

13. Type of financing ¹	Direct management through: <ul style="list-style-type: none"> - Budget Support: Sector Reform Performance Contract - Procurement
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1.2 Summary of the Action

The Sector Reform and Performance Contract (SRPC) on ‘*Transition to a greener and more inclusive economy*’, intends to support the implementation of the priorities of Dominican Republic’s (DR) sector policies related to public finance management & business climate (including green public finance management -PFM-), micro, small and medium sized enterprises – MSME – development and clean production practices / circular economy of MSMEs, in line with sectoral policies declined in the main planning document of the current government, which is the National Multi Year Plan of the Public Sector (PNPSP 2021-2024). This SRPC contributes to the Team Europe Initiative (TEI) on Green and sustainable transition in the Dominican Republic².

The *overall objective* of the action is to contribute to a greener, sustainable and inclusive economic transition in the Dominican Republic by supporting the implementation of the related priorities of the PNPSP.

Its *specific objectives* are:

- To develop the business environment and competitiveness of MSMEs, improving sustainable/green production practices, with special attention to women and youth, and with a territorial approach.
- To strengthen the sustainable management of public finances, which allocate the resources according to the priorities of national development and conducive to equitable distribution of national income, including transition to green PFM and PFM at local level.

The action takes into account: (i) the strategic objectives of the EU-DR relationship (as enshrined in the MIP) and strong demand from the government; (ii) the DR’s political and socio-economic context; (iii) the priorities established in the national sector policies and their declination in the multiannual plan 2021-24 (PNPSP); (iv) the added value of past EU-DR cooperation and the fields of expertise of the EU and a trust relationship built with key line ministries; and (v) a focused approach as a prerequisite for effectiveness in light of limited financial means.

Through this action, the EU will support the DR policies that promote a greener, more sustainable and inclusive economic model, and in this way address all three priorities of the MIP. Priority area 2 (“Nature and cities for people”) will be addressed through the transversal focus on encouraging more sustainable policies (incorporation of sustainable, low carbon and circular practices in consumption and production systems, and greening PFM), and further materialized through EFSD+ operations and complemented by EU Member States’ investments in water, transport and green and circular economy.

- In partnership with the Ministry of Economy and the Ministry for Industry and Trade, the action will focus on supporting the **national MSME sector policy, creating a conducive business environment and increased productivity and competitiveness of MSMEs. Inclusivity will be a key aspect, as the action targets women and youth in particular, and takes into consideration the territorial level.** The EU will continue promoting stronger, quality-oriented MSMEs at macro level (regulatory national quality system, and adaptation to EU quality and sustainability standards) and meso level (business development services and value chain articulation). MSMEs development will be facilitated, and their productivity, value chains and competitiveness (including digital solutions) will be supported, with a particular focus on women and youth.

- When supporting the business environment and the MSMEs, particular attention will be given to promoting **circular economy solutions, efficiency and clean resources cycles** through a sustainable use of natural resources (policies led by the Ministry of Environment) and clean production practices.

- The **Public Finance Management reforms** currently accompanied by the EU will continue to be supported through this programme, both at central and local level (in line with the territorial approach of the current government), thereby contributing to priority area 3 of the MIP. The efforts related to maintaining macro economic stability, increasing transparency, improving public procurement, etc., are essential for the DR to implement all public policies and at the same time will positively impact the business climate. The programme intends to support

¹ Art. 27 NDICI

² This TEI foresees green investments and proposes to contribute to a transition towards an inclusive, sustainable and territorially integrated economic model, embracing a culture of sustainable production and consumption.