

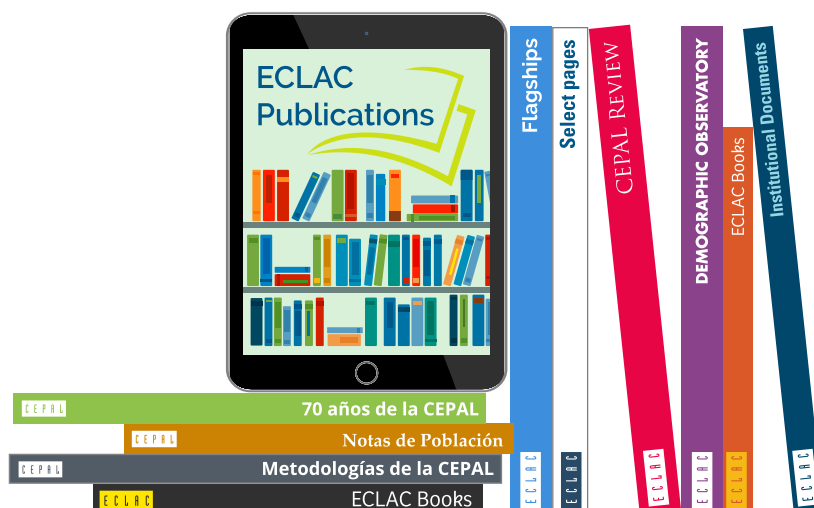
Integrated Financing Framework for Cuba (CIFFRA)

CIFFRA: methodological summary

Ramón Padilla
Carlos Lage



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CIFFRA: methodological summary

Ramón Padilla
Carlos Lage



This document was prepared by Ramón Padilla, Chief of the Economic Development Unit of the subregional headquarters of the Economic Commission for Latin America and the Caribbean (ECLAC) in Mexico, and Carlos Lage, Consultant.

We thank the Ministry of Finance and Prices, the Central Bank of Cuba, the National Office of Statistics and Information and the Ministry of International Trade and Foreign Investment for the close collaboration in each stage of CIFFRA. We also thank the United Nations Development Programme and the Resident Coordinator Office in Cuba for their collaboration in the design and implementation of CIFFRA.

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A slash between years (e.g., 2022/2023) indicates a 12-month period falling between the two years.

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Summary

The Joint Programme "Support for the development of an Integrated National Financing Framework for the SDGs in Cuba" or CIFFRA is part of the more than 70 international experiences being promoted to finance the 2030 Agenda under the global framework agreed by world leaders in Addis Ababa in 2015. The implementation of CIFFRA between 2020 and 2023 (33 months) posed significant challenges, given the peculiarities of the Cuban economy (more than six decades of economic blockade, very limited access to international capital markets and a centrally planned economic model) and the carrying out the project amid the crisis caused by COVID-19 and important economic reforms in the country.

Promoting CIFFRA in this context required a process of learning, assimilation, and innovation. The objective of this report is to document the methodology designed for the implementation of the Joint Program. It describes in detail the process followed to carry out activities and achieve the objectives set out in the three stages of the project, while summarizing key milestones, lessons, challenges, and contributions. This methodology summary systematizes CIFFRA's experience with a view to guiding similar processes in other countries, but also seeks to serve as a guide for the Cuban government to replicate similar exercises in the future.

Introduction

The Joint Programme "Support for the development of an Integrated National Financing Framework for the SDGs in Cuba" (CIFFRA) (United Nations, 2020a) is part of the more than 70 international experiences being promoted to finance the 2030 Agenda under the global framework agreed by world leaders in Addis Ababa in 2015. CIFFRA is an initiative funded by the Joint SDG Fund of the United Nations System. It lasted 33 months, from July 2020 to March 2023. Its governance was managed through a Steering Committee and a Technical Committee, which were led, from the United Nations (UN), by the Economic Commission for Latin America and the Caribbean (ECLAC), with the collaboration of the United Nations Development Program (UNDP) and the United Nations Resident Coordinator's Office (RCO) in Cuba.

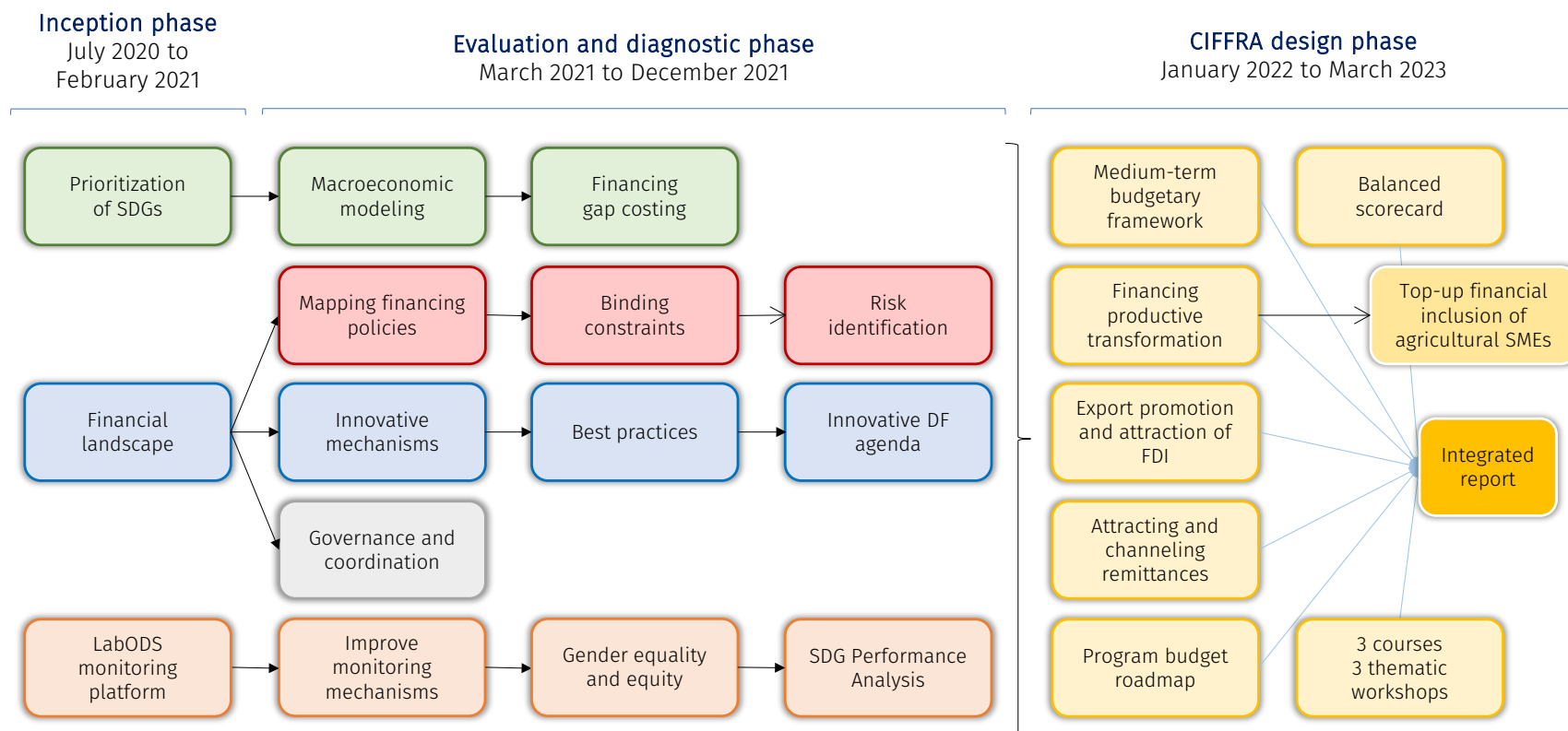
On the Cuban Government side, these committees were led by the Ministry of Economy and Planning (MEP), with the participation of the Ministry of Finance and Prices (MFP), the Central Bank of Cuba (BCC), the Ministry of Foreign Trade and Foreign Investment (MINCEX) and the National Office of Statistics and Information (ONEI). The main objectives of the Joint Programme were to: (i) assess the financial architecture for the implementation of the SDGs in Cuba; (ii) design a policy framework for financing the national development agenda; (iii) strengthen monitoring and oversight mechanisms; and (iv) improve governance and policy coordination.

The implementation of CIFFRA posed important challenges. Firstly, it was a matter of applying an international methodology to a country with great peculiarities: more than six decades of economic blockade, very limited access to international capital markets and a centrally planned economic model. Secondly, the Joint Program was carried out during the crisis caused by COVID-19, the stepping up of US sanctions during the Trump administration, and the implementation of important economic reforms in the country (such as the Monetary Overhaul). Thirdly, ambitious goals were proposed¹, in an environment of limited public information.

¹ Unlike in other countries, far from addressing a specific segment or SDG, the project aimed to integrate the financing strategy of the entire national development agenda.

Promoting CIFFRA in this context required a process of learning, assimilation, and innovation. The objective of this report is to document the methodology designed for the implementation of the Joint Program. It describes in detail the process followed to carry out activities and achieve the objectives set out in the three stages of the project (figure 1), while summarizing key milestones, lessons, challenges, and key contributions. This methodology summary systematizes CIFFRA's experience with a view to guiding similar processes in other countries, but also seeks to serve as a guide for the Cuban Government to replicate similar exercises in the future.

Diagram 1
CIFRA: the process



Source: Prepared by the authors.

I. Inception phase: planning and prioritization

The initial phase of the Joint Program faced significant challenges due to the novel and complex nature of the integrated financing frameworks and the timing of implementation (border closures and movement restrictions linked to measures to contain the spread of COVID-19). This required significant efforts in planning the roadmap, setting up governance mechanisms and developing the first diagnostic exercises.

A. Planning

The first three months were crucial to identifying priorities and key actors, developing roadmaps, and securing the commitment of all partners. Four milestones marked the planning process for this initial phase (diagram 2).

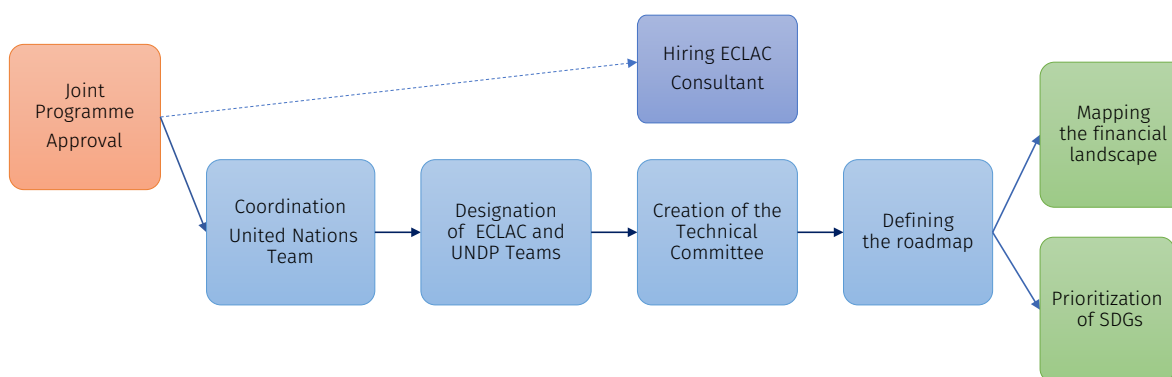
- (i) Coordination of the United Nations team. Once the project was approved by the SDG Fund, an important group of meetings were held, coordinated by the RCO, to define responsibilities within the UN team (including ECLAC's leadership) and to build consensus around the scope and expectations of the Joint Program. Yaima Doimeadios served as RCO focal point.
- (ii) Designation of the ECLAC and UNDP work teams. Within ECLAC (leading agency), responsibilities were defined by means of the appointment of Ramón Padilla, Chief of the Economic Development Unit of the Subregional Headquarters in Mexico, as project manager. At the same time, a working team was created, including officials from ECLAC Mexico and ECLAC Chile, specialized in issues to be addressed in CIFFRA, and the Cuban consultant hired to support and monitor the project in the field, Carlos Lage. UNDP created a team led by program officer Ricardo Núñez.

- (iii) Establishment of the project governance mechanisms. A decisive element was the creation of the project's governance mechanisms: (i) the team of national counterparts; led by Susset Rosales and Adriana Acosta, director and deputy director of Strategic Planning and Development of the Ministry of Economy and Planning, respectively; (ii) the Technical Committee, for project implementation coordination and monitoring; and (iii) the Steering Committee, for project implementation coordination, strategic conciliation, and result validation. The work of the Technical Committee, the coordination between United Nations agencies and the commitment of national counterparts, especially under the leadership of the Ministry of Economy and Planning, were vital to kick start first activities in the following months.
- (iv) Definition of a roadmap. The first task of the Technical Committee was the design of a roadmap for the project and its Inception Phase, through a thorough review process of literature and best practices. SDG Fund guidelines and webinars were particularly useful (United Nations, 2020b).

Considering other countries' experiences in implementing integrated frameworks and Cuba's characteristics, decision was made to undertake a broader inception phase (four months) to make a detailed diagnosis of the development financing landscape. The Technical Committee decided that the starting point should be two assessment and diagnostic reports that combined would provide the initial information required: Mapping the Financial Landscape and Prioritization of SDGs.

With the information collected and once the first two exercises had been presented, the CIFFRA roadmap was drawn up and approved. However, given the existence of some information gaps and the novelty of implementing this type of program, the Technical Committee warned from the outset that it would be a flexible roadmap, the deliverables and timetable of which would be adjusted based on the project's results.

Diagram 2
CIFFRA inception phase: the process



Source: Prepared by the authors.

B. First deliverables

The first discussions of the Technical Committee identified three major challenges for the design of the CIFFRA roadmap. First, there was a paucity of previous information and analysis on development finance sources and uses. Secondly, the 2030 National Development Plan (PNDES) had such a high number of goals that made targeting financing priorities difficult. Thirdly, there was no evidence on the alignment between the PNDES and the 2030 Agenda of the SDGs. The first CIFFRA deliverables sought to provide information on these issues.

- (i) Financial landscape mapping. Mapping the Financial Landscape is the project's first approach to development finance issues in the country. Its objective was to critically analyse the general landscape of financing sources available in Cuba, using the methodological approach of the *Development Finance Assessment (DFA) Guidebook* (UNDP, 2019). As shown in diagram 3, the DFA covers four main areas of development finance:
 - Domestic public finance, which includes government resources and public enterprises.
 - International public finance, which includes official development assistance (ODA), South-South cooperation and other official financial flows.
 - Domestic private finance, which includes domestic investment, domestic credit, and non-governmental organization (NGO) and philanthropic resources.
 - International private finance, which includes foreign direct investment (FDI), portfolio investment, family remittances, international loans, and NGO and philanthropic resources.

The report was prepared by the ECLAC team and then reviewed and agreed with authorities through the exchange of several drafts. The final version was enhanced by the Mapping debate in a workshop with experts from government and academia. In September 2021 (nine months later) the ECLAC team updated the statistics used for the exercise², although there were no major changes in its conclusions.

This first deliverable confirmed that Cuba faces a financial landscape marked by unstable, undiversified, and unsustainable access to development financing sources. Two sources, family remittances and public financing, account for more than 60% of the resources used to finance the development strategy. However, neither represents an adequate alternative from a long-term point of view, either in terms of their scope or the sustainability of their use.

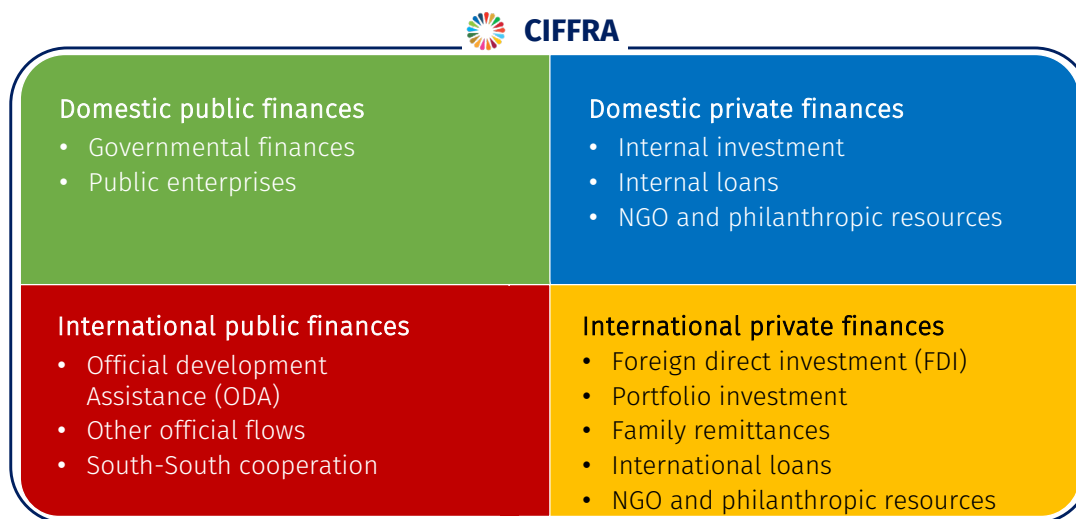
² In January 2021, the Cuban Government initiated the monetary overhaul process, which involved the devaluation of the official exchange rate by 2300% and other macroeconomic policy measures. The monetary overhaul consisted of a set of measures aimed at establishing coherence in the price system, developing markets that transmit positive signals and incentives, having economic variables with a real basis, validating the interest rate as the cost of money in the economy, promoting the effective use of indirect policy instruments, guaranteeing the convertibility of the currency and placing it, through the re-establishment of its functions, as the center of gravity of the Cuban monetary system. The monetary overhaul had a notable impact on national accounts, which was considered for the Financial Landscape adjustment.

- (ii) Prioritization of SDGs. The quantitative CIFFRA exercises required the prioritization of PNDES goals and the assessment of their alignment with the SDGs of the 2030 Agenda. A methodology developed by ECLAC, previously validated in other countries in the region, was used for this purpose, the methodology for the identification of critical nodes and links (ECLAC, 2018). The exercise required four months of hard work of coordination and analysis.

With the participation of more than 70 Cuban experts, four workshops were held to verify: (i) the high level of articulation of the 2030 Agenda with the PNDES; (ii) the key goals of the PNDES (nodes); (iii) the most relevant links between goals (links); and (iv) an integrated network of critical nodes and links. This integrated network allowed for the identification of 45 PNDES priority goals, integrated in eight strategic circuits for Cuba's development, articulated with each other.

These circuits include strengthening institutional capacities to create, on the one hand, a conducive environment to produce the necessary financial resources to trigger investment processes in key sectors of the Cuban economy (agri-food, tourism, and manufacturing) through the technological modernization of energy, telecommunications and logistics infrastructure. On the other hand, they provide a context that guarantees the rights of the population, particularly the most vulnerable groups and with a gender-sensitive approach, which promotes their participation in the development process through the promotion of capacity building in science and technology for the management and development of the infrastructure.

Diagram 3
Flows covered by the DFA approach



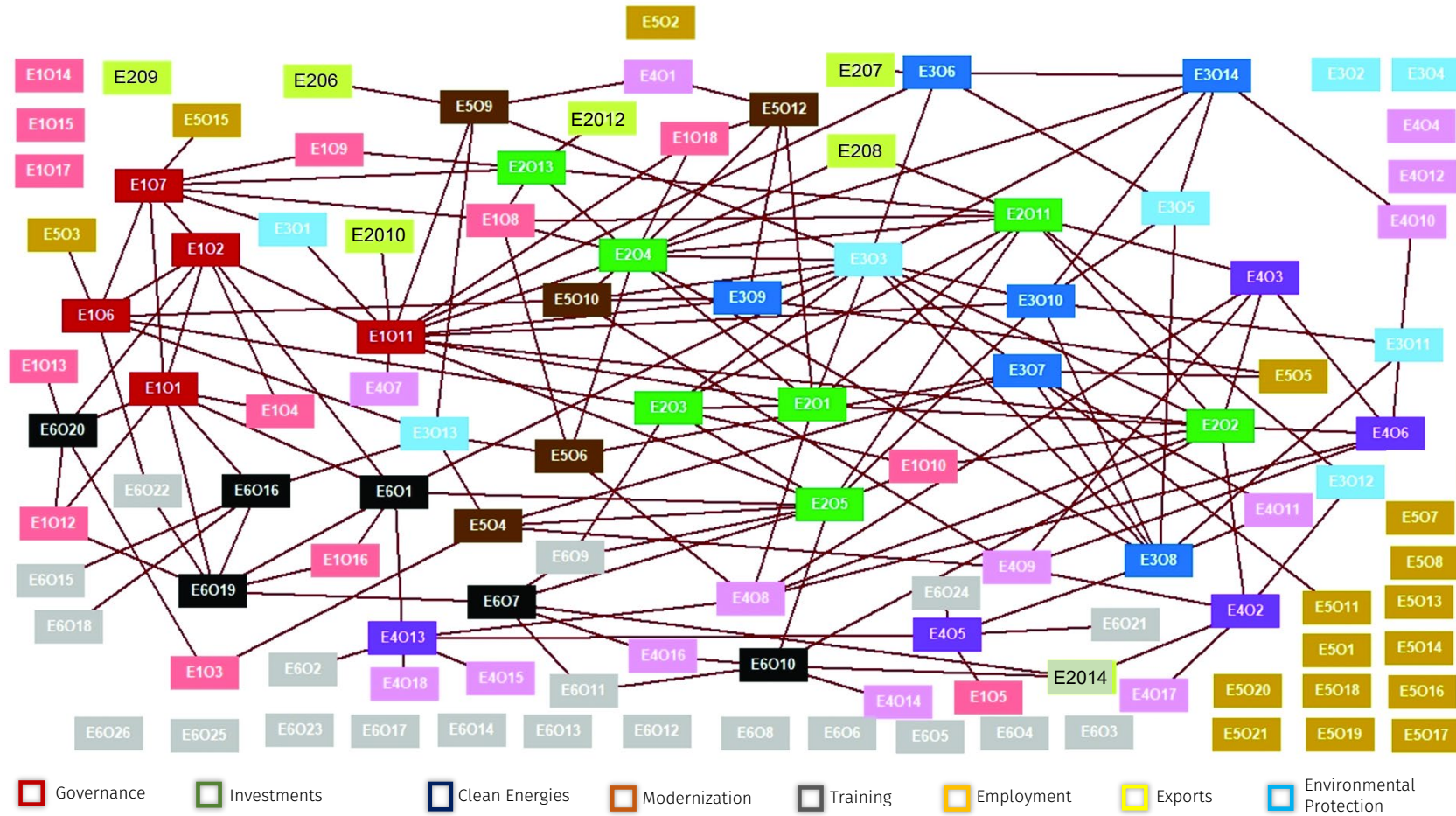
Source: United Nations Development Programme (UNDP), *Development Finance Assessment Guidebook*, 2019 [online] <https://www.asia-pacific.undp.org/content/rbap/en/home/library/sustainable-development/development-finance-assessment-guidebook.html>.

The combination of material resources and human potential can boost productivity, fostering the creation of better jobs and promoting an increase in exports in key sectors, always considering environmental sustainability, having as goal the effective achievement of the country's key Sustainable Development Goals (diagram 4).

This deliverable provided crucial information for the design of the project roadmap. The final report was discussed and validated with authorities after reviewing several drafts. The results of this collaborative prioritization exercise, which resulted from the committed participation of representatives of the Cuban Government and academia, were a central input for the following activities of the Joint Program, for the analysis of costs and financing gaps, as well as for the formulation of innovative policies.

Diagram 4

Representation of circuits identified in the integrated network of specific central goals (critical nodes) and their key links (critical links)



Source: Prepared by the authors, based on workshop results.

II. Assessment and diagnostic phase: challenges, opportunities and best practices

The evaluation and diagnostic phase began in February 2021, with the objective of carrying out a more in-depth analysis of development financing challenges and opportunities in Cuba, to provide inputs for the final phase, i.e., policy recommendations. Three challenges arose in this context. Firstly, unlike other INFF experiences in other countries, the implementation of CIFFRA was not focused on a specific SDG, but on the entire development financing strategy. This entailed a significant search effort of information on various cross-cutting issues and policies.

Second, the peculiarities of the Cuban model and its international insertion difficulties (especially because of the United States blockade) made it necessary to adapt international recommendations on an integrated development financing framework to the country's very specific conditions. Third, the country's difficulties in producing statistics were compounded by the implementation of the monetary overhaul (see footnote 5), which had a significant impact on national accounts.

A. Planning

Planning and coordination were again essential for the implementation of the roadmap, given the magnitude of challenges faced, requiring an additional two months. Four milestones marked the process during this stage (see diagram 5).

- (i) **Steering Committee.** The first Steering Committee session was held in February 2021, where the results of the two initial exercises and the roadmap were approved. The meeting also served to strengthen the authorities' commitment to the project. The experience of holding the Steering Committee meeting seven months after the start of the project was positive, as there were already relevant inputs to demonstrate its tactical and strategic relevance for the country.

- (ii) Study of methodologies and deliverables. A critical step in planning was the study of methodologies and specialized literature, to identify those methodologies and deliverables that would provide a comprehensive diagnostic of development financing problems in Cuba.
- (iii) Agreeing on deliverables. Based on the research carried out, the UN focal points held several working sessions to draw up a proposal for deliverables and methodologies, and possible experts to be called. Finally, it was agreed with national authorities to focus efforts on three main areas: (i) institutional analysis (identification of gaps in the design of development financing public policies); (ii) quantitative analysis, particularly for the costing of PNDES goals; and (iii) an inventory of international good practices.

Given the flexibility of the roadmap, two exercises which had not been initially agreed on were added in the last few months of this phase: (i) a diagnostic of development financing governance mechanisms; and (ii) an analysis (considering Cuba's challenges) of an ECLAC document published in December 2021 with proposals for an innovative agenda for development financing in the region.

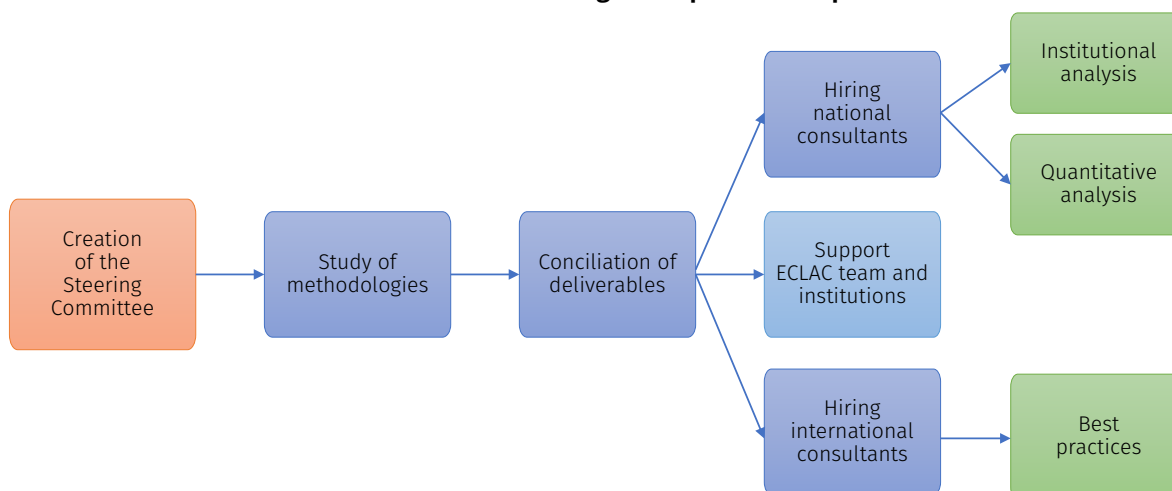
- (iv) Working teams set up. The complexity and diversity of prioritized issues required the setting up of working teams, always led by ECLAC, and made up of both ECLAC experts and external consultants (Cuban and foreign) well-versed in these issues. The ECLAC team was always involved in advising on the work, drawing up methodologies, drafting reports and reviewing documents, considering the high level of expertise of its team in these issues.

The exercise was also enhanced by the active participation of Cuban counterparts. First, working groups of national experts (from government and academia) were created to contribute directly to the development of several CIFFRA deliverables. Some of these exercises, such as the mapping of financing policies, involved several months of work of dozens of experts.

Secondly, the Foundation for Innovation and Development of the University of Havana was hired as the managing institution for the recruitment of national consultants, specifically for the Costing Funding Gaps exercise (which required time and specific expertise). In addition to these resources, international consultants were hired, especially for the identification of international best practices and support for the assimilation of international methodologies.

The creation of these working teams was very beneficial for CIFFRA. Firstly, it allowed for greater ownership of the project's results by Cuban authorities. The participation of many civil servants helped institutions take ownership of CIFFRA's results, as well as serving as an informal mechanism to make the project known within government structures. Secondly, ECLAC's active participation guaranteed the technical quality of exercises, increased its team's commitment with the project, deepened its knowledge of the Cuban reality, and strengthened communication and work channels with Cuban authorities.

Diagram 5
CIFFRA assessment and diagnostic phase – the process



Source: Prepared by the authors.

B. Quantitative analysis exercises

An assessment of development financing challenges in Cuba required the quantification of financial gaps to achieve PNDES goals. Two quantitative exercises were carried out:

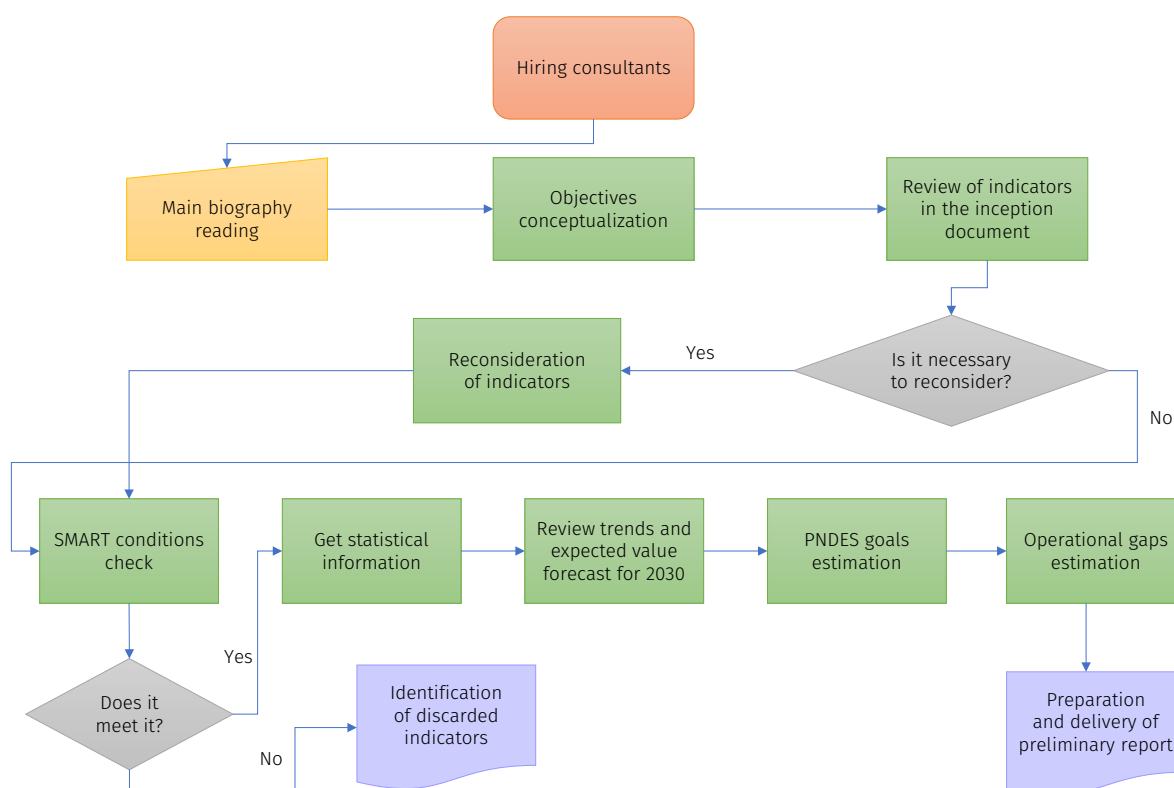
- (i) **Financing gap costing.** A team made up of six national experts specialized in each of the PNDES axes and led by an international consultant, carried out the estimation of financing gaps to achieve national development strategy³ goals, i.e., an estimate of the amount of resources indispensable to achieve planned results. The result provided important inputs for further analyses and demonstrated the huge gap between PNDES priorities and available or potential resources in the Cuban context.

To estimate gaps, it was first necessary to select a set of indicators that would allow for better monitoring of the PNDES and its relationship with the 2030 Agenda, as well as the definition of 2030 targets. The exercise was validated through expert meetings with the technical secretariats of the Macro-programs⁴, which also served to rethink PNDES targets and goals. Although used under certain assumptions (due to statistical and analytical tool limitations), the methodology remains available to authorities, who can replicate the exercise using adjusted and updated information (see diagram 6).

³ The exercise estimated financing gaps to achieve the 45 PNDES priority goals. These goals had been identified in the SDG prioritization exercise.

⁴ Institutional framework of the Cuban Government for the design, implementation and monitoring of the PNDES.

Diagram 6
Cuba: management process followed by national consultants for the definition of indicators and estimation of 2030 PNDES operational gaps



Source: Prepared by the authors.

As a result of the financing gap estimation exercises, using the suggested methodology and based on the experience and knowledge of national consultants hired, it was recognized that the preliminary number of resources needed to meet PNDES 2030 targets is 1,323,041.0 million Cuban pesos (CUP), equivalent to 55,126.7 million dollars, assuming a constant exchange rate of 24CUP/USD during the period. The preliminary estimate of the financing gaps is summed up in table 1.

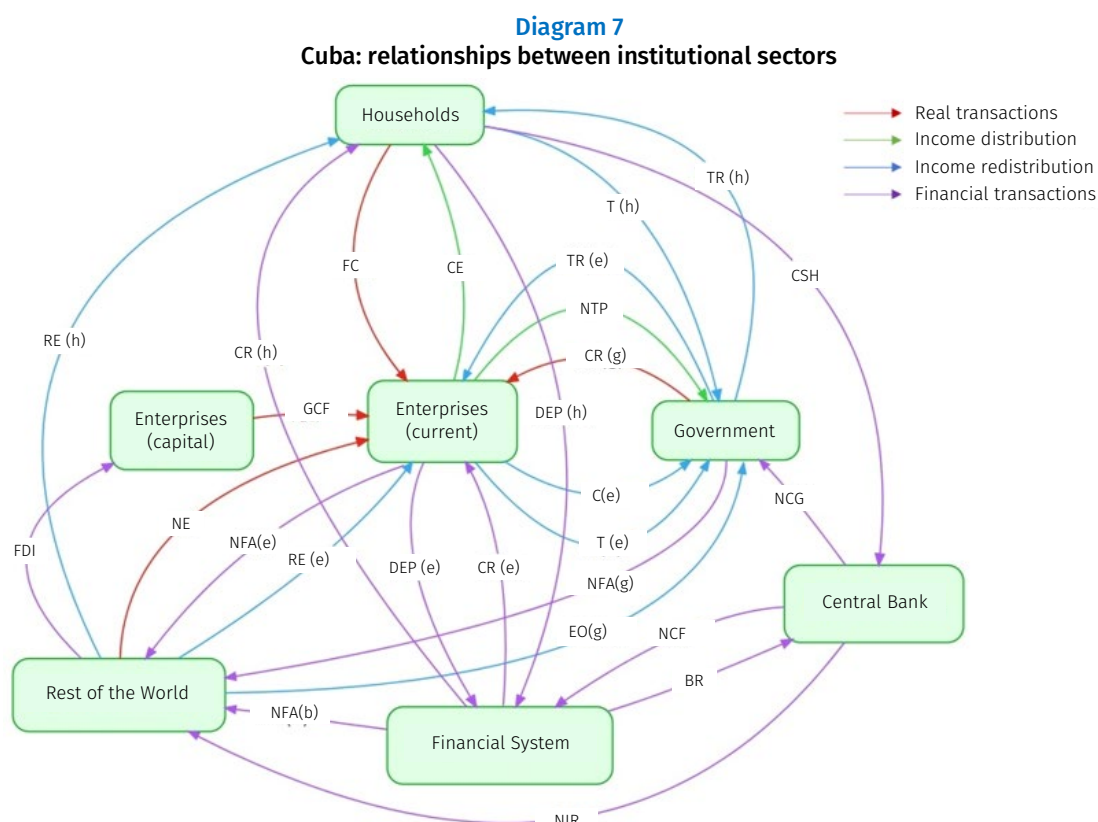
Table 1
Cuba: preliminary estimation of financing gaps to achieve 2030 PNDES targets, per strategic axes

Axis	Financing gap (MM CUPs)	Financing gaps (MM dollars)
1	2 740.0	114.2
2	442 431.3	18 434.6
3	390 639.3	16 276.6
4	166 641.2	6 943.4
5	281 700.7	11 737.5
6	38 888.5	1 620.4
Total	1 323 041.0	55 126.7

Source: Prepared by the authors.

- (ii) Macroeconomic modelling. As a complement to the financing gap costing exercise, the ECLAC team developed a macroeconomic stock-flow model based on two building blocks: (a) a macroeconomic consistency matrix; and (b) a stock-flow consistency model that captures the main features of the Cuban economy. This tool is very useful for assessing the impact of macroeconomic policy on economic activity (see diagram 7).

The development of the model involved extensive consultations with academics and government officials, as well as two training courses. A student from the School of Economics, at the University of Havana, who completed his undergraduate thesis on the subject and is currently working at the MEP, was actively involved in this process. The model is therefore a tool that remains available for authorities, as capacities to use it have been built, which could be used for other (financial planning and programming) purposes than those specifically set out in the project.



Source: Prepared by the authors.

C. Institutional policy analysis exercises

Institutional analysis is essential for a country seeking to update its economic model, to identify development financing gaps and opportunities. The Technical Committee proposed three exercises for this purpose:

- (i) Mapping of financing policies. Over a period of five months and with the help of more than 70 experts from government, academia, ECLAC and other UN agencies, 23 public policy factsheets with a direct or indirect impact on the country's development financing capabilities were prepared. The report for the factsheet compendium included a summary of the most recurrent gaps, policy implications, as well as a matrix of synergies and conflicts.

Policy mapping proved to be the exercise with the largest number of participants, involvement of government authorities and duration of all those carried out under CIFFRA. It involved four workshops for the presentation of results and nearly 20 technical meetings for drawing up factsheets. It is considered an essential point of the project, not only because it produced useful inputs for other deliverables, but also contributed to the public-public debate and building consensus on these matters.

ECLAC drew up a first content proposal for the policy factsheets, which was enhanced through interaction with representatives of the Cuban Government and academia. Each factsheet included the following elements:

- Selected policy design analysis:
 - Theoretical policy design
 - Main laws or regulations
 - Policy objectives
 - Stakeholders impacted by the policy or stakeholders influencing policy design and implementation
 - Public policy implementation organizations
 - Policy programs or instruments
- Gap identification:
 - External consistency
 - Internal consistency
 - Design gaps
 - Capacity gaps
 - Human resource capacity gaps
 - Regulatory and incentive gaps
 - Gender gaps
 - Policy measures
 - Indicators

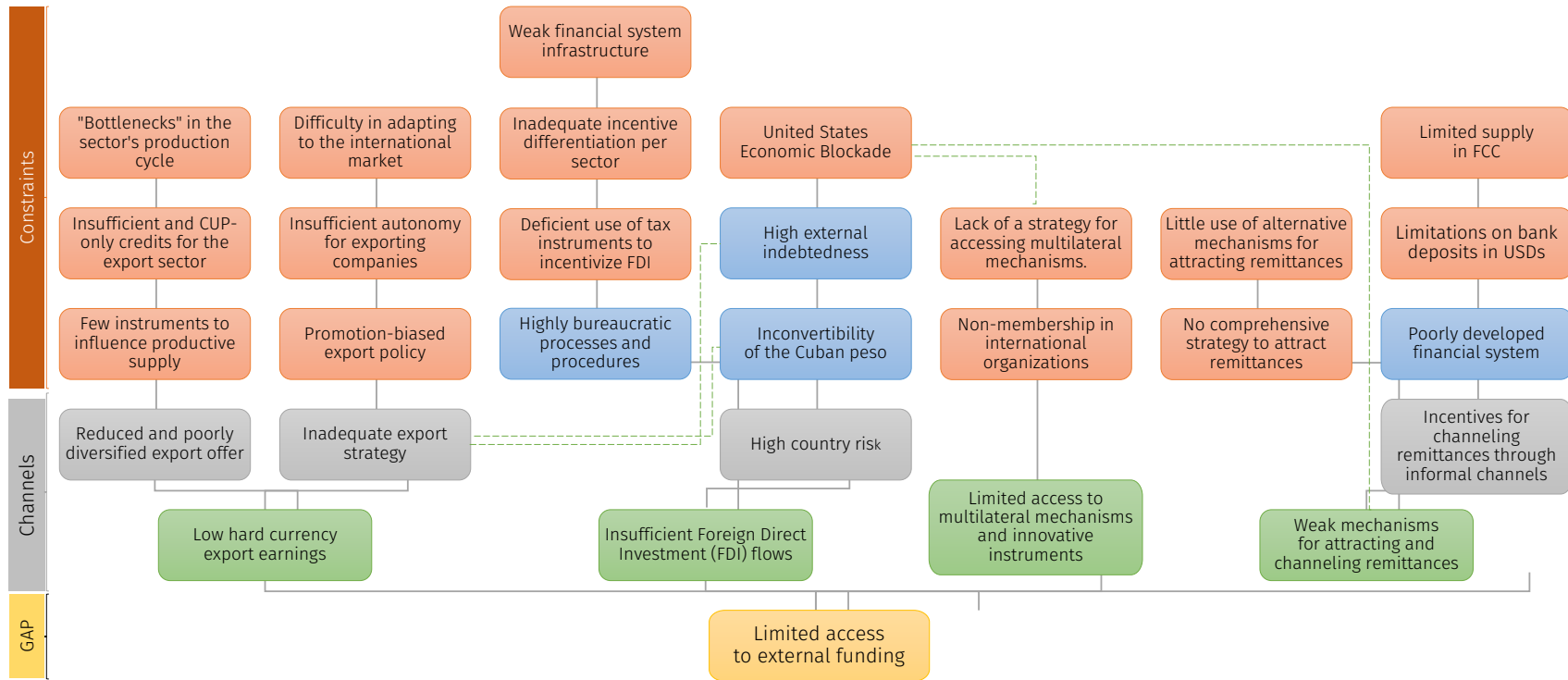
- (ii) Identification of binding constraints. As a continuation of Policy Mapping, a binding constraints identification exercise was carried out. Based on the SDG Fund's program guidance (United Nations, 2020c), 20 (binding) institutional constraints were identified which, if addressed or removed, could have a significant and multiplying impact on the achievement of Cuba's development financing strategy. Experts from academia and government designed four decision trees, evaluated 83 constraints, and proposed a first inventory of recommendations to address them.

The identification of binding constraints is based on the notion that it is not possible to remove or mitigate, accumulated constraints that have an impact on development financing problems all at once, therefore it is necessary to establish priorities. Hence, the exercise sought to identify a reduced set of constraints that will allow authorities to focus their efforts. Diagram 8 shows the tree of binding constraints for one of the four axes analysed.

As a corollary of the exercise, in an additional prioritization effort, the flower of development financing binding constraints in Cuba was drawn up (diagram 9), combining the results of the four major gaps studied. The joint exercise made it possible to identify 20 binding constraints that could mark a line of priorities in the PNDES financing strategy, aligned with the 2030 Agenda.

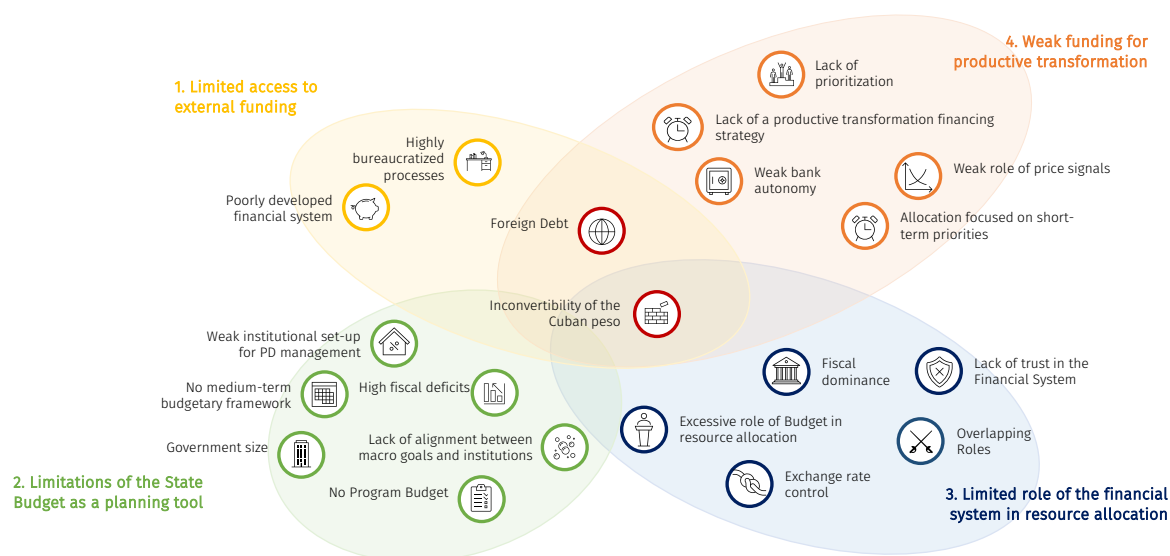
- (iii) Identification of risks. In a world of increasing uncertainty regarding the evolution of economic, political, social, environmental, and health variables, the identification of risks is of relevance to anticipate, to the extent possible, potential events that could divert the development financing strategy roadmap from its original goals. The ECLAC team prepared a development financing strategy risk identification report, based on a survey of 30 Cuban experts and the risk analysis carried out by the Economist Intelligence Unit (The Economist Group, 2022). Both the report and the survey can be applied by Cuban authorities in subsequent exercises. Chart 1 shows the sum of the average ratings for each risk resulting from the application of the questionnaire: probability of occurrence, costs of occurrence, impact on national finances and authorities' management capacities.

Diagram 8
Binding constraints: reduced access to external financing



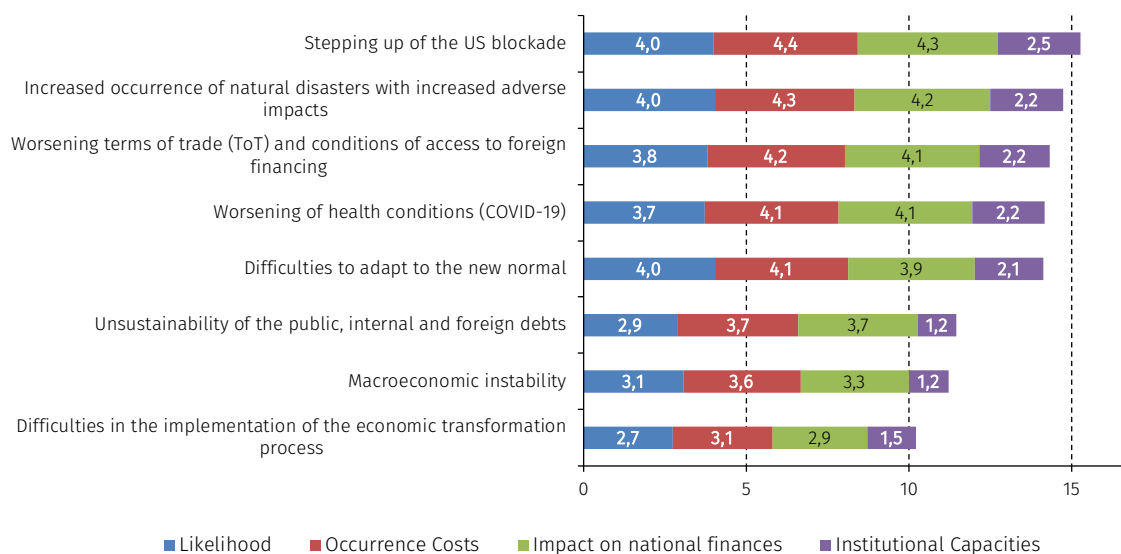
Source: Prepared by the authors.

Diagram 9
The flower of binding constraints



Source: Prepared by the authors.

Chart 1
Risk assessment by experts



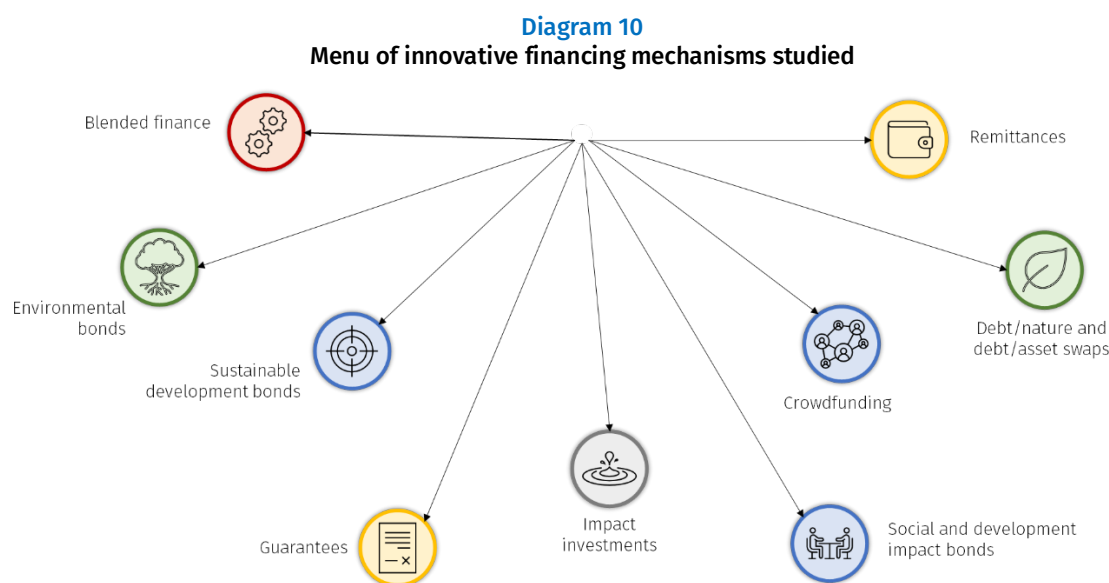
Source: Prepared by the authors.

Note: Values express evaluations from 1 to 5 for each risk according to each of the criteria in the legend.

D. International best practice identification exercises

Simultaneous to the quantitative exercises and institutional analysis, best international practices, both in terms of the use of development financing instruments and policies, were reviewed. These exercises were very useful to develop policy recommendations and identify potential opportunities not previously considered by Cuban authorities:

- (i) Innovative Financing Mechanisms. An international consultant from ECLAC drew up a menu of nine innovative mechanisms (main characteristics and experiences) that could be key for the country (see diagram 10). The result was discussed with Cuban authorities and finally presented in a seminar with national experts, in which alternative financing experiences from the specific Cuban context were also presented.
- (ii) Best policy practices in four key areas. A team of international experts set up by ECLAC, prepared a report on international (positive and negative) experiences in the implementation of four key development financing public policies: (i) attracting foreign direct investment (FDI); (ii) export promotion; (iii) public investment; and (iv) enhancing science, technology and innovation. The team made a particular effort to identify experiences that considered similarities with the Cuban case. The comprehensive work, which is over 300 pages long, was presented to and discussed with authorities in two workshops. As an example, box 1 summarizes the main findings on attracting foreign direct investment (FDI).



Source: Prepared by the authors.

Box 1**FDI: key policy lessons**

- Complementarity between trade and FDI: promoting local SMEs, their internationalization and integration into GVCs mutually reinforce the attraction of FDI.
- Creating integrated databases to inform FDI policies.
- Targeting FDI: quality determines impact.
- Design sector-, function- and region-specific measures that contribute to the gradual diversification of the economy.
- Articulation of incentives at regional, local and sectoral levels to avoid FDI concentration.
- Creation of investment agencies: clear governance and framework for internationalization and FDI with consistent and continuous articulation of responsibilities and mandates.
- Implementation of regulatory reforms, promotion of legal bodies to fight corruption and further facilitate doing business.
- Develop a green diversification strategy to maximize the benefits of natural resource based FDI.
- Selection of FDI incentives, e.g., tax exemption for fixed periods, selection or exclusion of sectors to promote local ecosystems, special economic zones operating under different rules, regulations for specific sectors (ecotourism, mining etc.), and prohibition of activities considered harmful.
- Avoid excessive dependence on large investors.
- Avoid indiscriminate tax exemptions to avoid creating a level playing field to the detriment of domestic firms.
- Minimize currency risk to ensure macroeconomic stability.

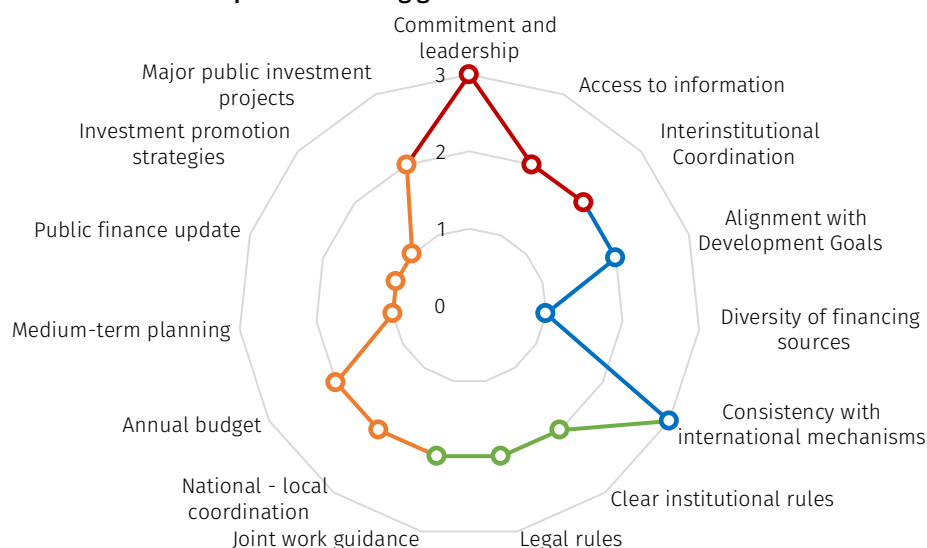
Source: Prepared by the authors.

E. Closing exercises of the phase

At the end of the evaluation and diagnostic phase, two reports were included that provided a cross-cutting vision of several of the actions implemented:

- (i) Governance and coordination. For a more in-depth diagnostic, the ECLAC team assessed the existing development financing governance and coordination mechanisms in Cuba based on 15 indicators proposed by the UNDESA guide for the SDG Fund (United Nations, 2021). These indicators can be grouped under four broad criteria: (i) coherence (red indicators); (ii) scope (blue indicators); (iii) institutions (green indicators); and (iv) key processes (orange indicators). All indicators were assessed on a range of 0 to 3 points: the higher the score, the higher the level of compliance (see chart 2). The report represented the closure of the institutional analysis exercises, highlighting policy planning and coordination challenges.
- (ii) Innovative financing agenda. In December 2021 ECLAC presented a proposal for an innovative development financing agenda for the region, as part of its special reports on COVID-19. The Technical Committee considered it was important to highlight which of these recommendations would be relevant for Cuba, from the perspective of the exercises that had been carried out. The report was a summary of the entire assessment and diagnostic phase, highlighting development financing opportunities in Cuba, as well as preliminary proposals (see box 2).

Chart 2

Assessment of development financing governance and coordination mechanisms in Cuba

Source: Prepared by the authors.

Box 2**Five key findings of the Innovative Financing Agenda analysis**

- Given the growing prominence of regional and sub-regional banks in development financing, Cuba should explore opportunities for financing and technical assistance from institutions such as the Development Bank of Latin America (CAF), the Central American Bank for Economic Integration (CABEI), the Caribbean Development Bank (CDB) and the New BRICS Development Bank (NDB).
- Despite having a large public bank distributed throughout the country, levels of financial intermediation in Cuba are very low. This means that one of the main sources of development financing in the region —national development banks— is not being harnessed. A review of the role, actors and instruments for domestic development bank financing is needed.
- The ongoing implementation and coordination of policies and instruments towards greater formalization of remittances and other cross-border flows, one of the country's main sources of financing, should be further strengthened.
- Three potential spaces for resource mobilization through innovative financing mechanisms have been identified: (i) external debt restructuring; (ii) green financing (taking advantage of Cuba's greater supply and prestige in this field), and (iii) access to capital markets through leading sectors of the economy (such as biopharmaceuticals) and the support of multilateral organizations.
- Exploration of these opportunities requires institutions in tune with a very dynamic field, that requires flexibility and specialized knowledge. In this sense, it is necessary to build consensus on the management of the capital account, easing and decentralizing financing management, and setting up specialized technical teams for the design, implementation, negotiation and monitoring of development financing instruments.

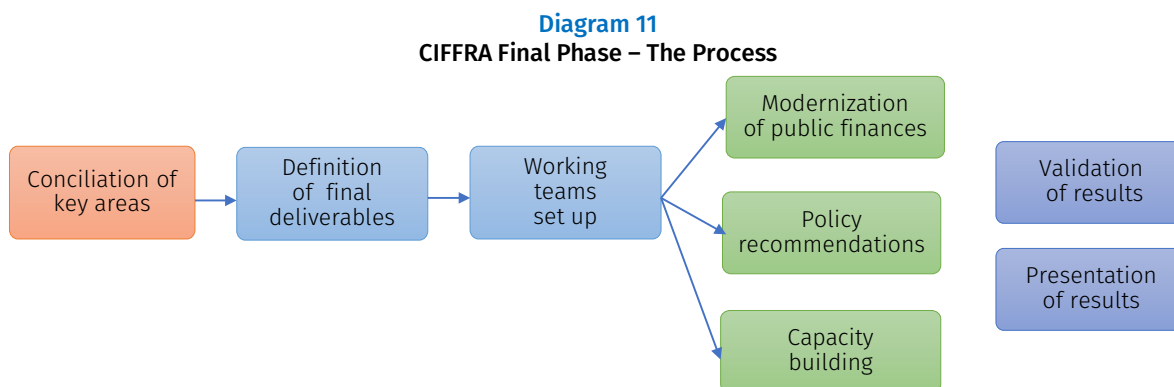
Source: Prepared by the authors.

III. Final phase: documenting opportunities, challenges and policy recommendations

The final phase of CIFFRA is the heart of the project, as it summed up the all the hard work and participatory process of the diagnostic phase into proposals for development financing policy recommendations and technology transfer in Cuba. It ran from January to September 2022 and ended with a workshop for the presentation of results, which attracted many participants from the different organizations involved in the joint program.

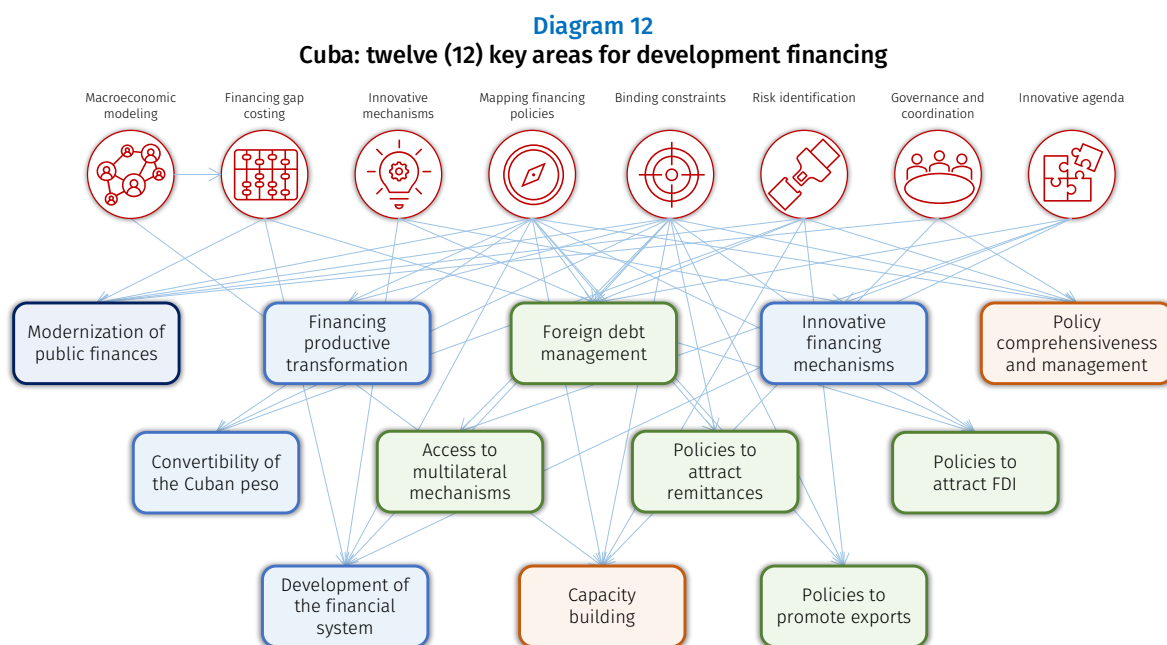
A. Planning

The first two months of this third phase were devoted to planning and prioritizing the final deliverables, based on the perception that a project covering the development financing strategy could not, at least in terms of time and available resources, respond to all the country's challenges in terms of policy recommendations. Four milestones marked the final stage of the process (see diagram 11):



Source: Prepared by the authors.

- (i) Defining key areas and deliverables. The definition of the final deliverables was the result of an iterative process of meetings of the Technical Committee with focal points and government representatives, through three fundamental steps:
- Presentation and approval of 12 key areas for development financing in Cuba, at the closing workshop of CIFFRA's assessment and diagnostic phase. The selection was made by ECLAC, cross-referencing the results of all the evaluation and diagnostic exercises (see diagram 12).
 - Presentation of the interests of authorities in these 12 areas based on meetings with each of the government institutions that are part of the project.
 - Presentation by ECLAC of a baseline proposal of 14 deliverables, which considered specific recommendations from the CIFFRA reports and the interests of authorities, limited to the 12 key areas.



Source: Prepared by the authors.

As a result of this process, three blocks of final products were defined:

- Recommendations to strengthen policies for financing productive transformation, attracting FDI and promoting exports, and attracting remittances.
- Exercises for the modernization of public finances: medium-term budgetary framework, balanced scorecard, and program budget.
- Exchange of experiences and training actions in key areas.

The selection of the final deliverables required time and great conciliation efforts. Not only technical elements and government priorities played a role, but also administrative constraints.

- (ii) Work teams set up. Once deliverables were defined, working teams were set up. The policy recommendation reports were drawn up by the ECLAC team with the support of a national consultant. Actions for the modernization of public finances were carried out with the support of external consultants, who applied international methodologies to the Cuban case. Training and experience sharing activities were also supported by international experts, although they were occasionally supported by national academics. Cuban counterpart focal points (both institutions and officials) were designated for all deliverables, while the overall coordination of the process continued to be carried out by the Technical Committee.
- (iii) Validation of results. A decisive element in the process of drawing up deliverables, was the validation of policy recommendations. As in the other phases of the project, the reports were the result of a highly participatory process. However, as these were policy recommendations, a greater number of discussion and validation sessions by authorities were required. This process reaffirmed the ownership of the results by government institutions.
- (iv) Presentation of results. As culmination of this work, a workshop was held in Havana on September 1-2, 2022, to present results, with the participation of Alejandro Gil (Minister of Economy and Planning and Deputy Prime Minister of Cuba), Raul García Buchaca (Deputy Executive Secretary of ECLAC) and other high-level government authorities (including six deputy ministers), ECLAC, UNDP and RCO authorities (see image 1). Also in attendance were the Executive Vice President of the Central American Bank for Economic Integration (CABEI), the Sub-Regional Representative of the International Fund for Agricultural Development (IFAD) and international and national academics.

Image 1

Cuba: workshop to present CIFFRA outcomes, September 2022



Source: Prepared by the authors.

The workshop served as a forum to make visible the results achieved by CIFFRA, discuss proposed recommendations and put on the table opportunities for the development of an integrated national financing framework. It was also a key step in consolidating process ownership by the Cuban Government for the medium- and long-term sustainability of CIFFRA. The Minister of Economy and Planning highlighted the relevance of the project and called for the design of a roadmap for the implementation of the main project recommendations. The workshop also confirmed the contribution of the project in strengthening communication and support channels as well as the relationship between the Cuban Government and the UN system.

B. Policy recommendation reports

The policy recommendation reports focused on areas of particular interest to authorities and that were repeatedly highlighted in the various CIFFRA reports:

- **Export promotion and FDI attraction.** The report was prepared by the ECLAC team based on a survey of the organization's experience in the region and the adaptation of its recommendations to the Cuban experience. It includes: (i) the main findings of the different CIFFRA reports on export promotion and FDI attraction; (ii) the premises and pillars for strengthening the strategy; (iii) 30 policy recommendations; and (iv) a set of annexes that explore opportunities for the export of goods using foreign trade data analysis tools.
- **Financing productive transformation.** The report was prepared by a local expert, with the support of the ECLAC team. It includes: (i) a diagnosis of productive transformation financing sources in Cuba; (ii) a diagnostic of financing sources for the agricultural sector; (iii) the premises and pillars for a productive transformation financing strategy; and iv) 30 recommendations to strengthen financing policies for the agricultural sector.
- **Attracting remittances.** The report was prepared by the ECLAC team based on a survey of the organization's experience in the region and the adaptation of its recommendations to the Cuban experience. It includes: (i) a summary of background information on remittances in the region, with a gender-sensitive approach; (ii) the main findings of the different CIFFRA reports on the attraction of remittances; and (iii) a proposal of four programs, their strategies and specific actions to strengthen remittance attraction policies in Cuba.
- **Integrated report.** The report was prepared by an ECLAC team and seeks to summarize the key messages of the project. Beyond specific results (documented in several reports), it proposes a cross-cutting analysis of development financing challenges in Cuba based on the experience accumulated by the Technical Committee and the coordinators of the Joint Program. The report includes an overview of development financing in Cuba and policy recommendations for the continued implementation of CIFFRA (premises and pillars of the development financing strategy, as well as recommendations for the improvement of governance mechanisms).

C. Exercises for modernizing public finances

The call for the modernization of public finances was a recurrent theme in the various CIFFRA reports. Three deliverables were produced under this objective:

- (i) **Balanced scorecard (BSC).** The Financing Gap Costing report recommended the development of a BSC to monitor SDGs and provided an example for the PNDES infrastructure axis. Based on this methodology, the ECLAC team drew up a BSC for the whole PNDES and its financing sources. The tool is available to authorities and provides an opportunity for continuous improvement and monitoring of PNDES targets and indicators.
- (ii) **Medium-term budgetary framework.** With the support of the international consultant who led the Financing Gap Costing exercise, a 2023-2026 Medium-Term Budget Framework was developed. The report was delivered to authorities together with the data analysis tools, so it can be updated based on new information and/or policy priorities.
- (iii) **Program budget.** The difficulties that the lack of a program budget created for monitoring the PNDES and improving the efficiency of public spending were highlighted in many exercises. The transition towards such a budgetary scheme, although necessary, requires long implementation periods. To this end, the UNDP team organized various workshops for experience sharing, training and consensus building with national and international stakeholders. The main result was a roadmap for the transition towards a program budget, which was followed up with a CIFFRA-UNDP extension.

D. Capacity Building

Also recurrent in CIFFRA's warnings was the need to strengthen capacity building to cope with development financing challenges. Specific knowledge and tools are required for the implementation of financing policies in the context of the country. To this end, two lines of action have been designed:

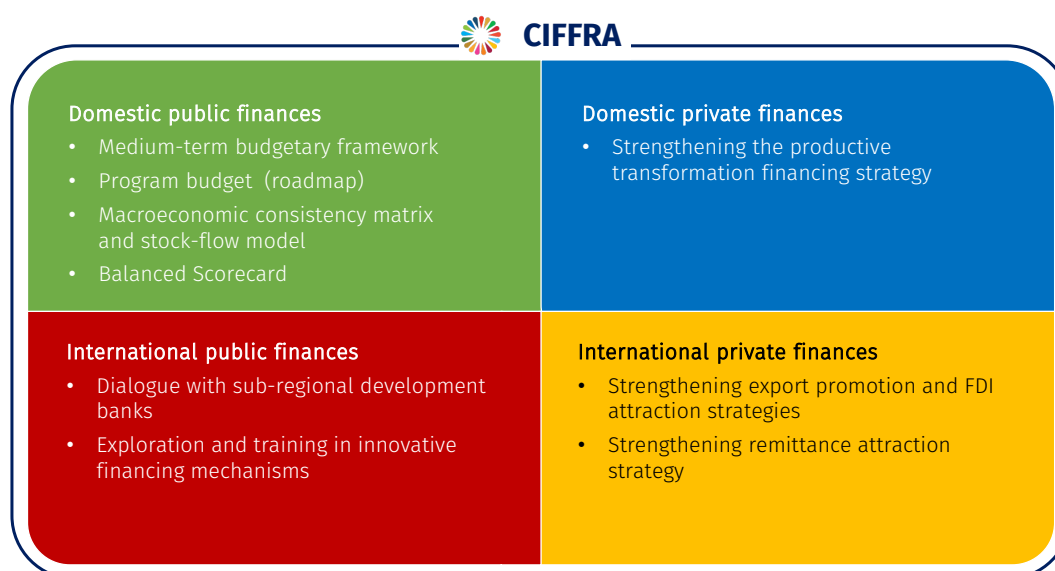
- (i) **Thematic seminars.** Three thematic seminars were held on relevant topics, previously agreed with authorities, which were among the priorities identified by CIFFRA: (i) development banking challenges in Cuba; (ii) convertibility of the Cuban peso and development financing, and (iii) experience sharing with three central banks in the region on the recording and compilation of family remittances. In all cases, presentations by international and national experts were made. The resulting discussion served as input to the policy recommendation reports.
- (ii) **Training courses.** Based on the identification authority's needs, three training activities by international experts were carried out for Cuban officials and academics: (i) stock-flow macroeconomic model (training in the interpretation and use of the model through the programming language R); (ii) foreign trade data analysis tools, and (iii) innovative financing mechanisms (Mexico's experience in the issuance of SDG bonds). In all cases, in addition to the courses, participants were provided with abundant literature, tools and practical examples on the concerned topics.

Diagram 13 summarizes CIFFRA's main deliverables according to the DFA scheme area they address. As a result of the analysis and prioritization work, strengthening development financing is focused on:

- National public finances: medium-term budgetary framework; program budget; macroeconomic model; and balanced scorecard.
- International public finance: dialogue with sub-regional development banks, and exploration and training in innovative financing mechanisms.
- National private finance: strengthening the strategy for productive transformation financing.
- International private finance: strengthening export promotion and FDI attraction strategies; strengthening diaspora investment attraction strategy and the productive use of family remittances.

Diagram 13

Key elements for the implementation of an integrated development financing framework in Cuba



Source: Prepared by the authors.

IV. Other CIFFRA dimensions: support and communication

Finally, it is useful to comment briefly on the experience of administrative management, coordination and communication of the project:

- (i) The COVID-19 context. CIFFRA inception and assessment and diagnostic phases (July 2020 to December 2021) coincided with highest peaks of the COVID-19 pandemic in Cuba and the world. This entailed serious limitations for the implementation of face-to-face events (their prohibition or limited number of people in rooms) and face-to-face training and technical assistance actions with international consultants. As a result, only half of the project budget foreseen for travel could be executed.

The Technical Committee was forced to innovate to ensure compliance with the CIFFRA roadmap and targets. Accordingly: (i) it promoted online or hybrid meetings and events (national participants in the room and international experts online); (ii) travel budget surplus was used to hire more international consultants and increase deliverables; and (iii) desk-based work for drawing up reports and deliverables (with few face-to-face activities) was promoted. As with the rearrangement of professional activities during COVID-19 around the world, some of these practices proved to be very effective in coordinating and streamlining work.

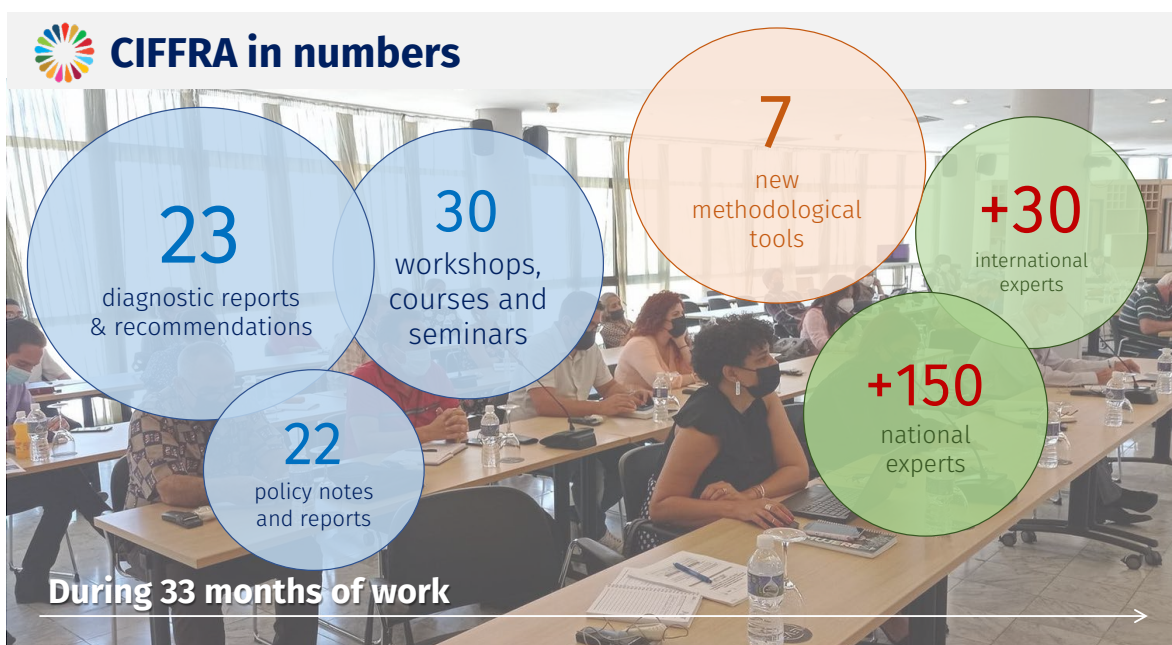
- (ii) Coordination and operation of committees. The governance of the project was essential for achieving results. Although the performance of governance mechanisms is influenced by multiple factors, three practices were relevant for CIFFRA:
 - The different parties (UN agencies and the government) selected, in all cases, highly qualified and motivated focal points for the project.
 - Regular and clear-cut communication channels were established between the ECLAC and authorities, between the various UN agencies and the Technical Committee. The Steering Committee did not need to hold many meetings, due to the agility and effectiveness of the technical team to advance in the substantive tasks of the project.

- The Steering Committee and other high authorities linked to CIFFRA promoted the project and showed ownership from the beginning.
- (iii) Working teams. The technical rigor of CIFFRA exercises, particularly in the complex environment for data and information management in the country, was largely due to the quality of the teams that worked on the different project deliverables: (i) ECLAC and UN officials; (ii) international experts; and (iii) national experts from academia, government and the business sector. The unquestionable reputation of the personalities engaged (former Cuban and foreign ministers, prestigious academics, successful entrepreneurs, current executives, and officials) and the creation of multidisciplinary working and debating teams among them were instrumental.
- (iv) Capacity building. A direct and indirect result of CIFFRA was capacity building, through three main groups of actions: (i) 30 training or result presentation workshops; (ii) design and delivery to authorities of seven methodological or data analysis tools; and (iii) drawing up and delivery of 23 strategic documents with updated diagnostics or policy recommendations. Indirectly, discussions and debates, as well as the involvement of officials in the preparation of CIFFRA deliverables, contributed to systematizing knowledge, as well as to building consensus and understanding on development financing opportunities in the country.
- (v) Budget management. Budget management also posted significant challenges, mainly due to: (i) the impact of COVID-19 on international prices of goods and services; and (ii) the impact of the stepping up of US sanctions on the country's ability to procure inputs and make payments in international markets. These issues not only led to higher air fares or difficulties in procuring inputs for the project, but also made the contracting of international consultants more complex and made it difficult to estimate the likely evolution of CIFFRA's expenditures. Once again, coordination among UN agencies and with the Cuban Government facilitated this process. In this sense, the support of UNDP infrastructure in the country was key for the fundamental logistical arrangements.
- (vi) Communicational policy. In an environment of greater project ownership by authorities, the dissemination of the project's performance and results was subordinated to the decision of national counterparts. The ECLAC team, with the authorization of the Government of Cuba, prepared a set of materials documenting the CIFFRA experience: (i) 22 policy notes describing the main outcomes achieved (ECLAC, 2023); (ii) five concept papers published on the ECLAC website; (iii) 10 printed concept papers for official use; and (iv) three audiovisual materials summarizing the results and assessments of the project by its main protagonists.

V. Final reflections: CIFFRA as a starting point

CIFFRA is not a finish line, but a starting point. In addition to the specific deliverables provided to Cuban authorities (see image 2), it has identified key development financing areas and opportunities for future collaboration. Likewise, it has introduced the relevance and diversity of development financing means in the debate of national public and academic institutions and has consolidated and opened new channels of communication with the government, while strengthening relations among UN agencies and revealing good practices for the development of joint programs.

Image 2
CIFFRA in numbers



Source: Prepared by the authors.

CIFFRA has had several ramifications:

- Given its first results, the RCO proposed that Cuba applied to another SDG Fund (enabling framework for environmental finance management).
- The SDG Fund authorized an extension of the project for the implementation of policy recommendations (financing SMEs in the agricultural sector), as part of the development emergency modality (DEM).
- UNDP authorized another extension of the project to draw up a roadmap for the transition to a program budget.

Accordingly, CIFFRA offers a wide range of opportunities to continue supporting capacity building for the Cuban Government and contributing its good practices to other Integrated National Financing Frameworks. In closing, box 3 shows the results of 18 interviews carried out by an international consultant⁵, as part of the Joint Program final narrative report, to representatives of the government, academia and United Nations agencies that were involved in the project.

Box 3a

Results of the interview to CIFFRA participants

Key transformative results

1. Increased institutional capacity and ownership for SDG implementation management.
2. Strengthened financing and governance mechanisms.
3. Improved planning, information management and monitoring, with a gender-sensitive approach.

CIFFRA added value

1. Collaborative and consultative process
2. Adaptability to the context
3. Experience sharing
4. Synergy with the academia
5. Harnessing local expertise
6. High-quality technical assistance

Source: Prepared by the authors.

⁵ As indicated by the SDG Fund, an international consultant was hired to produce the joint program final narrative report.

Box 3b**Results of the interview to CIFFRA participants****A. Challenges**

1. Access to financing sources remains a challenge
2. Institutional coordination in financing systems
3. Technical and human capabilities to implement the roadmap
4. Restrictive external environment: US blockade and sanctions against Cuba
5. Insufficient regulatory environment to attract FDI
6. Central-territorial coordination gaps

B. Criteria for CIFFRA sustainability

1. High political will at decision-making level
2. Strong coordination with implementing agencies
3. Approval of project extension (top-up)
4. Need for more training and technical assistance for implementation

C. Lessons learned

1. Institutional participation and involvement of government counterparts is fundamental for success.
2. Relevance of involving academia and contextualizing international experience.
3. Involving local young professionals is relevant to promote new perspectives.
4. Inter-agency coordination is a key lever.
5. Capacity to generate public-public debate and broad discussions on development financing bottlenecks.
6. Quality data and technical capacity are essential for SDG monitoring.
7. The guidelines established for the implementation of the Joint Program and the development of the INFF required adaptation to the conditions and needs of the context.
8. Establishing representative and highly participatory governance structures is essential to ensure the necessary institutional arrangements and acceptance by governments of the importance of the financing strategy and its mechanisms.

Source: Prepared by the authors.

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The Joint Program “Support for the development of an Integrated National Framework for Financing the SDGs in Cuba” or CIFIIRA is part of the more than 70 international experiences promoted by the United Nations system to finance the 2030 Agenda. The implementation of CIFIIRA required a process of learning, assimilation, and innovation, given the peculiarities of the Cuban economy and the realization of the project in the midst of the crisis caused by COVID-19.

This report describes in detail the process followed to carry out the project, summarizing the key milestones, lessons, challenges, and contributions. Systematizing the CIFIIRA experience can guide similar processes in other countries and serve as a guide for the Cuban government to replicate similar exercises in the future.



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