

# Cuban Integrated Financing Framework (CIFFRA)



## POLICY NOTE N° 13 CIFFRA INTEGRATED REPORT







For more than two years, the Joint Program “Support for the development of an Integrated National Financing Framework for SDGs in Cuba” (CIFFRA) has harnessed the experience and knowledge of the Economic Commission for Latin America and the Caribbean (ECLAC) and the United Nations System in Cuba, as well as the collaboration of international experts and the coordination of discussions with national stakeholders, to build capacities, strengthen analytical tools and contribute to rethinking policy strategies aimed at increasing, diversifying and optimizing financing development sources in Cuba.

As a culmination of the first stage of CIFFRA’s activities (assessment, diagnostic and recommendations), a set of policy proposals was prepared to increase access to development financing sources and improve the use of existing sources. The recommendations, which were submitted to and discussed with the authorities, are grouped in three blocks:

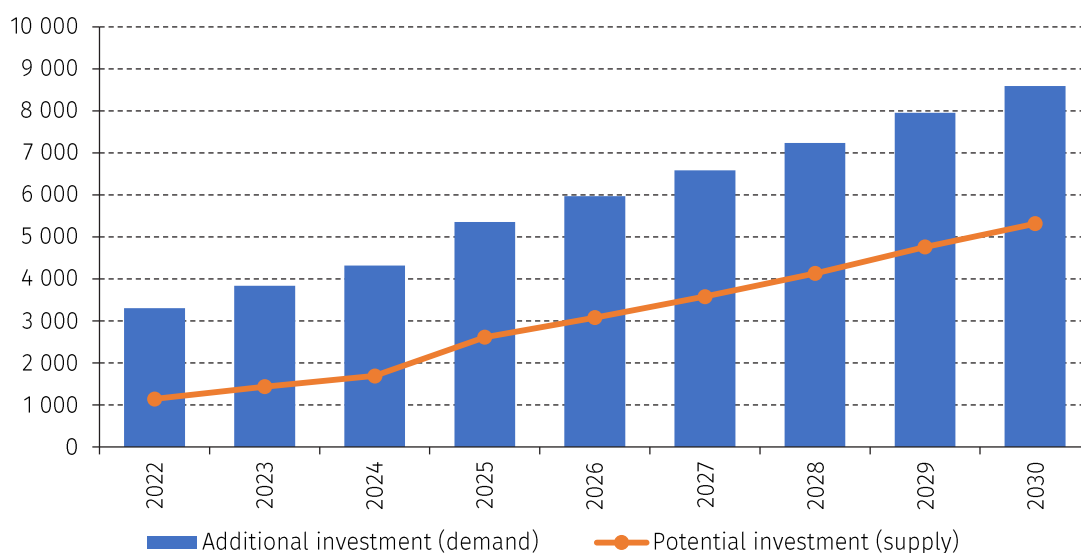
- ▶ Integrated Report. Document that sums up the key findings (messages) of the Joint Program on development financing policy and strategy challenges for the country. The report includes a set of policy recommendations on development financing governance: how to ensure that the CIFFRA framework and its technical and methodological contributions outlive the project and are mainstreamed in the governance mechanisms of the 2030 National Economic and Social Development Plan (PNDES).
- ▶ Policy recommendations in key areas for development financing. Three documents with recommendations on relevant issues for development financing, previously agreed with authorities: (i) strengthening strategies to promote exports and attract FDI; (ii) strengthening the strategy to attract and formalize remittances, and (iii) principles for a strategy to finance productive transformation, emphasizing the agricultural sector.
- ▶ Roadmap for the implementation of an Integrated National Financing Framework in Cuba. For a better understanding of CIFFRA’s proposals, the Roadmap highlights 16 key lines of action that could trigger major changes, both for their relevance and potential for implementation in the short term and because they are less resource-intensive. It is therefore complemented by the more than 100 proposals contained in the other policy recommendation documents.

This note lists the key messages of the Integrated Report, while the following three notes comment on policy recommendation reports for exports and FDI (PN 14), remittances (PN 15) and productive transformation financing (PN 16).

The Integrated Report summarizes the key findings and recommendations of 21 documents drawn up by CIFFRA, with the participation of more than 150 national experts and 30 international experts. These deliverables were enhanced and validated in 25 workshops, seminars and courses. The content of the Integrated Report can be summed up in 10 key messages:

1. Estimated investment required to meet the 2030 National Economic and Social Development Plan (PNDES) targets nearly double the country's growth and investment capacities up to 2030<sup>1</sup> (see Figure 1). Therefore, it is not possible to achieve, at least until 2030 and within the current complex scenario, all national development strategy goals. Greater prioritization efforts are required: (i) rethink PNDES goals in the current context, and (ii) develop a productive transformation and international insertion strategy that allows for investment efforts prioritization.

**Figure 1**  
**2030 PNDES Financial gaps of vs. potential investment**  
*(Million of dollars)*



Source: Author's own elaboration, on the results of the CIFFRA Financing Gap exercise.

2. Cuba faces an unstable, poorly diversified and unsustainable financial landscape<sup>2</sup>. This requires differentiating the role and actions to be taken with respect to each of the available financing sources, within the country's limited range of options (see diagram 1): (i) stimulate external revenues in the short term as a priority; (ii) promote deep institutional reforms on sources with potential to grow in the medium term, and (iii) bet on macroeconomic stabilization, as a guarantee of a conducive environment for development financing in the medium term.

<sup>1</sup> See Policy Note No. 6 "Financing Gap Costing" [on-line] -please change link once translated PNs are published in ECLAC's official site <https://www.cepal.org/sites/default/files/document/files/a2022-06-24-ndep-cuba-num-06-costeodebrechasdefinanciamiento-vf.pdf>.

<sup>2</sup> See Policy Note No. 2 "Mapping the Financing Landscape" [on-line] -please change link once translated PNs are published in ECLAC- <https://www.cepal.org/sites/default/files/document/files/a2022-06-24-ndep-cuba-num-02-mapeoanoramafinanciero.pdf>

## Diagram 1

### Cuba: three level (options) for acting on financing sources

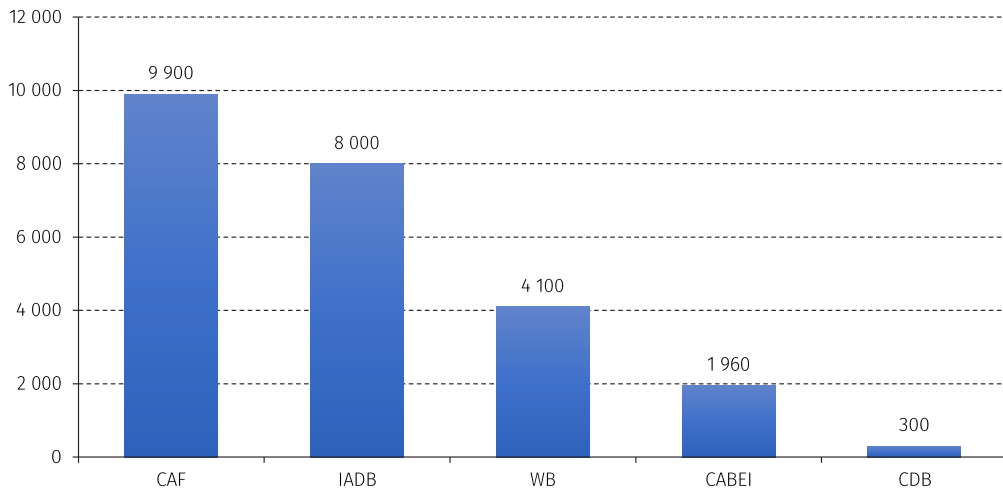


Source: Author's own elaboration.

3. The international context is particularly adverse, with a contractionary scenario for the main developed economies, a slowdown and balkanization of trade and investment flows and a tightening of monetary and financial conditions. On the domestic front, the main sanctions of the Trump administration remain effective, internal imbalances and major challenges and goals are accumulating due to the lack of resources.
4. In this context, Cuba's main opportunity to boost the available financing sources is the acceleration of the transformations to update the economic model (productivity gains) based on the development of markets and the promotion of SMEs, the modernization of public finance planning and management, the strengthening of the financial system and payment systems, among others.
5. In turn, macroeconomic stability and sustainability is an indispensable premise to ensure an environment of credibility, certainty and confidence for attracting foreign capital (reducing country risk) and developing domestic financial markets. Within the stabilization challenges, the following elements are central to the development financing strategy: (i) the search for sustainable solutions to the current implicit foreign debt default, and (ii) the development of markets and other mechanisms to access foreign currency for productive actors (state enterprises, SMEs, cooperatives, among others)
6. Despite the adverse context, the country has opportunities that it should and could harness: (i) the ongoing reform process related to the economic model update; (ii) a conducive regional context for integration, cooperation and collaboration processes; (iii) new trends in development banking in the region in favor of institutions that are not barred to Cuba by the U.S. blockade<sup>3</sup> (see figure 2); (iv) prestige and credibility of the public health and biotechnology sector, especially after the results in the production of vaccines against COVID-19; (v) accumulated investment in professional skills and a network of research and innovation centers, and (vi) the emergence of innovative financing mechanisms and Fintech platforms that widen the range of development financing alternatives, especially for specific sectors (environment) and small stakeholders.

<sup>3</sup> See Policy Note 10 "Innovative Financing Agenda" [on-line] -please change link once translated PN's are published in ECLAC's official site-  
<https://www.cepal.org/sites/default/files/document/files/a2022-06-24-ndep-cuba-num-10-agendainnovadoradefinanciamiento.pdf>

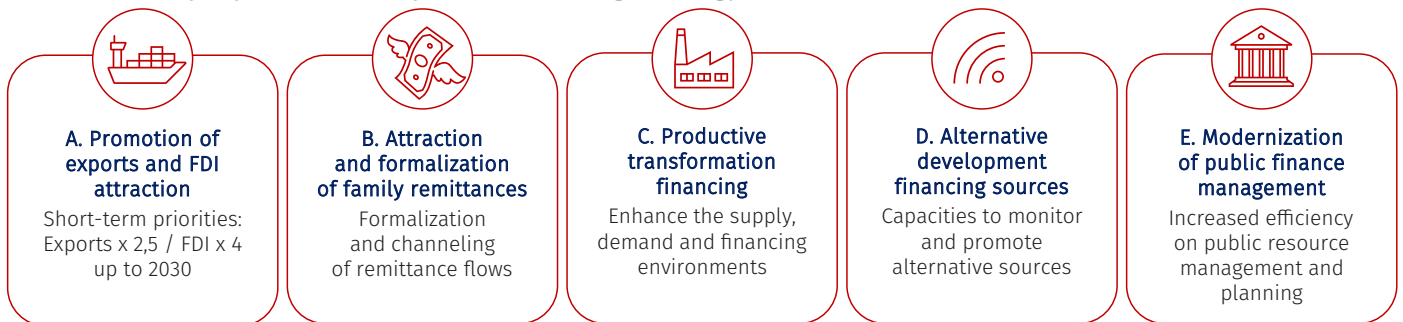
**Figure 2**  
**Cuba: financing from development banks in Latin America and the Caribbean,**  
**January 2020 to February 2021**  
*(Millions of dollars)*



Source: Author's own elaboration, on the basis of Economic Commission for Latin America and the Caribbean (ECLAC), 2021.

- Based on the results of the multiple diagnostic and dialogue exercises promoted by CIFFRA, the implementation of an Integrated National Financing Framework that assumes a holistic vision of all available development financing sources is proposed. The pillars of the strategy are based on the “crossing” of the key messages and recommendations of the exercises for the identification of financial gaps, institutional gaps and financing sources (see proposed pillars and their objectives in diagram 2).

**Diagram 2**  
**Pillars of the proposed development financing strategy**



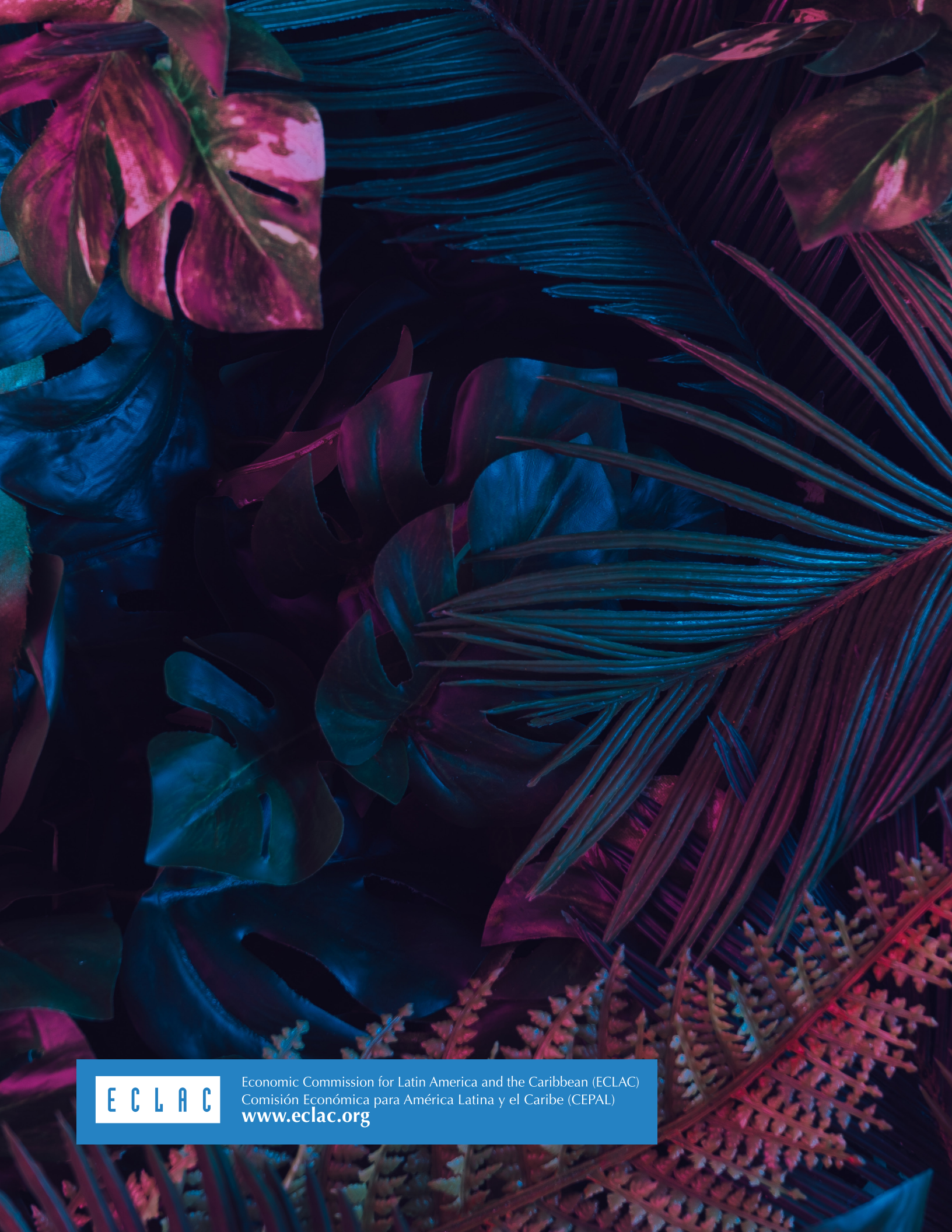
Source: Author's own elaboration.

- Defining priorities and pillars is not enough. Integrality, coherence and coordination are needed, which depends to a large extent on effective governance. In the Integrated Report, ECLAC proposed and substantiated six groups of recommendations for strengthening governance of Cuba's development financing strategy, based on the preliminary diagnostic and inputs from other analyses and assessments of the context.

9. CIFFRA is not a finishing line, but a starting point. Based on the systematization of previous work: (i) it suggests relevant messages; (ii) proposes pillars for the development financing strategy and for the improvement of its governance mechanisms, and (iii) contributes with recommendations on key pillars. Its policy validation, implementation and ongoing improvement is up to national stakeholders.
10. The SDG Fund Steering Committee has approved an extension of CIFFRA for capacity building for the financial inclusion of agricultural SMEs. This extension highlights CIFFRA's potential to promote new areas of support from international cooperation: (i) specific implementation of policy recommendations as a continuation of the Joint Program; and (ii) deepening in key areas for development finance identified.

CIFFRA Technical Committee - October 31, 2022





**ECLAC**

Economic Commission for Latin America and the Caribbean (ECLAC)  
Comisión Económica para América Latina y el Caribe (CEPAL)  
[www.eclac.org](http://www.eclac.org)