on imports makes the country highly vulnerable to the volatility of external prices. In order to mitigate those risks, additional measures that can be envisaged in this context include:

- Supporting climate change mitigation and adaptation policies.
- Improving early warning systems capable of predicting imminent disasters (droughts, hurricanes).

- Improving ecosystem-based approach to water management policies in order to build resilience.
- Implementing policies to address the challenge of price volatility, by tackling directly volatility itself (use of insurance, price risk management instruments) or its impact (with adequate storage infrastructure for stocks).
- Extreme events to be considered in future investments (some investments may request to be hurricane-proof, lessons learnt from Sandy should be taken into account in the approach).

Environmental aspects will be mainstreamed into agriculture and food production planning with specific projects being supported under this MIP.

Gender aspects will be taken into consideration and mainstreamed for the whole priority. For each project derived of this priority a gender result will be included with a defined budget and defined indicators.

The **main indicators** for measuring the aforementioned results are contained in the sector intervention framework attached in Annex 3.

3.1.3. Donor coordination and policy dialogue

The Cuban Ministry of Foreign Trade and Investment (MINCEX), also responsible for cooperation, has the mandate to coordinate cooperation and to liaise with other Ministries in order to set priorities and assist with the elaboration and implementation of programmes. Cooperation is recognised as complementary to the development efforts of the Cuban authorities.

In the agricultural sector, the authorities are attempting to ensure donor specialisation by product and by area. Bilateral meetings with the Ministry of Agriculture (MINAG) together with MINCEX take place regularly, notably in the framework of project implementation, but so far without co-ordination activities involving the joining up of all major donors. The practice of "lead donors" is not applied in Cuba, as the country authorities themselves lead and coordinate cooperation efforts in all the main sectors. There is some scope for increasing harmonisation through key donors' joint financing of major sectoral programmes, a practice currently being pioneered in Cuba in Sectors 1 and 2 of the 2011-2013 CSP/NIP.

The working group of EU Cooperation Counsellors in Cuba meets every 2-3 months to exchange information on respective activities and programmes. Much of these programmes concern food security, which has been the priority sector for all EU donors, including notably Spain and Belgium.

UN agencies have their own Food Security coordination group, which meets regularly. Occasionally, the UNDP has organised thematic information sharing meetings including all donors and other international stakeholders in this sector. The EU co-ordinates with the UN family, outside specific mechanisms for projects implementation, through *ad hoc* meetings with various UN agencies working on Food Security, mainly the UNDP. The UN system has approved its Framework of Cooperation with Cuba for 2014-2018 and intends to work in key sectors identified within the Guidelines, such as service quality and sustainability of social programmes, development of productive sectors and their value chains, local development, sustainable energy, food security, environmental sustainability and disaster risk management.

3.1.4. Government's financial and policy commitments

Food security remains one of the core priorities of the Cuban government. The Cuban National Food Programme aims to provide 50% of nutritional requirements to the whole population through universal schemes such as the ration card and food prices subsidies. For this purpose and to satisfy the increasing demand, the Cuban government imports a significant part of its food, an average of USD 1.8 billion per year.

Within the current reform process, social food provision schemes should be transformed into targeted social programmes for the most vulnerable. One of the approved measures in the Guidelines is the gradual phasing out of the ration card "when the conditions are met". Given the high dependence on imports, the increase of international food prices and the potential to enhance local production, the Government has declared the increase in the agricultural production a top priority.

The main sector and policy measures to be taken by the Government in the coming years are included in the Guidelines. The main measures concerning sustainable agriculture and food security include:

- Free lease of idle land to small farmers
- Separation of roles between the government ministries and state enterprises
- Decentralisation of agricultural management to provinces and municipalities
- Increase of weight and autonomy of the private sector (mainly cooperatives) and market mechanisms on the whole chain
- Promotion of low-input agriculture

The Cuban government spends less than 5% of GDP on the agriculture sector; the limited budget resources are very much used to guarantee the social sectors (health, education, housing, etc.), however there is an urgent need to increase capital investments in the sector.

The announcement made recently by some Cuban officials to open the agriculture sector to foreign investment may help addressing this need. However, access to capital and technology should also be open to cooperatives, which in many cases cannot reinvest their earnings and savings on productive investments given their absence in the local market and the impossibility for them to import equipment directly.

The Cuban authorities and farmers' associations have specific policies and action plans in relation to gender on the one hand, and environment and climate change adaptation on the other hand, which will be taken into account to ensure mainstreaming of these cross-cutting issues. Environmental sustainability is a core principle of the socio-economic development strategy promoted by Cuba, and measures to adapt to climate change are integrated in all economic sectors. The country is implementing several programmes related to environment and food security including: the national programme for soils' improvement and conservation; urban and suburban agriculture programme; the action programme against desertification and drought (including sustainable land management).

3.1.5. Environmental assessment

When needed, the appropriate type of environmental assessment will be carried out. The environmental assessment and climate risk assessment screening procedures in the Guidelines for the Integration of Environment and Climate Change in EU Development Cooperation will be applied in order to determine the need for an environmental assessment and/or a climate risk assessment

3.1.6. The overall risk assessment of the sector intervention

Economic and environmental hazards are the major risks associated to this focal sector. On the economic side, given the fragility of the Cuban economy, any dramatic increase in the price of imported food, agricultural inputs or energy may cause liquidity problems in the country finances, which could put on hold the on-going reforms and investments in the sector. Mitigating measures would include diversifying the sources of investment, and ensuring that proper systems for insurance and risk management are in place.

With regard to the environmental aspects, given the exposure of Cuba to droughts, very intense rainfalls and hurricanes, mitigation measures include the improved management of natural resources,

in particular water and the application of specific measures to protect the crops and infrastructures most exposed to severe climate hazards.

3.2. ENVIRONMENT AND CLIMATE CHANGE: SUPPORT FOR A BETTER USE OF KEY NATURAL RESOURCES FOR SUSTAINABLE DEVELOPMENT

3.2.1 Overall and specific objectives

The **overall objective** is to contribute to Cuba's sustainable socio-economic development.

The **specific objective** is to support the Cuban government in the efficient and sustainable management of its natural resources, in particular water and energy resources, for an equitable access.

3.2.2 Main expected results

R1 Greater awareness and understanding from policy-makers to technicians and the population as to the strategic potential and rationale of a strategic and sustainable use of the country's natural resources

Cuba counts with a high number of qualified and well-prepared specialists and technicians throughout the country, but it also acknowledges the gap between research, decision-making, strategic planning and policy enforcement. It is desirable to improve the channels and communication messages so that the knowledge generated by research institutes and specialised entities, working notably on energy and water management and efficiency, is translated into clear, relevant and useful recommendations for Ministries, State entities, economic actors (including SOEs and joint-venture firms), local authorities and the population in general. In particular, considering the country's scarce financial resources, it is necessary to focus on relevant knowledge and information-sharing (on-demand research, pilot initiatives with specific expected results) and communicate about the economic, environmental cost-benefit of action and non-action regarding key natural resource management and climate change adaptation and mitigation, in the short and long-term.

On the other hand, it is necessary to improve knowledge and awareness in relation to water quality and health-sanitation related risks caused by the inappropriate management of sewage water or unhealthy habits, such as communicable disease epidemics.

Considering the above, this result could be achieved by:

- Strengthening the capacities and investigation methodologies of key research centres and State entities to increase the relevance and applicability of their studies and recommendations for evidence-based policy making and planning;
- Promoting exchanges of experience of best and most efficient communication practices at and between all levels (technicians, policy-makers, local authorities, population) and between Cuba and other countries.
- Supporting studies on the resource potential of different types of renewable energies and energy efficiency schemes and related cost-benefit analyses as well as on water use efficiency and adaptation of water use to climate change.
- Capacity building for setting up the necessary policy and regulatory framework so as to create an enabling environment for an increased use of renewable energy.
- Promoting knowledge transfer and developing know-how and expertise on renewable energy technological solutions, including comparative studies.
- Replicating successful initiatives and projects undertaken in Cuba and other relevant/similar contexts, raising awareness on their importance and economic and environmental value and supporting their scaling-up.

- Supporting research on the impact of water quality on health indicators and modernizing technologies assessing water quality (from monitoring to laboratory equipment).
- Applying such research by taking specific measures to improve water quality in pilot localities at least.

R2 Local governments are better equipped (knowledge, technology transfer, pilot projects) to sustainably manage water and energy resources

In 2013, the National Institute of Hydraulic Resources (INRH) agreed the national water policy. It promotes integrated water management that takes into account the effects on society, the economy and the environment and defines four priorities:

- The rational and productive use of available water
- The efficient use of water infrastructure
- Risk management related to water quality
- Risk management related to extreme weather events

Local governments are key implementing actors of this policy. in the framework of a gradual decentralisation and in addition to their increased management and financial responsibilities to oversee the development of the territory under their jurisdiction. Yet, most of them ignore the principles and tools of efficient integrated management of their natural resources and sustainable development of their circumscription.

Innovative approaches regarding integrated water management could result very useful for them. The global trend is to promote the ecological preservation of water sources and focus on pollution prevention rather than decontamination – wherever possible – as a more economical alternative. Furthermore, integrated water resources management is critical in the context of climate change adaptation.

The integrated water management approach promotes an inclusive planning and distribution strategy based on a demand and conservation approach (not just supply-oriented). It takes into account existing and required quantitative and qualitative resources and capacities, the climatic conditions as well as the short to long-term effects on the ecosystems, in order to limit future additional environmental and socio-economic costs.

This result could be achieved by:

- Promote the sharing of experience between Cuban and others local authorities as to environmentally-friendly and climate-resilient integrated natural resources management.
- Accompany some local authorities in carrying out integrated management projects focusing on continuous access to safer water and cleaner energy, including in the framework of local climate change adaptation and mitigation strategies.
- Promote communication messages addressed at the population at large, focusing on saving water and energy

R3 Improving water management in agriculture and increasing the use of renewable energies for agricultural production

Producing more food often requires a greater use of energy and water. The rising price of fuel, Cuba's dependency on imports and climate change are elements that notably contribute to increase the country's vulnerability and threaten its food security. At the same time, the distribution of idle land for farming (one of the major reforms being implemented in the sector) and ambitions to increase food production intensify the demand of water for irrigation, which ultimately may worsen the country's water stress due to recurrent droughts and deficient water distribution system. Water availability is also diminishing as a result of climate change. Raising awareness at different levels

and promoting good practices on the options at hand for a more sustainable use of available water resources in farming is therefore crucial to increase food security in Cuba. Also promoting the use of renewable energy sources contributes to secure food production throughout the year, reducing agricultural waste, improving the soils and environment in general as well as contributing to climate change mitigation.

The EU and Swiss Agency for Development and Cooperation COSUDE-funded project BASAL (sector 2 of the 2011-2013 CSP/NIP) implemented since September 2012 by the UNDP, the Cuban Environment Agency and the EU Joint Research Centre is specifically addressing these issues. The BASAL project is recognized in Cuba for its contribution to the socio-economic and environmental development of the country, through the promotion and implementation of sustainable agricultural practices for adaptation, suitable to local climate conditions. In this sense, it has become a useful platform for the management and exchange of knowledge and information, promoting better synergies between stakeholders from the scientific, environmental, agricultural areas and decision-makers locally and nationally, and improving local governance with regards to sustainable water, soil and energy management in pilot municipalities.

To achieve this result, it is thus proposed to continue the BASAL action based on the recommendations of the mid-term evaluation that should be finalised by end 2015, and with a view to strengthening the following aspects:

- Incorporating the concepts of social and environmental responsibility and climate resilience in agriculture management, reducing wastage of the natural resources.(e.g. *reducing excessive use of water for irrigation, reducing deforestation and cutting off mangrove swamps, using bio fertilizers adequate better the production according to the type of soils and water available, etc.*).
- Promoting economic analysis (cost/benefit & demand/supply) at various scales in order to raise awareness of decision-makers and of farmers or cooperatives as regards the merit and rationale of early climate change adaptation and mitigation.
- Strengthening further local governance (planning and management) with regards to sustainable water, soil and energy management.

Gender aspects will be taken into consideration and mainstreamed for the whole priority sector. For each project derived of this priority a gender result will be included with a defined budget and defined indicators.

The **main indicators** for measuring the aforementioned results are contained in the sector intervention framework attached in Annex 3.

3.2.3. Donor coordination and policy dialogue

In addition to the MINCEX, several Ministries and institutions would be involved in the implementation of actions in this sector, considering moreover that each Ministry has its own research institutes. The Ministry of Science, Research and Environment (CITMA) is in charge of implementing the national environmental strategy and environmental legalisation. It leads on water issues (in relation to drought, water scarcity, and sustainable water management and climate change) as well as renewable energy (mitigation), through its Centre for Information Management and Energy Development (Cubaenergia). It is a very valuable partner for the international cooperation (UN and EU projects). The INRH is the entity in charge of water supply, yet so far it has hardly been involved in cooperation. The recently created Ministry of Energy and Mining (MINEM) is also a crucial actor that should be further involved, along with specific centres belonging to the Ministry of Higher Education (MES), such as the Study Centre of Renewable Energy Technologies. Specific bridges should also be further strengthened with the MINAG especially in relation to Result 3.

As far as donors are concerned, the most active in those areas are: the UNDP (environment, food security, sustainable land management and energy), the COSUDE (decentralisation, housing, food security, climate change and renewable energy), the Canadian International Cooperation Agency (CIDA) (food security, economic growth) and the Spanish Agency for International Cooperation (AECID) (rural development, water and sanitation, and environmental sustainability).

Through the BASAL project, remarkable donor coordination between the EU, UNDP and COSUDE has been established, but beyond that a formal coordination mechanism between the donors and the government is not in place, not even at the sector level.

3.2.4. Government's financial and policy commitments

Environmental sustainability is a core principle of the socio-economic development model promoted by Cuba, and measures to protect the environment and adapt to climate change are integrated in all economic sectors, as per the five-year national environmental strategy⁵. In 2011, investments on environmental protection amounted to 452 million Cuban pesos⁶. The country is implementing several programmes related to environment and food security including: the national programme for soils' conservation and improvement; urban and suburban agriculture programme; action programme against desertification and drought (including sustainable land management). As regards the diversification of energy sources and promotion of renewable energy, several experimental projects funded by the external cooperation are also being carried out throughout the country, while foreign investors have started to explore the potential of the Cuban market.

In relation to sustainable environment, water and energy, the main policy orientations have been included in the above Guidelines.

Specific objectives include:

- Sustain and further enhance the results of studies on and use of renewable energy sources as well as studies and actions that help protect, preserve and recover the environment, promote the conservation and rehabilitation of the natural resources in use.
- Steadily modernize the country on the basis of water and energy efficiency and production effectiveness, taking into account / reducing the environmental impact with a focus on industrial, tourism and agricultural sectors.

A new water policy is currently being implemented and a new energy policy is being defined according to the Guidelines.

3.2.5. Environmental assessment

The environmental assessment and climate risk assessment screening procedures in the Guidelines for the Integration of Environment and Climate Change in EU Development Cooperation will be applied in order to determine the need for an environmental assessment and/or a climate risk assessment.

3.2.6 Overall risk assessment of the sector intervention

In early 2014, the Government of Cuba has decided to resume offshore oil exploration with foreign partners. The environmental risks are substantial, especially in view of the depth of drilling and the potential difficulties of addressing spillage in international waters. However, the potential return on investment if exploitable oil is discovered would be huge and decisive for the country's growth and would dramatically decrease its dependency of external oil sources. On the other hand, it could

⁵ The current one covers the period 2011 -2015.

⁶ http://www.onei.cu/aec2011/esp/20080618_tabla_cuadro.htm file 2.54

lessen or bypass the efforts towards environmental-friendly programs as well as towards promoting and strengthening the use of renewable energies, which might no longer be a priority.

3.3. SUPPORT TO SUSTAINABLE ECONOMIC AND SOCIAL MODERNISATION

3.3.1 Overall and specific objectives

The **overall objective** is to contribute to Cuba's sustainable socio-economic development.

The **specific objective** is to support the modernisation of public administration, the development of private initiative, notably small enterprises and cooperatives, with special emphasis on local development, as well as external investment and trade in selected sectors.

3.3.2 Main expected results

R1 Modernisation measures in the public administration are implemented

This result would be based on the experience of the EU facility for the exchange of expertise to be implemented under Sector 3 of the 2011-2013 CSP/NIP, focusing on more comprehensive and longer-term support in selected reform areas.

This result could be achieved by:

- Training, capacity building and exchanges of expertise of key national ministries / agencies dealing with the formulation and implementation of measures to implement the Guidelines.
- Enhanced access to up-to-date knowledge on relevant topics for the Cuban economy, notably by promoting exchanges, studies and research activities among universities, think-tanks and research institutes from Cuba, the European Union and other third countries.
- Assistance with the drafting of sector policies and strategies, with related legislative and regulatory acts, and with measures related to their administrative and financial implementation including the appropriate mainstreaming of environmental aspects in other sector policies.
- Assistance with the re-organisation of the entities responsible for implementing the measures, and strengthening of their human and material resources (including possibly through some rehabilitation and the provision of equipment).
- Promoting the creation and exchange of knowledge (universities, research institutions, think tanks, etc).

R2 Financial and technical capacity and access to innovation for the private sector is improved, including concepts of environmental and social responsibility and gender equality, with special attention to local development initiatives (notably in relation to sustainable tourism)

The incipient private sector – essentially the self-employed workers but also private cooperatives – needs to adapt to the changing economic environment in order to fully reap available opportunities. There is an important need for training on different aspects related to management, accounting and technical issues but also for inputs and equipment. It is also important that new businesses learn and apply from the start, socially responsible behaviour and gender awareness with a view to pursuing more inclusive development. At the same time, new businesses should have the opportunity to access innovation networks for new ideas, technologies and management models. Specific sectors and vulnerable groups will be targeted (specifically women) in order to maximise impact.

Concerning the local level – and in particular the local authorities – they are being granted considerably increased operational and financial autonomy. Support to selected local development initiatives would appear as most appropriate in sectors that can build on the existing comparative advantages of Cuba, and have high potential for increasing the income of the local population, such as small-scale local tourism, as well as the preservation and promotion of natural and cultural heritage.

This result could be achieved by:

- Designing and delivering relevant training modules, either directly, through coaching, or through the training of trainers.
- Supporting local development projects involving the local authorities or other local operators in these sectors.
- Supporting networks to ensure that quality standards are respected in these initiatives, maximising in this way the endogenous resources and attracting quality small-scale tourism at the local level.
- Protecting and promoting the national heritage and natural capital, both tangible and intangible, at the local level, further contributing to tourism revenues.

R3 Access to external markets (trade) and to foreign investment is improved

Cuban authorities have expressed a keen interest for support on trade aspects: i) support for increasing trade authorities' capacities in aspects related to their trade negotiation skills (i.e. in the multilateral arena) and trade information systems (i.e. regarding international price trends, trade statistics or the use of financial instruments such as insurance schemes; ii) support for putting in place quality and environmental management systems including certification schemes to achieve required standards with a view to improving access to external markets, such as the European Union.

As far as foreign investment is concerned, as already mentioned under point 1.2.3, the identification of a strategy to attract quality foreign investment is of the utmost importance for the country. With regard to the Cuban complex business environment, the existing bureaucracy and red tape should be addressed.

This result could be achieved by:

- Based on the results of the project under sector 3 of the 2011-2013 CSP/NIP (exchange of expertise) to provide training and capacity building activities to Cuban trade authorities and operators.
- Improving Cuba's capacity to comply with regional and international market standards for specific products.
- Implementing agreed trade facilitation measures.
- Supporting the national strategy to identify and attract quality foreign investment

Gender aspects will be taken into consideration and mainstreamed for the whole priority. For each project derived of this priority a gender result will be included with a defined budget and defined indicators.

The **main indicators** for measuring the aforementioned results are contained in the sector intervention framework attached in Annex 3.

3.3.3. Donor coordination and policy dialogue

There is considerable interest from most donors to Cuba (including Canada, Switzerland, Spain, United Kingdom, Brazil, China, etc) to accompany the on-going reform process, and more precisely to provide capacity-building activities and support the establishment of small businesses.

Donor coordination will be maintained through regular contacts and exchanges on respective actions, to ensure enhanced complementarity and division of labour. In areas of common interest, joint actions could be envisaged. Upstream coordination should allow to better design the individual actions to be supported and to focus on the most relevant potential areas of exchange.

At the same time, the Ministry of Economy and Planning (MEP) will ensure coherence and coordination at the national level, including coordinating between the demand for support from the national counterpart administrations and the assistance offered by international cooperation, while ensuring that actions remain consistent with national priorities.

3.3.4. Government's financial and policy commitments

The main sector and policy measures to be taken by the authorities in the coming years are included in the Guidelines. The latter reflects clear political will to maintain the many social achievements of the country, particularly in health/nutrition and education, whilst coming to terms with economic hardship and the need to update the country's economy and public administration. The Guidelines are not a sector policy and hence there is no separate budget for the implementation of the "Guidelines". The ministries annual plans must include the necessary allocations, which are not public. Therefore, it is not possible to provide the total financial commitment for this sector.

The most recent measures implemented include:

- Administrative and budgetary measures: the inclusion of all economic activities in the annual plan, a new tax system for the nascent private sector, on-going separation of tasks between ministries and state enterprises, some decentralisation to local governments.
- Measures supporting the emerging private sector: expansion of categories of self-employment, provision of bank loans for small businesses, possibility of hiring labour, leasing of traditionally state-run activities to former employees, establishment of cooperatives in sectors beyond agriculture.
- Measures addressed to the population at large: economic freedom to sell and buy cars and houses, liberalisation of sale of construction material, provision of direct subsidies for house repairs, reducing universal subsidies, etc.
- Measures to improve productivity and growth within the State and foreign business sector: more autonomy to SOEs; creation of the Special Zone of Development at Mariel including a modern terminal for containers.

3.3.5. Environmental assessment

The environmental assessment and climate risk assessment screening procedures in the Guidelines for the Integration of Environment and Climate Change in EU Development Cooperation will be applied in order to determine the need for an environmental assessment and/or a climate risk assessment.

3.3.6 Overall risk assessment of the sector intervention

The Cuban economy remains vulnerable to external shocks, including possible increases in the prices of main imports such as food or energy, decreases in export revenues from nickel or tourism, decreased support from Venezuela, or damage caused by natural disasters. The elimination of the dual currency has been announced and should be implemented within the next two-three years; however, it remains a formidable challenge that may pose a serious risk to the macroeconomic balance of the country. Such external shocks may cause liquidity problems for Cuba and risk putting on hold some of the on-going reforms and the necessary investments. The influx of remittances remains a vital element in Cuban finances. In the course of the programming period (2014-2020), possible changes in the Cuban leadership may also affect the direction and pace of the reform

process. Overall EU relations with Cuba may affect the acceptability of EU support to the country's modernisation process. Over the same period, State revenue may depend on the successful implementation of the tax system. There are as yet no plans for the State to resort to a domestic capital market based by issuing bonds or to otherwise mobilize domestic savings.

4. SUPPORT MEASURES

The main aim of such measures is capacity building and providing technical assistance in a more efficient and structured manner. These resources are envisaged to support communication and visibility activities to raise awareness of EU aid. They can also be directed to thematic studies and impact assessments of projects, support to formulation of public policies and policy dialogue, and short-term technical assistance, as well as to support aid efficiency initiatives such as donor coordination and division of labour.

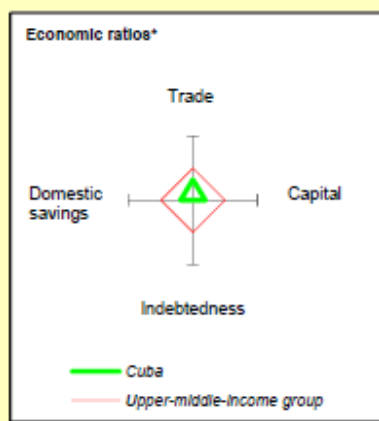
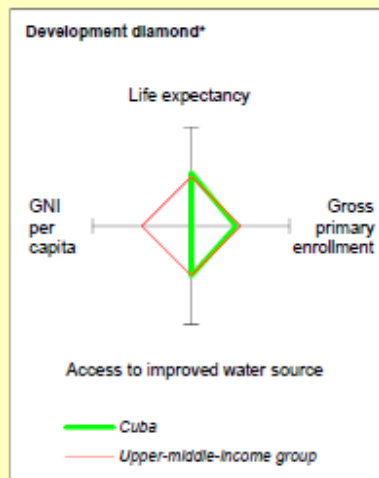
Attachments

1. Cuba at a glance
2. Donor matrix with indicative amounts per sector
3. Sector intervention framework and performance indicators
4. Indicative timetable for commitment of funds

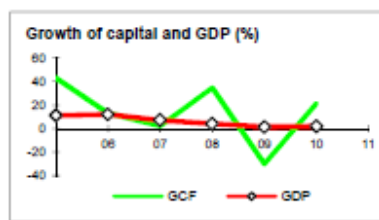
Cuba at a glance

3/17/13

	Cuba	Latin America & Carib.	Upper-middle-income		
POVERTY and SOCIAL					
2011					
Population, mid-year (millions)	11.3	589	2,490		
GNI per capita (Atlas method, US\$)	..	8,574	6,563		
GNI (Atlas method, US\$ billions)	..	5,050	16,341		
Average annual growth, 2005-11					
Population (%)	0.0	1.2	0.7		
Labor force (%)	1.6	2.0	1.1		
Most recent estimate (latest year available, 2005-11)					
Poverty (% of population below national poverty line)	..	..	..
Urban population (% of total population)	75	79	61		
Life expectancy at birth (years)	79	74	73		
Infant mortality (per 1,000 live births)	5	16	16		
Child malnutrition (% of children under 5)	1	3	3		
Access to an improved water source (% of population)	94	94	93		
Literacy (% of population age 15+)	100	91	94		
Gross primary enrollment (% of school-age population)	101	116	111		
Male	102	118	111		
Female	100	114	111		
KEY ECONOMIC RATIOS and LONG-TERM TRENDS					
	1991	2001	2010	2011	
GDP (US\$ billions)	24.3	31.7	
Gross capital formation/GDP	14.0	11.5	11.8	..	
Exports of goods and services/GDP	21.9	13.2	19.6	..	
Gross domestic savings/GDP	6.9	8.6	12.4	..	
Gross national savings/GDP	
Current account balance/GDP	
Interest payments/GDP	
Total debt/GDP	
Total debt service/exports	
Present value of debt/GDP	
Present value of debt/exports	
	1991-01	2001-11	2010	2011	2011-15
(average annual growth)					
GDP	1.2	6.4	2.1
GDP per capita	0.8	6.3	2.1
Exports of goods and services	4.2	12.7	-1.9



STRUCTURE of the ECONOMY				
	1991	2001	2010	2011
(% of GDP)				
Agriculture	13.3	8.5	5.0	..
Industry	17.7	26.0	20.5	..
Manufacturing	8.1	16.4	10.6	..
Services	69.0	65.4	74.5	..
Household final consumption expenditure	59.8	60.5	49.6	..
General gov't final consumption expenditure	33.3	30.9	37.9	..
Imports of goods and services	29.1	16.1	19.0	..
(average annual growth)				
Agriculture	-0.7	0.0	1.9	..
Industry	2.3	3.1	2.6	..
Manufacturing	3.0	0.6	1.6	..
Services	0.8	8.1	0.4	..
Household final consumption expenditure	3.0	4.1	3.9	..
General gov't final consumption expenditure	1.2	6.8	2.4	..
Gross capital formation	-4.8	9.5	21.3	..
Imports of goods and services	3.1	8.4	16.6	..

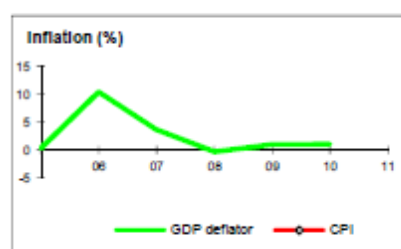


Note: 2011 data are preliminary estimates.

This table was produced from the Development Economics LDB database.

* The diamonds show four key indicators in the country (in bold) compared with its income-group average. If data are missing, the diamond will be incomplete.

PRICES and GOVERNMENT FINANCE	1991	2001	2010	2011
Domestic prices (% change)				
Consumer prices	..	..	..	..
Implicit GDP deflator	-7.4	0.5	1.0	..
Government finance (% of GDP, includes current grants)				
Current revenue	..	..	..	..
Current budget balance	..	..	..	..
Overall surplus/deficit	..	..	..	..
TRADE				
(US\$ millions)				
Total exports (fob)	..	..	..	..
n.a.	..	..	..	..
n.a.	..	..	..	..
Manufactures	..	..	..	..
Total imports (cif)	..	..	..	..
Food	..	..	..	..
Fuel and energy	..	..	..	..
Capital goods	..	..	..	..
Export price index (2000=100)	..	..	..	..
Import price index (2000=100)	..	..	..	..
Terms of trade (2000=100)	..	..	..	..
BALANCE of PAYMENTS				
(US\$ millions)				
Exports of goods and services	..	..	..	..
Imports of goods and services	..	..	..	..
Resource balance	..	..	..	..
Net income	..	..	..	..
Net current transfers	..	..	..	..
Current account balance	..	..	..	..
Financing items (net)	..	..	..	..
Changes in net reserves	..	..	..	..
Memo:				
Reserves including gold (US\$ millions)	..	..	..	..
Conversion rate (DEC, local/US\$)	0.7	1.0	..	..
EXTERNAL DEBT and RESOURCE FLOWS				
(US\$ millions)				
Total debt outstanding and disbursed	..	..	..	..
IBRD	..	..	..	..
IDA	..	..	..	..
Total debt service	..	..	..	..
IBRD	..	..	..	..
IDA	..	..	..	..
Composition of net resource flows				
Official grants	..	..	..	..
Official creditors	..	..	..	..
Private creditors	..	..	..	..
Foreign direct investment (net inflows)	..	..	..	..
Portfolio equity (net inflows)	..	..	..	..
World Bank program				
Commitments	..	..	..	..
Disbursements	..	..	..	..
Principal repayments	..	..	..	..
Net flows	..	..	..	..
Interest payments	..	..	..	..
Net transfers	..	..	..	..



Note: This table was produced from the Development Economics LDB database.

3/17/13

Attachment 2: Donor matrix with indicative amounts per sector

Donor Matrix (2007-2013) In Millions of EUR																					
Sectors	Culture	Environment	Education / university / research	Health	Water Supply and Sanitation	Government and Civil Society	Other social Infrastructure and Service	Transport and Storage	Communications	Energy	Banking & financial services / Business & Other services	Agriculture, Forestry and Fishing	Industry, Min. res. & Mining, Reconstruction	Trade and tourism	Multi-sector – cross-cutting	Commodity aid & Gal Prog Assistance	Action related to debt	Emergency Assistance and reconstruction	Support to NGOs	Unallocated / unspecified	Total by donor
All active EU Donors	9.03	19.63	39.79	5.32	13.00	3.66	2.04	0.00	0.00	0.00	0.00	54.21	0.00	0.00	1.13	0.00	0.00	42.96	11.40	0.00	202.17
Belgium	0.10	0.60	13.70	2.52											0.11			0.90	4.50		22.43
France	0.80		2.88		0.80	0.16															4.64
Spain ¹	4.30	5.10	21.00	1.90	12.20							14.78			1.02			24.50			84.80
Italy	1.28	0.03	0.01	0.90			0.04					1.73						0.26			4.25
EU	2.55 ²	13.90	2.20			3.50	2.00					37.70						17.30	6.90 ³		86.05 ⁴
Major NON-EU donors	0.97	8.00	5.31	2.27	0.03	22.82	4.87	0.00	1.15	6.40	0.07	25.28	3.26	0.07	3.68	2.88	0.00	4.53	3.97	0.21	95.77
Switzerland ⁵		3.80				15.16	4.45			5.20		11.80			2.01	2.80		0.68			45.90
Canada ⁶	0.00 ⁷	1.32	4.43	0.47 ⁸	0.03	7.66	0.42		1.15		0.07	6.20	3.26	0.07	1.47	0.08		0.77		0.21	27.61
Japan ⁹	0.57	0.68	0.48									5.28						0.68	1.47		9.16
Norway ¹⁰	0.40	2.20	0.40	1.80						1.20		2.00			0.20			2.40	2.50		13.10
Int. Orgs.	0.00	23.80	0.00	49.80	0.00	0.00	0.00	0.00	0.00	0.05	0.00	16.90	0.00	0.00	20.60	0.00	0.00	5.50	0.00	0.00	116.65
UN Agencies ¹¹		23.80		49.80						0.05		16.90			20.60			5.50			116.65
Total by sector	10.00	51.42	45.10	57.39	13.03	26.48	6.91	0.00	1.15	6.45	0.07	96.39	3.26	0.07	25.41	2.88	0.0	52.99	15.37	0.21	414.59
% EU	25.50	27.03	4.88	0.00	0.00	13.22	28.95	0.00	0.00	0.00	0.00	39.11	0.00	0.00	0.00	0.00	0.00	32.65	44.89	0.00	20.76

¹ Besides governmental cooperation, further EUR 56.4 million were committed for Cuba through Spanish decentralised cooperation for the period

² Cultural projects (including Heritage Recovery) not implemented by NGOs

³ Social and Cultural projects implemented by NGOs

⁴ Out of this amount, EUR 1.4 from the 2013 allocation will be committed in 2014

⁵ 'Climate change' projects are included under *Environment*; and 'gender and small projects' under *Cross-cutting issues*. Culture is linked to local and municipal development and included under *Government and Civil society*. Exchange rate : 1 EUR = 1.3 CHF

⁶ 2013 figures are preliminary, and not yet publicly available on the OECD Stat website. CAD to USD exchange rate from Bank of Canada website. Average exchange rate for the period 2007-2013: 1 EUR = 1.36 USD

⁷ *Culture* projects are included under other headings

⁸ It includes Population policies and programs / Reproductive health

⁹ Data at 31 December 2012. Exchange rate 1 EUR = 1.3 USD

¹⁰ Norway reinitiated government cooperation with Cuba in 2010. The funding to the health sector is triangular cooperation between Cuba and Haiti for activities in Haiti. Emergency assistance is through UN agencies and Red Cross

¹¹ Only UNDP figures. Figures for other UN agencies present in Cuba (FAO, OPS/OMS, WFP, UNDP, UNESCO, UNFPA, and UNICEF) not made available. Exchange rate: 1 EUR = 1.3 USD. UNDP figures are annual disbursements rather than commitments, and overall figures may include residual double-counting with the amounts committed by individual donors, a significant part of which is channelled through the UN system

Attachment 3: Sector intervention framework and performance indicators

The results, indicators and means of verification specified in the present annex may need to evolve to take into account changes intervening during the programming period. For the implementation of the MIP, baselines and targets will be included in the Action documents at the latest.

Sector 1: Sustainable Agriculture and Food Security.		
General objective: Contribute to Cuba's sustainable socio-economic development		
Specific objective : <i>Continue improving food security and sustainable agriculture in Cuba by supporting the sustainable increase of productivity and by making selected value chains more efficient</i>		
Expected Results	Indicators	Source of verification
SO-R1) Enhancing the transfer of knowledge leading to increased agricultural productivity while promoting environmental sustainability and safety techniques through the access to research, innovation and technologies and supporting public policy-making	<ul style="list-style-type: none"> – Number of farmers trained – Number of research projects supported leading to more sustainable agriculture – Number of exchanges among researchers 	<ul style="list-style-type: none"> - Ministry of Agriculture - Ministry of Science, Research and Environment - Universities / Research Centres - Cooperatives (accountancy books and other documents) - Project reports
SO-R2) Increasing food availability, quality and safety through improved efficiency, financing and implementation of value chains in selected productions at decentralised level with a focus on local development and on nutritional, safety, environmental and quality standards	<ul style="list-style-type: none"> – Whether use of quality/environmental standards (ISO, others) is applied – Number of bottlenecks for specific value chains (e.g. access to finance, access to equipment, provision of technical services, market access to be dealt with under the present MIP). – Number of staff of Local authorities trained – Number of Cooperatives strengthened with training or equipment 	<ul style="list-style-type: none"> - Ministry of Agriculture (MINAG) - Ministry of the Food Industry (MINAL) - Ministry of Foreign Trade and Investment (MINCEX) - Ministry of Public Health (MINSAP) - Nutrition and Food Hygiene Institute (INHA) - Municipalities - Universities / Research Centres - Cooperatives (accountancy books and other documents) - Surveys - Project reports

Sector 2: Environment and climate change: Support for a better use of key natural resources for sustainable development		
General objective: Contribute to Cuba's sustainable socio-economic development		
Specific Objective (SO): <i>Support the Cuban government in the efficient and sustainable management of its natural resources, in particular water and energy resources, for an equitable access</i>		
<u>Expected Results</u>	<u>Indicators</u>	<u>Source of verification</u>
SO-R1) Greater awareness and understanding from policy-makers to technicians and the population as to the strategic potential and rationale of a strategic and sustainable use of the country's natural resources	<ul style="list-style-type: none"> – Number of exchanges of experience between Cuba and other countries on management of natural resources – Number of new projects decided or implemented or project extensions that result from successful past experiences (i.e. projects that have met or even exceeded their expected results) 	<ul style="list-style-type: none"> - Policy documents - Website page of organisations or donors relating to ongoing or future projects or collaborations with Cuba - New contracts or extensions of contracts signed between the EU and partner organisations - Project Terms of Reference - Visits and / or missions from experts from other countries in Cuba and from Cuban experts to those countries. - New or updated legislation - Press articles
SO-R2) Local governments are better equipped (knowledge, technology transfer, pilot projects) to sustainably manage water and energy resources	<ul style="list-style-type: none"> – Whether Local government(s) apply at least 1 internationally known good or best practice in relation to integrated water and energy management 	<ul style="list-style-type: none"> - Meetings or visits (in or outside Cuba) in which local governments participate and even intervene - Published / public decisions or measures taken by local governments - Yearly reports or communications from local governments, including MINAG and CITMA - Reports from local research institutes - Press articles

SO-R3) Improving water management in agriculture and increasing the use of renewable energies for agricultural production	<ul style="list-style-type: none"> – Number of new municipalities and new farmers/cooperatives adopt the approaches and practices put forward and validated by BASAL – Whether relevant public (national and/or local) policies integrate recommendations put forward by BASAL 	<ul style="list-style-type: none"> - BASAL yearly reports and ROM reports - BASAL final evaluation - Communications from MINAG, CITMA or AMA (Cuban Environmental Agency) - Press articles
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Sector 3: Support to sustainable economic and social modernisation		
General objective: Contribute to Cuba's sustainable socio-economic development		
Specific Objective (SO): <i>Support the modernisation of public administration, the development of private initiative, notably small enterprises and cooperatives, with special emphasis on local development, as well as external investment and trade in selected sectors</i>		
<u>Expected Results</u>	<u>Indicators</u>	<u>Source of verification</u>
SO-R1) Modernisation measures in the public administration are implemented	<ul style="list-style-type: none"> – Number of relevant civil servants trained in public administration – Number of experiences, (e.g. common practices, models, software, organizational systems) shared between Cuba, EU and third countries in the context of public administration modernization 	<ul style="list-style-type: none"> - Relevant Ministries - Project reports
SO-R2) Financial and technical capacity and access to innovation for the private sector is improved, including concepts of environmental and social responsibility and gender equality, with special attention to local development initiatives (notably in relation to sustainable tourism)	<ul style="list-style-type: none"> – Number of SME (cooperatives/self-employed) and local institutions participating in training, exchange visits and or international networks 	<ul style="list-style-type: none"> - Municipalities - Surveys - Project reports
SO-R3) Access to external markets (trade) and to foreign investment is improved	<ul style="list-style-type: none"> – Number of civil servants trained on trade issues – Use of social and environmental criteria (other than economic and financial ones) for assessing foreign investment projects. 	<ul style="list-style-type: none"> - ONEI - INIE (National Institute for Economic Research) - MINCEX

Attachment 4: Indicative timetable for commitment of funds

The amounts mentioned in this table are indicative

	Indicative allocation ¹ (50 MEUR)	AAP	AAP	AAP	AAP	AAP	AAP	AAP
		2014	2015	2016	2017	2018	2019	2020
SECTOR 1– Sustainable agriculture and food security	21 MEUR			10	11			
SECTOR 2 - Environment and climate change: Support for a better use of key natural resources for sustainable development	18 MEUR				13	5		
SECTOR 3– Support to sustainable economic and social modernisation	10 MEUR		8			2		
Support measures	1 MEUR	0.2	0.3	0.1	0.1	0.1	0.1	0.1

¹ Most projects under the NIP 2011-2013 have started in 2014. The findings and experiences obtained out of the implementation of those projects will be used as the main basis for the formulation of new projects under this MIP.