

# Cuban Integrated Financing Framework (CIFFRA)



## POLICY NOTE N° 14 RECOMMENTATIONS ON EXPORTS AND FDI





The assessment and diagnostic exercises of the Joint Program “Support for the development of an Integrated National Financing Framework for the SDGs in Cuba” (CIFIIRA) have revealed the country’s difficulties in financing economic recovery and its ambitious development strategy, aligned with the United Nations 2030 Agenda.

The combined impacts of increased U.S. sanctions, the COVID-19 pandemic, the conflict in Eastern Europe and the accumulation of structural distortions have exacerbated access restrictions to international markets, the shortage of foreign currency and the macroeconomic deterioration of the country.

Foreign financing sources are essential to reverse this situation, especially promoting exports and attracting foreign direct investment (FDI). As part of CIFIIRA’s activities, the Economic Commission for Latin America and the Caribbean (ECLAC) team prepared a report that summarizes and substantiates 30 policy recommendations to support national strategies for export promotion and to attract and channel FDI to development priorities.

The recommendations are based on the accumulated experience of ECLAC and the valuable inputs from previous CIFIIRA exercises involving numerous national and international experts, namely: (i) the mapping of financing policies; (ii) the identification of development financing binding constraints, and (iii) the report on international best practices in key policy areas<sup>1</sup>.

The report was submitted to and discussed with the Cuban authorities in several forums for dialogue and a workshop with top-level government officials, national academics, international experts and representatives of ECLAC, other United Nations agencies and the Central American Bank for Economic Integration (CABEI). The main messages of the report are as follows:

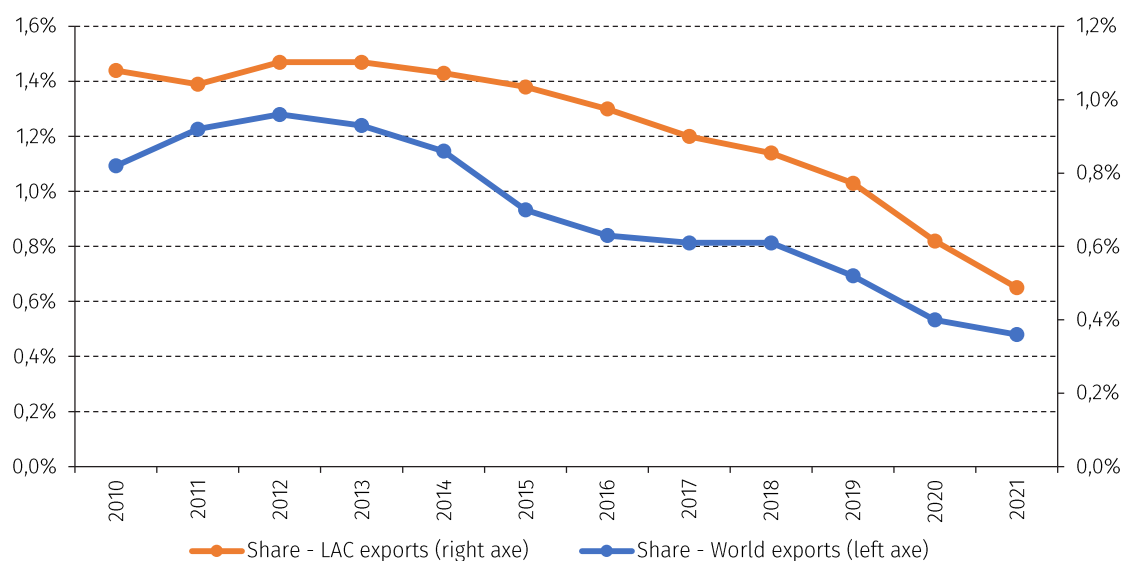
- ▶ In the Cuban economy, growth is restricted by the balance of payments, in an environment of severe access restrictions to international capital markets, which makes it necessary to maintain a trade balance close to equilibrium. Therefore, exports, despite being a current flow, represent a source of financing of prime importance. FDI is the only source that, in the short term, could attract significant volumes of financing to the country without generating new macroeconomic imbalances.

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<sup>1</sup> See CIFIIRA Policy Notes [on-line] <https://www.cepal.org/es/marco-integrado-financiamiento-cuba-ciffra>.

- ▶ Despite being central to the updating of the economic model and the PNDES, strategies for insertion into global value chains (GVCs) have not yielded the expected results. Total exports in 2020 represented 47.0% of the value exported in 2012. As a result, the share of Cuban exports in regional and world exports has been falling progressively (see figure 1). Between 2011 and 2020, average annual FDI flows were barely one-fifth of the values estimated as necessary to boost the country's productive growth.

**Figure 1**  
**Cuba: share in world and LAC exports**  
(In percentages).



Source: Author's own elaboration, on the basis of Oficina Nacional de Estadísticas e Información (ONEI), *Anuario Estadístico de Cuba*, 2021.

- ▶ Both exports and FDI have a greater weight of low value-added activities. Exports, on the other hand, are highly concentrated by market and line item, although at lower levels since the last decade.
- ▶ These records are largely due to strong external shocks and the deterioration of the macroeconomic context of the country's main trade and investment partners. However, there are still challenges, which, once solved, could enhance the performance of foreign trade and the attraction of FDI.
- ▶ ECLAC proposes a set of 30 policy recommendations to address these challenges. Although it is not a strategy in itself, it is a contribution to the authorities' efforts to promote exports and attract FDI, based on the debate and analysis of multiple stakeholders and knowledge.
- ▶ The recommendations warn about the complexities of the initial scenario and the limited room for maneuver. In the current context, export promotion and FDI attraction policies alone do not ensure the fulfillment of their objectives.
- ▶ Consequently, the implementation of these recommendations is based on the following premises: (i) the definition of a clear prioritization of goals and processes; (ii) the articulation with the national strategy for productive transformation and international insertion, and (iii) the implementation and/or acceleration (in parallel) of key policies for recovery and development, especially macroeconomic stabilization and transformations associated with the economic model update.

- ▶ The 30 recommendations are articulated through pillars that seek to address the main “bottlenecks” for the promotion of exports and attraction of FDI. Each pillar seeks to remove or address the impacts of 5 groups of constraints identified in different CIFFRA exercises (see diagram 1): (i) limited exportable supply; (ii) concentration of export and investment goods and markets; (iii) weak and inefficient financing and investment schemes; (iv) high costs and inefficiency of services, logistics and infrastructure, and (v) insufficient capacities and policy coordination. The classification by pillars is methodologically useful for future exercises to expand on these or other recommendations.

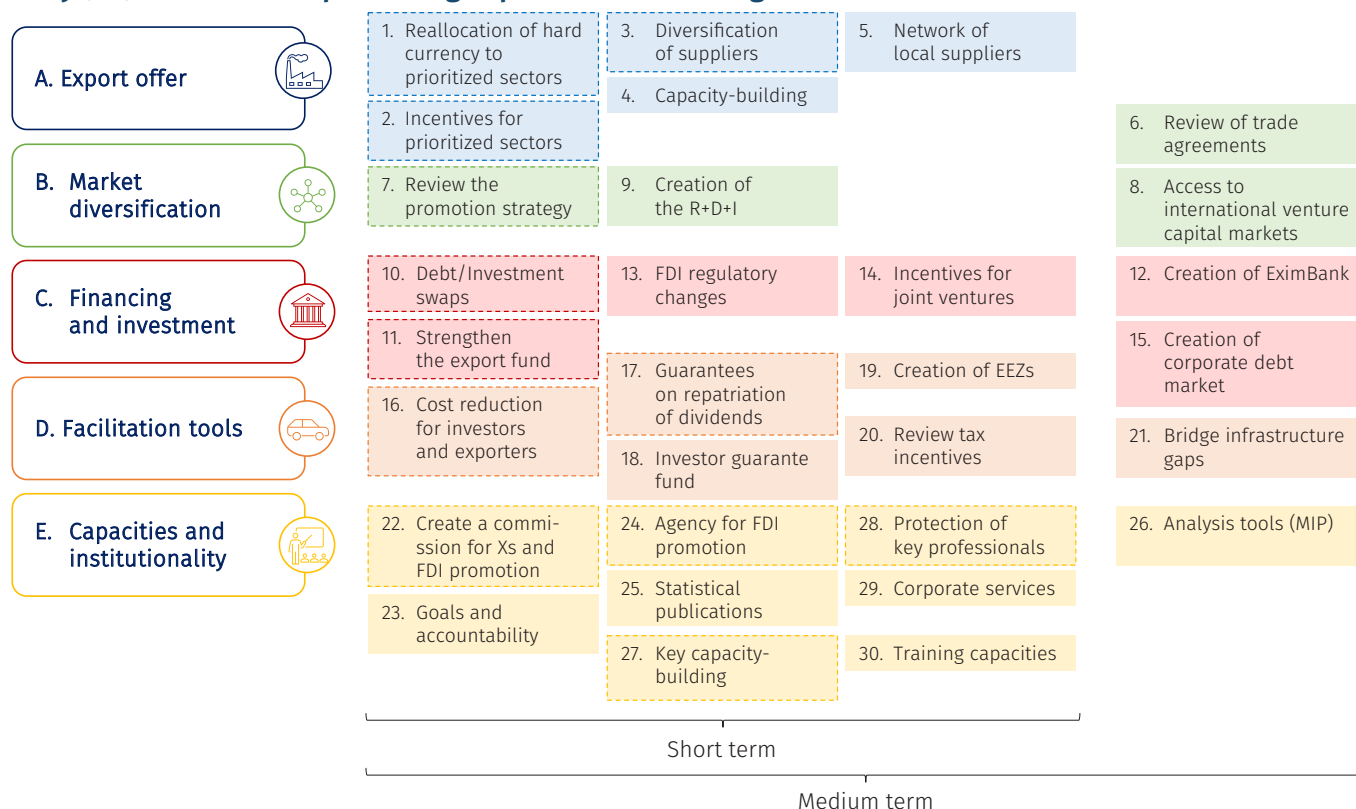
**Diagram 1**  
**Pillars (programs) of the proposed policy recommendations**



Source: Author’s own elaboration.

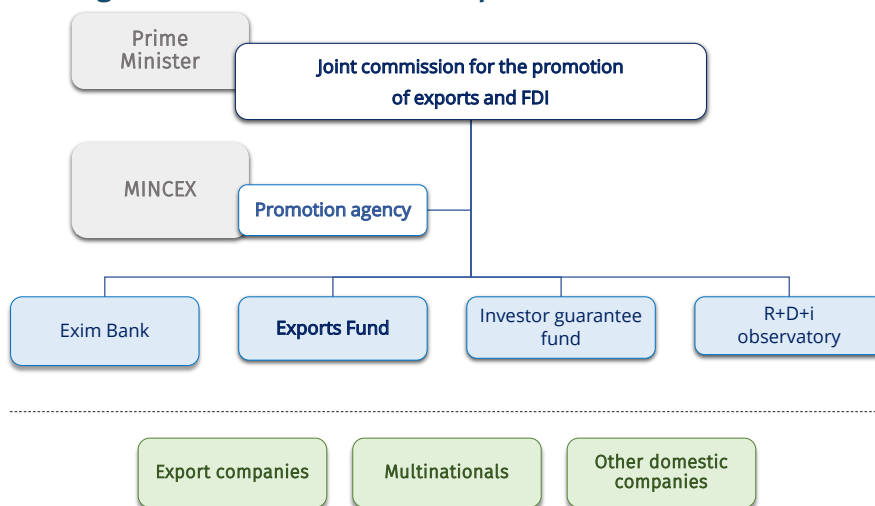
- ▶ In a further prioritization exercise, the ECLAC team defined 14 priority policies among the 30 recommended, taking into account the implementation timeframe (shorter deadlines), implementation costs (lower financial resources) and relevance (general and cross-cutting impact on the strategy’s goals). However, it is suggested that similar prioritization exercises be carried out with policy makers, based on more detailed information available to the authorities.
- ▶ Diagram 2 shows the 30 recommendations from a time perspective. Their description and rationale are detailed in the ECLAC report to the authorities. The 14 priority recommendations are also highlighted (in dashed boxes). It is assumed that the short term for implementing these measures comprises 0 to 2 years. The medium term would comprise 3 to 5 years.
- ▶ The proposed instruments take into account international experience, but adapted to the country’s peculiarities also studied in previous CIFFRA exercises, namely: (i) difficulties in accessing foreign markets and international financial institutions as a result of the U.S. blockade; (ii) persistent and growing imbalances in the balance of payments; (iii) the presence of widespread exchange and capital controls, and (iv) wide gaps in physical and technological infrastructure, among others.
- ▶ A central element of the strategy is based on governance, promotion and monitoring mechanisms. Diagram 3 shows the institutions proposed for the governance of the export promotion and FDI attraction strategies: (i) joint (inter-institutional) commission; (ii) promotion agency; (iii) EximBank; (iv) export fund; (v) investor guarantee fund, and (vi) R+D+I observatory for international trade and investment.
- ▶ Some of these institutions exist or could be created from existing agencies, expanding or modifying their duties and scope. However, the key to success does not lie in the number of institutions, or even in the quality of individual policy implementation, but in the ability to coordinate and promote synergies among them and with other relevant (cross-cutting) public policy areas. The Commission and the Promotion Agency play a fundamental role in this.

**Diagram 2**  
**Thirty (30) measures for promoting exports and attracting FDI**

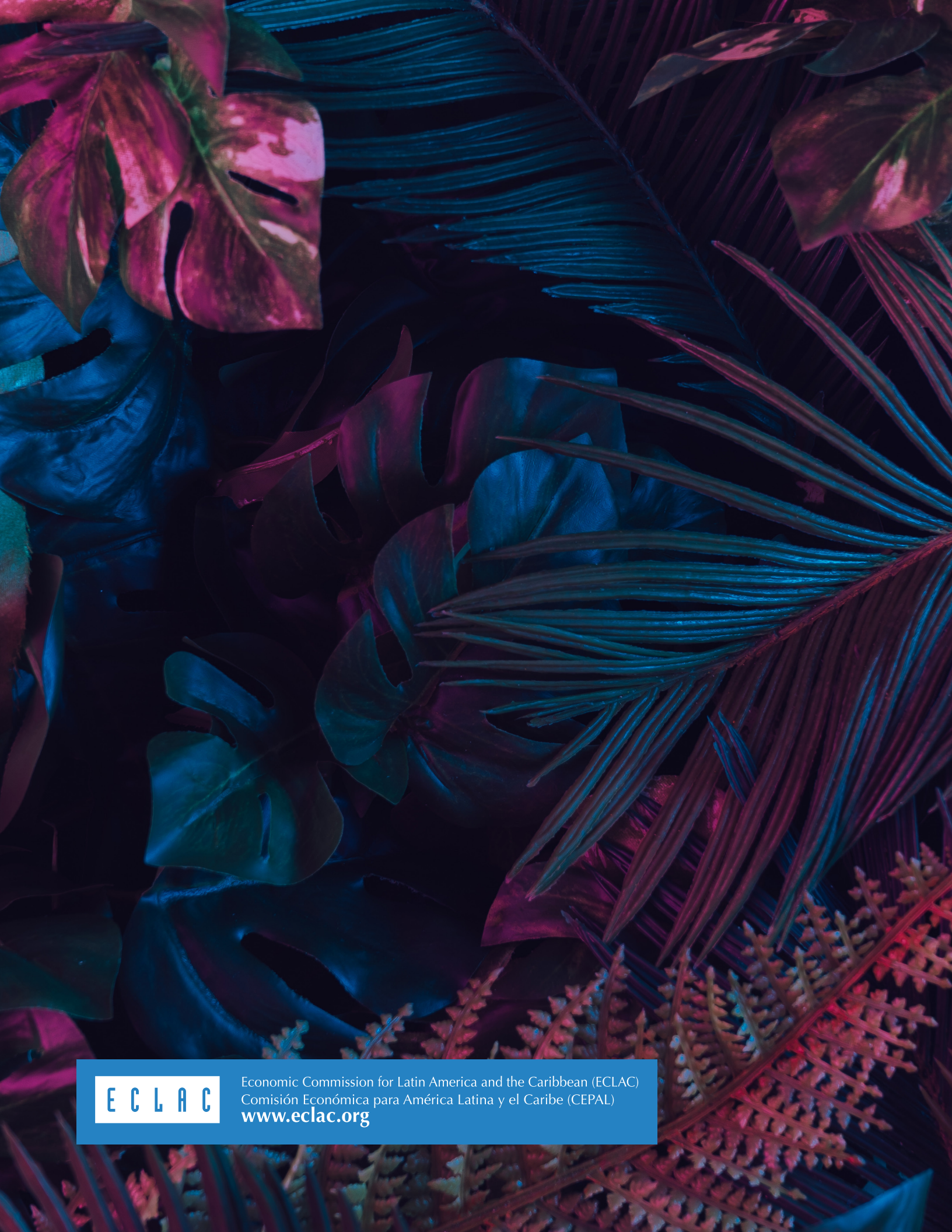


Source: Author's own elaboration.

**Diagram 3**  
**Cuba: Institutions for the governance of trade and FDI policies**



Source: Author's own elaboration.



**ECLAC**

Economic Commission for Latin America and the Caribbean (ECLAC)  
Comisión Económica para América Latina y el Caribe (CEPAL)  
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