

Cuban Integrated Financing Framework (CIFIIRA)



POLICY NOTE No. 8 GOVERNANCE AND COORDINATION MECHANISMS





Governance and coordination mechanisms

One of the great challenges of Integrated National Financing Frameworks (INFF) is to achieve a high degree of coherence and coordination, which depends, to a large extent, on effective governance, through the institutionalization of rules, responsibilities and an adequate articulation among stakeholders and processes responsible for financing policy design and implementation. As part of the activities of the Joint Program “Support for the development of an Integrated National Framework for Financing the SDGs in Cuba” (CIFIIRA), the ECLAC team made a diagnostic of the current state of coordination and governance mechanisms for development financing in Cuba, emphasizing those associated with inter-institutional coordination.¹

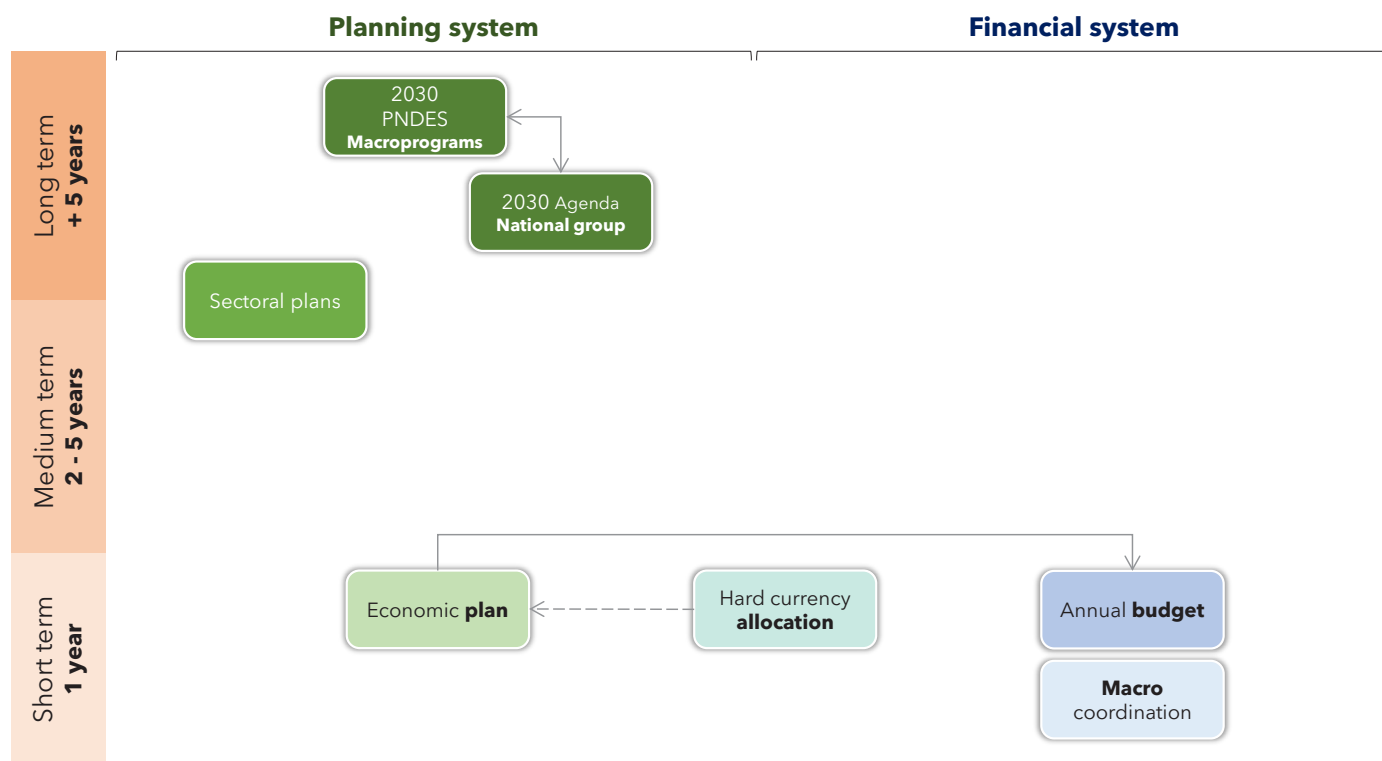
The diagnostic is summed up in a report that addresses three fundamental aspects: (i) general description of existing institutions and processes in Cuba to promote and support development financing policy design; (ii) evaluation of the quality of existing mechanisms, based on the SDG Fund² guide, and (iii) preliminary reconfiguration proposal of the Planning and Finance systems to support development in Cuba. Diagram 1 shows the main elements that make up the Planning and Finance systems in Cuba. Their analysis revealed three major “gaps” or challenges in the organization and institutionalization of development financing governance and coordination mechanisms.

The first “gap” is related to the Finance system, which has the Budget as its only component, with a short-term horizon (1 year). This implies the scarce use of long-term budgetary instruments, which limits a comprehensive vision of PNDES financing challenges, as well as the necessary prioritization of goals according to budgetary restrictions. The second “gap” refers to the insufficient use of planning tools or their financing in the medium term, limiting the capacity to coherently and sequentially connect the short (Annual Plan) and long term (PNDES).

¹ Further work could delve deeper into governance mechanisms related to the role of civil society, market regulation and the interaction between markets and the State.

² Governance and coordination (INFF, 2021) [online] <https://inff.org/resource/integrated-national-financing-frameworks-governance-and-coordination>.

Diagram 1
Cuba: development planning and financial systems



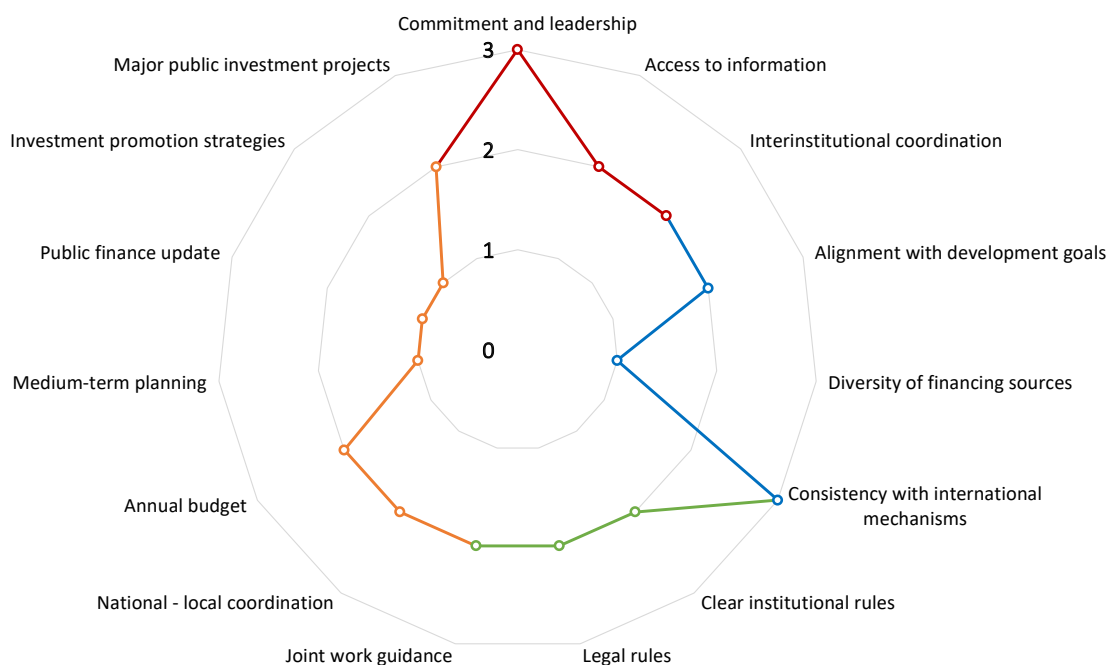
Source: Author.

The third “gap” are interconnection gaps between the different components of the Planning and Financial systems. Long-term goals are not sufficiently interconnected with guidelines for their year-to-year implementation, while the Annual Plan and the Budget are not, in practice, the main tool for resource allocation, but rather mechanisms for accessing to hard currency. Sectoral plans, for their part, are often the result of individual institutions’ efforts, which could give rise to conflicts in terms of sequencing and access to financial resources.

Seeking greater depth in the diagnostic, the ECLAC team assessed development financing governance and coordination mechanisms in Cuba on the basis of 15 indicators proposed by the methodology used. All indicators were evaluated on a range of 0 to 3 points: the higher the score, the higher the level of compliance (see figure 1.)

Coherence indicators (red) show that, although there is a strong government commitment with and leadership of the implementation of the PNDES (working system of macroprograms), mechanisms for access to information and inter-institutional coordination among the involved stakeholders are insufficient. **Scope** indicators (blue) reflect that, although there is a high consistency of the PNDES with international mechanisms (alignment with the 2030 Agenda, prioritization of the National Group for the implementation of the 2030 Agenda, presentation of Voluntary National Reviews), the diversity of available funding sources is limited. This is largely due to the impact of the US economic, commercial and financial blockade, but also to gaps in policy design and implementation (see *Policy Notes No. 4 Financing Policy Mapping* and *No. 7 Identification of Binding Constraints*).

Figure 1
Cuba: assessment of governance and coordination mechanisms



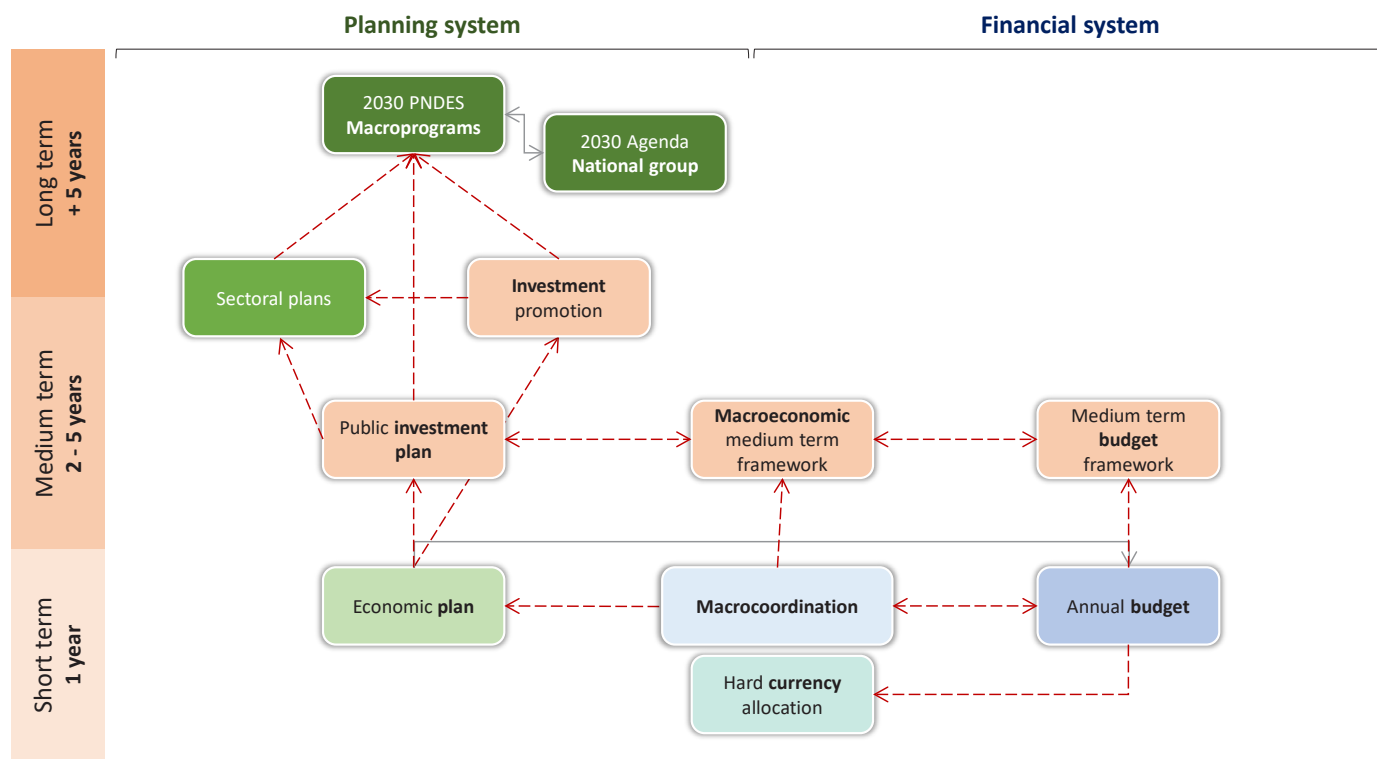
Source: Author.

Indicators related to **institutions** (green) evince the need to further the definition of clear institutional rules (investment standards, incentives, prioritized sectors), avoid overlapping in regulations linked to development financing priorities and promote greater coordination of the joint work of the different ministries (or their departments). Finally, **key process** indicators (orange) draw attention to the low level of modernization of public finance management.

Based on the diagnostic made, the report presents initial proposals to strengthen the coherence and scope of the development Planning and Financing systems in Cuba. The main ideas are summarized in diagram 2, where orange boxes represent new spaces, while the dashed red arrows represent new relationships with respect to diagram 1 (current situation).

The proposal is based on three fundamental elements. Firstly, the **medium-term dimension** is incorporated as a “link” between the short and the long term. In the Planning system, this “link” is established through public investment plans (major investment projects) and the investment promotion strategy (of public enterprises with their own resources and of the private sector). In the Financial system, the “link” is established through the implementation of medium-term budgetary frameworks. A third “link” is related to medium-term macroeconomic frameworks.

Diagram 2
Cuba: towards a reconfiguration of planning and finance systems



Source: Author

Secondly, **intersections** between the two systems and their components are expanded to ensure horizontal and vertical synergies. In the short term, the Economic Plan should be the heart of the development strategy. The Public Investment Plan, the Medium-term Macroeconomic Framework and the Medium-term Budgetary Framework are horizontally articulated with each other and vertically with the Plan, macroeconomic coordination and the Budget, respectively. The Annual Plan contributes to the Investment Plan and the Investment Promotion Strategy. These, in turn, contribute to the objectives and goals of the PNDES.

Finally, the proposal is to strengthen three **specific governance mechanisms** for the consolidation of the Planning and Financial systems: (i) create an inter-institutional group for the design, update and implementation of a PNDES financing strategy (it would not belong to any technical secretariat, as its mission is cross-cutting); (ii) create an auxiliary structure to this group for the design, monitoring and evaluation of the Public Investment Plan and the Investment Promotion strategy; and (iii) enhance the role of the Macroeconomic Coordination Committee for making binding decisions on medium-term macroeconomic frameworks, macroeconomic stabilization programs and the resolution of policy conflicts.

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