



# Country brief Dominican Republic

Based on political and economic priorities of the Dominican Republic as well as relevance for circular economy (CE), the following two areas of interest are addressed in this country brief:

1. **Tourism**
2. **Waste management**

© Further information about these areas as well as considerations for other sectors and material streams can be found in the full study ‘Finance for Circular Economy in Low- and Middle-Income Countries’<sup>[1]</sup>, particularly in Section 3.2.

## 1 Tourism

**Major challenges for CE:** The ‘sand, sea, sun’ model is the dominating and persisting tourism model in the Dominican Republic and beyond. This tourism model puts increasing pressure on available resources, especially in sensitive ecosystems. Companies in the tourism sector, particularly (M)SMEs tend to invest on a short-term horizon given the high degree of uncertainty of touristic inflows and generally lack ecological/sustainable certification or accreditation. The large dependency on external factors hinders alternative (long-lasting) investments such as in circular tourism models. The additional waste generated by the tourism sector increases pressure on the island’s waste management system.

**Relevant strategies and frameworks for CE:** The Government of the Dominican Republic recognises the long-term need for adapting the ‘sand, sea, sun’ model within the framework of sustainable development. In the 20-year National Development Strategy to 2030, a further diversification of the tourism sector by developing more sustainable alternatives such as eco-tourism is envisaged. Moreover, with the endorsed Roadmap for Low Carbon and Resource Efficient Accommodation the government commits to reducing food waste by 50 per cent until 2030. Finally, in its updated Nationally Determined Contributions (NDCs) from December 2021, the Government reiterated its plans to implement concrete CE processes in relation to i.e. accommodations, single-use products, sustainability certificates and procurement practices.

Herausgegeben von:



Table D1 **Tourism in the Dominican Republic – entry points for circular economy on the Value Hill (excerpt)**

| Up-hill  | Top-hill  | Down-hill  |
|--|---|--|
| Integrating explicitly circular concepts for lowering environmental impact of the current hotel tourism model. | Forming local alliances with sharing platforms (to stimulate local economic supply and demand). | Foster the Climate Compatible Development Plan (CCDP) and consider options to improve waste management (Integrated Waste Management through sustainable/green infrastructure). |

**➤ Promising interventions for circular economy in the Dominican Republic – tourism**

**1a. Promote more circular procurement practices in the tourism sector and financially support (M)SMEs in developing circular business models including quality certification systems:** A supportive entry point for impactful development assistance is the promotion of sustainable procurement practices by private and public actors (e.g. commodities, infrastructure, hotel resorts). The need for offering high-level trainings have been identified in due diligence guidance for responsible business models, and application of ecological standards in the up-hill phase for new accommodations and retrofitting of existing ones (e.g. integrating re-use and high-value recycling of components and materials concepts). In addition, offering financial assistance to support the plans to establish a sustainability certification that simplifies procurement standards (e.g. for new accommodations). Such a certification could be approved by the Global Sustainable Tourism Council (GSTC), but it might be necessary to rather develop a stand-alone circular certification scheme (e.g. reflecting circular principles such as prevent, reuse, and recycle instead of adapting established certificates, that only partly recognize circular practices).

**1b. Capitalize the Central American Mezzanine Infrastructure Fund II (CAMIF II) investing in circular infrastructure for tourism activities in the region:** Validate opportunities to provide finance (e.g. first loss equity via existing funding vehicles) to the Central American Mezzanine Infrastructure Fund II (USD 250 million, Assets under Management), which could potentially be pegged to existing circular related indicators (e.g. mutualisation of resources, materials and idle assets for tourism activities such as asset re-circulation, eco-tourism, sharing platforms), but also facilitate investment opportunities via capacity building (e.g. for implementing planned Environmental Management Systems to monitor energy consumption, resource use, emissions, food waste and associated operational cost savings opportunities, as outlined in the NDCs).



## 2 Waste management

**Major challenges for CE:** Produced and exported goods shifted in the recent decades from labour-intensive manufacturing (garment industry) to primary commodities (e.g. cash crops). Large, administrative costs of the bureaucracy, low electricity stability, and weak contract enforcement puts pressure on more long-term investment with public good character, especially for (M)SMEs. In addition, access to credit and fiscal space is still very limited and expensive, despite the strong uptake of digital financial activities. Regarding waste management mechanisms, the legal framework is put in place, but leveraging the private sector remains challenging. Currently, there are only limited private waste business models, most of them collect garbage/solid waste from hotels with trucks; sort waste in rudimentary facilities; or sell sorted/separated waste to export markets or waste to energy facilities.

**Relevant strategies and frameworks for CE:** In the Dominican Republic various sustainable and green finance market initiatives have been successfully launched: i.e. the endorsement of national green bond guidelines by Securities Market of the Dominican Republic (SIMV) has paved the way for issuing green bonds at the stock exchange. Regarding waste management, the endorsed 'Integral Management and Co-processing of Solid Waste Law' constitutes the legal framework to promote reduction, reuse, recycling, and recovery of waste. It allows for waste taxes and establishment of extended producer responsibility schemes for specific products such as batteries, heavy capital equipment, electronics, packing, tires, and oils.<sup>[2]</sup>

Table D2 **Waste management in the Dominican Republic – entry points for circular economy on the Value Hill (excerpt)**

| Up-hill  | Top-hill  | Down-hill  |
|--|---|--|
| Train financial sector actors (e.g. local banks) on CE and optimise tax base for waste management via fiscal policy trainings. | Support reverse supply chain management principles (e.g. reuse) to reduce waste generation. | Support integrated waste management systems to prevent waste leaking into the environment. |

### ➤ Promising interventions for circular economy in the Dominican Republic – waste management

**2a. Consider funding opportunities to Circulate Capital (Circulate Capital Ocean Fund):** The Inter-American Development Bank (IDB) committed a USD 4 million equity injection to Circulate Capital focusing on capacity development programmes for regional innovative ecosystem actors to improve e.g. circular recycling systems. The Circulate Capital Ocean Fund (USD 106 million Assets under Management) is the flagship model in successfully leveraging private sector capital for circular activities (e.g. PepsiCo, Procter & Gamble, Danone, Chanel, Unilever, The Coca-Cola Company). The Fund is backed by international support such as the United States Agency for International Development (USAID) and the European Investment Bank (EIB), which offers low-cost capital (e.g. (quasi) equity and concessional loans) channelled to early-stage start-ups and SMEs with investment sizes of around USD 2 million. The investment experience with the European Investment Bank could be validated and further funding, before next (third) financial close, considered.

**2b. Offer fiscal policy capacity building for waste tax development and capitalise the Public-Private Trust for Comprehensive Waste Management:** The legal framework for solid waste management allows to tax every legal person, entity, and public institution for certain types of waste. These waste taxes capitalise the existing ‘Public-Private Trust Fund for Comprehensive Waste Management’ that is charged to mitigate the negative effects of the current waste disposal. The trust fund is open for capitalisation by international donors. Development cooperation could provide trainings to tax designers (focus on progressive tax structure to ensure that this tax is income-elastic and no additional burden to the bottom of the pyramid) and capitalise the ‘Public-Private Trust Fund for Comprehensive Waste Management’.

## Key stakeholders for circular economy in the Dominican Republic

- © The Ministry of Environment and Natural Resources<sup>[3]</sup> is responsible for CE activities (by public and private actors). It is guiding the work of the National System for Comprehensive Waste Management and stipulates a mandatory waste tax. Its Directorate of Sustainable Consumption and Production coordinates with other ministries, such as the Ministry of Industry and Commerce, the Ministry of Agriculture and the Ministry of Tourism.
- © The General Directorate of Public Procurement (DGCP) is the main body with competence for setting government procurement policy and enforcing compliance. It also oversees public bidding processes.

<sup>[1]</sup> GIZ, Frankfurt School, FS-UNEP Collaborating Centre for Climate & Sustainability Energy Finance (2021). Financing Circular Economy in Low- and Middle-Income Countries. <https://www.giz.de/de/weltweit/15109.html>.

<sup>[2]</sup> CEPAL (2021) Economía circular en América Latina y el Caribe: oportunidad para una recuperación transformadora. <https://www.cepal.org/es/publicaciones/47309-economia-circular-america-latina-caribe-oportunidad-recuperacion-transformadora>.

<sup>[3]</sup> Gobierno De La República Dominicana. Medio Ambiente. <https://ambiente.gob.do>.

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