



Joint Programme 2022 Annual Progress Report

SDG Financing Portfolio - Component 1

Cover page

UNCT/MCO: Cuba

Reporting Period: 1 January - 31 December 2022

JP title: Support for the Development of an Integrated National Financing Framework for the SDGs in Cuba

Stakeholder partner: National Government; Academia;

Thematic SDG Areas: Food systems transformation;

PUNOs: Economic Commission for Latin America and the Caribbean, UNDP

Top- up received as part of DEM: Yes

Total estimated expenditures: US\$ \$ 815.1

Total estimated commitments (including expenditures): US\$ \$ 815.1

Gender Marker: Gender-sensitive (for example, the JP acknowledged and aimed to address gender to enhance the policy/programme, such as undertaking gender analysis to ensure policies/programmes do no harm)

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Executive Summary

The JP team prepared, delivered and discussed with the Cuban authorities a broad range of policy recommendations, through: i) an integrated report that summarizes more than 100 policy recommendations, their principles and pillars, ii) 3 policy recommendations reports in key areas for financing for development in Cuba (financing for productive transformation, export promotion and FDI attraction and remittances attraction), iii) a Medium-Term Budgetary Framework exercise for 2023-2026 and a Balanced Scorecard for monitoring the National Development Plan 2030, and iv) 6 training courses and seminars on relevant topics requested by the Cuban authorities.

The elaboration and discussion of these policy recommendations complies with outcome 2 of the JP (development of a policy framework for financing the SDGs), it is fully aligned with the country's priorities (opening new spaces for policy dialogue with the authorities and future collaboration in this field) and it has made a significant contribution to outcome 2 of the CF (productive transformation).

On September 2022, a workshop was organized in Havana to present and discuss the main results of the JP. It was chaired by the Minister of Economy and Planning of Cuba, the Deputy Executive Secretary of ECLAC, the UN RC of Cuba, the Resident Representative of UNDP in Cuba and other senior officials from the Cuban government

(including six vice ministers), the United Nations, regional financial institutions, and international and national experts. The Minister of Economy and Planning highlighted the relevance of the JP to support the efforts of the Cuban authorities to confront development financing challenges in the current context. The Minister requested that UN entities provide a roadmap to implement the JP's main policy recommendations.

Government organizations also underlined the importance of the SDG Lab as a tool for monitoring and evaluating policy. The Ministry of Economy and Planning (MEP) validated the methodology to define the financial dimension of the Initiatives within the Lab. The Lab has been strengthened by adding a new Budgeting Module, with new functionalities. These Initiatives were identified and classified according to a methodology developed to select those with greater impact on accelerating achievement of the SDGs.

The same organizations acknowledged the challenges involved in reinforcing the capacity for the measurement of SDG indicators in Cuba. An Action plan was approved by MEP to improve reporting.

A training and capacity building program on Gender Equality and Equity, as a key principle for the funding of SDGs, was implemented.

In 2022, the SDG Fund Steering Committee approved a top-up grant from the Fund's Development Emergency Modality (DEM), to implement a number of the proposed policy recommendations focused on strengthening financing for productive transformation.

Annual Progress

Overall JP self-assessment of 2022 progress:

On-track (expected annual results-achieved)

Overall progress and key developments to date (3 key JP milestones)

In 2022, more than 200 national experts (mainly government officials and scholars) and more than 40 international experts (consultants and officials from ECLAC, UNDP and RCO) participated in JP's activities. 12 workshops and 3 training courses were organized, while 15 reports and 12 policy notes were prepared and delivered to the authorities. Three new methodological tools were developed and shared with the Cuban government. The JP reached 9 key results in 2022:

1. Three reports of recommendations were delivered to the authorities to strengthen policy strategies to: i) promote exports and attract FDI, ii) finance productive transformation, and iii) attract remittances. In addition, an integrated report was produced that summarizes more than 100 policy recommendations, its principles and pillars.

2. Three actions were carried out for the modernization of public finances: i) preparation of a Balanced Scorecard to monitor the objectives of the National Development Plan 2030, ii) preparation of a Medium-Term Budgetary Framework for the period 2023-2026, and iii) first steps towards a Program-based Budget.

The JP contributed to celebrate the First National Workshop on Program Budgeting with the participation of the Prime Deputy Ministers from Finances and Prices and Economy and Planning. The workshop aimed to present the key areas of change needed to implement Program Budgeting in Cuba, while collectively identifying the main challenges for this goal. Over the course of three days, forty-five government officials –mostly from MEP and MFP- but also from sectorial ministries, academia and research centers, and UNDP consultants and specialists attended the event. Twenty of the participants were women.

3. Capacity building actions were carried out, including: i) three thematic seminars on key issues (development banking, peso convertibility and remittance registration), and ii) three training courses for public officials (financial programming, foreign trade data analysis and innovative financing mechanisms).

4. A new module was presented for updated budgeting for the SDG Lab, with new functionalities and information, contributing to the efforts to achieve the SDGs in the country. This result was based on the procedure to determine the economic dimension of the SDG Laboratory Initiatives.

5. An important milestone regarding Gender Equality was conducting a course for policy makers at national and subnational levels on “Inclusive financing policies for the sustainable development”. This course was based on the foundational program on Gender Equality and Equity.

6. CIFFRA also supported the National Office of Statistics and Information, and the Justice Ministry, Health Ministry, Cuban Women Federation, among others on the development of the indicators for the SDG 5 and 16. The First Workshop of Governance, Citizen Security and Gender and Intra familiar violence, was the tool to achieve this milestone. Over seventy persons participated in this workshop, from ONEI, the Cuban Women Federation, Ministry of Justice, MEP, Banks, and other relevant stakeholders. Thirty of them were women.

7. Another important result was the identification of 80 Initiatives to accelerate achievement of the SDGs and the elaboration of 30 files of the most promising initiatives with greater potential to accelerate SDGs.

8. A workshop was held to discuss the main results of the JP. It was chaired by the Minister of Economy and Planning of Cuba, the Deputy Executive Secretary of ECLAC, and the UN RC and the Resident Representative of UNDP in Cuba. It was also attended by senior officials from the Cuban government (including six vice ministers), the United Nations, regional financial institutions, and international and national experts. The Minister of Economy and Planning highlighted the relevance of the JP to assist the Cuban authorities to confront development financing challenges in the current context. He requested that UN entities provide additional support

Main Challenges, adjustments and lessons:

- Constraint 1. The Cuban government launched a monetary unification process in January 2021. This process combined currency devaluation, exchange rate unification, wage increases, subsidies reduction and changes in price formation mechanisms, with strong impacts on relative prices, resources allocation, and national accounts, which could have significant impact on the assessment of the quantitative exercises conducted under the JP. Close collaboration has been built with the government (especially with the Ministry of Economy and Planning) and the academia, which has made it possible to foresee potential impacts of the monetary unification process and adjust data, assessments, and projections to the new context.

- Constraint 2. The blockade of the United States of America to Cuba has had direct impacts on the implementation of the JP: i) cancellation of previously scheduled seminars for fear of the consultants that their working relations with US institutions would be impacted, ii) cancellation of travels to Cuba or significant increases in travel costs due to possible difficulties in traveling to the US after visiting Cuba, and iii) increasing costs and delays in money transfers for JP payments, due to commercial and financial sanctions against the country. As the blockade is a set of extraterritorial sanctions, its impacts are hard to avoid or mitigate.

- Lesson. The government's commitment and fluid communication channels with national counterparts and among United Nations agencies have been key to the success of the JP, consistency in the implementation of the roadmap, and alignment with the country's priorities. Close coordination among UN agencies has been also very important in order to overcome restrictions such as the US blockade and excessive red tape in some UN administrative processes. This has been crucial to consolidating the authorities' ownership of the project and, in this way, enabling new communication channels with the UN system and spaces for new collaboration projects.

SDG Acceleration

17.3 The policy recommendations of the JP aim at diversifying and coordinating the sources of financing for development, with emphasis on promoting exports, attracting FDI, attracting remittances and investment for the diaspora, and accessing multilateral mechanisms. The Medium-Term Budgetary Framework exercise for 2023-2026, the transition to a Program-based Budgeting system, and the proposal for a development financial institution for the agricultural sector are direct contributions to a better use of existing capacities and resources (public finances and banking).

17.14 The policy recommendations of the JP in terms of governance, as well as the promotion of dialogue among public institutions and the generation of consensus through 14 workshops and seminars with more than 300 national and international experts, are a direct contribution to the coherence of policies for sustainable development (specifically for development financing).

17.18 The development of the Lab SDG platform and the strengthening of capacities to measure SDG indicators have contributed to improving national capacities to compile and use timely, reliable, and quality data.

Updates on SDG financing framework

	Assessment Diagnostics	Financing Strategy	Monitoring Review	Governance Coordination
Inception phase				
Previously Completed	Previously Completed	Completed (100%)	Completed (100%)	Completed (100%)

Descriptions on progress by INFF building blocks

Inception Phase:The inception phase was adjusted in order to speed up the implementation of the workplan, especially due to the impact of the Covid-19 restrictions at the onset of the JP. At first, the main efforts were dedicated to building the UN team, hiring the Cuban consultant to support the JP in the field, and setting up the Technical and Steering Committees. The first two activities of the JP were carried out as part of the inception phase: Prioritization of the SDGs and Financial Landscape Mapping. The implementation of these two activities was crucial to better understand the priorities of the government agenda and the financial outlook of the country. With these inputs, the Technical Committee analyzed and discussed a JP roadmap that was finally approved by the Steering Committee in February 2021. The roadmap was organized in four phases: i) inception phase, ii) diagnosis and evaluation phase, iii) policy recommendations phase and iv) ongoing implementation (beyond the conclusion of the JP). This roadmap has been met, with only minor adjustments.

Assessment & Diagnostics: The assessment & diagnostics phase was carried out through three main channels: 1. Quantitative analysis. The financing needs (costing) of the national development plan were estimated by 6 Cuban experts, led by an international consultant. In addition, the ECLAC team developed a stock-flow macroeconomic model, in order to assess counterfactual questions about the costing results. 2. Institutional analysis. Given the ongoing economic transformations in Cuba, the analysis of institutional change had a special relevance. Policy mapping was the most complex exercise carried out under the JP. During five months, almost 60 experts produced five books that summarized the main gaps in the design and implementation of 23 public policies related to the financing for development in Cuba. Based on these inputs and with the support of a group of experts, binding constraints were identified for 4 major areas: external financing, public budget, financial system, and financing for productive transformation. A diagram (“flower”) of 20 binding constraints summarized the main institutional limitations to financing for development in Cuba. Finally, a risk assessment of the development financing strategy was carried out. 3. Best practices. Two main activities were carried out to explore international good (and bad) practices in financing for development instruments and policies: i) an international consultant prepared a "menu" of innovative financing mechanisms relevant for the Cuban case, ii) a group of experts from the London School of Economics (LSE) and ECLAC studied the international experience in the design and implementation of 7 key policy areas: export promotion, FDI attraction, public investment, capacity building, attraction of remittances, debt management and crowdfunding. The Financing needs, Policy mapping, Binding constraints and Risk assessment exercises were designed considering the DFA methodology and the building blocks guidance materials provided by the INFF platform, adapted to the scope and goals of CIFFRA. A report that discusses an Innovative Financing Agenda proposed by ECLAC for the region and its readings for the Cuban case, served as conclusion and summary of lessons learned in this phase.

Financing Strategy: CIFFRA formulated a set of recommendations in key areas, previously identified jointly with experts and authorities, as well as various capacity building initiatives implemented in these fields and the definition of a roadmap for the implementation of the main policy recommendations. As part of this set of recommendations, 8 main products were implemented: i) Medium-Term Budgetary Framework for the period 2023-2026, with the support of an international consultant, ii) Balanced Scorecard for monitoring the National Economic and Social Development Plan until 2030, iii) Report on recommendations to strengthen national export promotion and FDI attraction policies, iv) Report on recommendations to strengthen national productive transformation financing policies, v) Report on recommendations to strengthen national policies to attract

remittances, vi) Integrated report with the main 15 lessons learned from the CIFFRA Joint Program, together with a summary of recommendations for the improvement of governance mechanisms, as well as the definition of the pillars and principles of the development financing strategy, vii) Roadmap for the implementation of the main policy recommendations, and viii) First steps for the design of a roadmap for the transition towards a Program-based Budgeting system. More than 200 national experts (mainly government officials and academics) and more than 40 international experts (consultants and officials from ECLAC, UNDP and RCO) participated in these activities. 12 workshops and 3 training courses were organized, while 15 reports and 12 policy notes were prepared and delivered to the authorities. Three new methodological tools were developed and shared with the Cuban government. These recommendations were presented in September 2022 to the Minister of Economy and Planning of Cuba, the Deputy Executive Secretary of ECLAC, the UN RC and the Resident Representative of UNDP in Cuba and other senior officials from the Cuban government, the United Nations, regional financial institutions, and international and national experts. The recommendations and resulting strategy are currently being discussed. However, given the starting point for the Cuban case (dispersion, disconnected and weak institutions involved in development financing policy environment), the search for consensus around the JP proposal is already an important achievement in itself. The Minister of Economy and Planning requested that the JP develop a roadmap for the implementation of the main suggested policy recommendations.

Monitoring & Review: CIFFRA also advised on relevant actions to strengthen Monitoring and Review of the SDG in Cuba, with a gender equality approach, and proposed a Procedure to determine the economic dimension of the Initiatives contained on the SDG Laboratory. As part of these initiatives three main products were achieved: 1. Diagnosis of the relevant topics and Action Plan to prioritize capacity strengthening for measurement of SDG indicators in Cuba. 2. Identification of initiatives to accelerate the implementation of SDGs in Cuba. 3. Proposal of a procedure to determine the economic dimension of the SDG Laboratory Initiatives. The diagnosis of the topics to prioritize capacity strengthening for measurement of SDG indicators in Cuba is the gateway towards an action plan to act on three key strategic pillars to enhance reporting and monitoring the SDG indicators in the country. Those pillars are: • Strengthening current capabilities, • Building new capacities and lastly, • Innovation and communication. A methodology was elaborated to identify initiatives aimed at accelerating implementation of the SDGs. 80 initiatives were identified and 30 files elaborated of those most promising initiatives with greater potential to accelerate achievement of the SDGs. In the case of the procedure to determine the economic dimension of the SDG Laboratory Initiatives, it constitutes a starting point to calculate the financing foreseen for each one. This gives the possibility for each organism to modify its internal procedure to accommodate the methodology, given a previous communication with the Ministry of Economy and Planning. This result also classifies the Initiatives in two tiers: those planned as Current expenditure, and those conceived as Capital expenditure.

Governance & Coordination: CIFFRA's governance mechanisms include a Steering Committee with the main functions of providing strategic guidance and oversight for the implementation of the INFF, ensuring alignment with national priorities, the SDGs and the Cooperation Framework for Sustainable Development of the UN, ensuring coordination and synergies between the participants, guiding the implementation of the roadmap and the relevant reports, and reviewing the risk management strategy. The Steering Committee is made up of senior representatives of ECLAC (the governing body), UNDP and the RCO, as well as various Cuban government institutions: the Ministry of Economy and Planning (Cuban leading institution), the Ministry of Finance and Prices, the Ministry of Foreign Trade and Foreign Investment, the Central Bank of Cuba and the National Office of Statistics and Information. The Steering Committee has delegated its executive functions to the Technical Committee. With the aim of improving the governance and coordination mechanisms of financing for development in Cuba, ECLAC prepared a diagnosis of the Planning and Finance system in Cuba, which includes recommendations to strengthen the existing system. The Steering Committee is a new body (it did not exist before CIFFRA). The JP included among its recommendations that this Committee continues to operate after the completion of the project, for the ongoing implementation of the INFF and the coordination of financing policies of the National Development Plan 2030.

Annual Reporting on Results

JP contributions to the Joint SDG Fund's global cost of living crisis

There is a direct connection between CIFFRA and the response to the crisis since financing restrictions and their tightening in recent years are among the main limitations for Cuba to emerge from the crisis. The policy recommendations that emerged from the JP, such as those related to the promotion of exports, the attraction of FDI, the attraction of remittances and the modernization of public finances, are key to overcoming the crisis.

In the case of the top-up (DEM), work is being done to support the financial inclusion of SMEs and other small actors in the agricultural sector (where prices and scarcity have hit severely), through 6 fundamental actions:

1. Design proposal for a development financial institution (DFI) for the agricultural sector, adapted to the particularities of Cuba.
2. Mapping of opportunities for the use of digital payment channels, especially for SMEs and other local actors.
3. Deepening the exchange of experiences with development financial institutions in the region, to delve into some of the issues discussed in the mission to Mexico, based on specific requests from the Cuban authorities.
4. Mission to visit financing experiences for SMEs and cooperatives in the agricultural sector, to broaden knowledge of practical financing experiences in the sector, from the perspective of users of financial services.
5. Training on financial inclusion, microfinance and business plans for small companies for representatives of SMEs and other local stakeholders in the agricultural sector.
6. Review and printing of the finance manual for small businesses, prepared by Cuban academics. The manual will be printed and will be available to the authorities as promotional and dissemination material.

The capacity building actions have been concentrated on the provinces of Villa Clara and Sancti-Spíritus, where other UN projects for the promotion of SMEs are being developed. There is a permanent dialogue with the authorities for the development of these actions based on the priorities of the country. However, there is no explicit commitment to use these results to shape a sustainable response to the crisis.

In March 2023, a Top-up closing workshop and a Steering Committee will be held for the presentation of final results and discussion of the mechanisms for the implementation of the INFF for Cuba (CIFFRA) and the Top-up initiatives once the JP is concluded.

Next steps, scaling and sustainability [400 words]

The SDG Fund Steering Committee approved a no-cost extension until March 2023 for the completion of the JP, specifically the top-up grant from the Fund's Development Emergency Modality (DEM). The three main products of the DEM will be completed in the next three months, including: i) designing a financial development institution to promote credits and financial inclusion of SMEs and other local actors in the Cuban agricultural sector, ii) South-South exchanges of experiences with financial institutions in the region on issues of interest to the Cuban authorities, especially the development of payment systems, and iii) capacity building to improve access to financing for SMEs and other local actors in the agricultural sector.

In the last few months, emphasis has also been placed on capacity building activities and the delivery of materials specifically requested by the authorities, as well as seminars and workshops to present and discuss the main results, in order to strengthen involvement and ownership of the government in the JP. These actions have made it possible to build medium- and long-term relationships and open up opportunities for future collaborative projects, aligned with the country's priorities.

Priority Cross-cutting Issues

Cross-cutting results/issues

The INFF for Cuba (CIFFRA) in this first stage followed mainly a macro approach (governance, monitoring, evaluation, and policy recommendations). It adopted a gender perspective and promoted the development of SDG data, where feasible.

The design of the final products of CIFFRA has adopted a gender perspective. In the workshops there has been a gender balance among the attendees (51% are women) and many of the reports delivered to the authorities have been presented or led by women officials or scholars.

In 2022, a wide and rich set of activities was carried out, promoting the participation of key entities with experience in gender and women's empowerment, such as the Federation of Cuban Women (FMC), the Center for Women's Studies, the Center for Demographic Studies (CEDEM), the Community Development Center (CEDEL), Women's Chair of the University of Havana and Center for Youth Studies.

The Joint Program Results Framework established 6 gender logic indicators (4 gender sensitive and 2 gender specific) that show the relevant conditions for proper monitoring of the gender marker. A Gender Technical Group validated relevant evidence of gender-finance initiatives/projects from the SDG perspective implemented by public and private actors in Cuba.

In terms of gender sensitive and SDG data, a document with the lessons learned from the implementation of the Training Program on Gender Equality and Equity as a key principle in the financing of the SDGs was prepared, SIGOB experts from the UNDP Regional Project visited the Ministry of Economy and Planning to strengthen and introduce new technical modules (indicators and budget) in the Digital Lab SDG platform, and the set of SDG indicators reported by Cuba in the SDG Lab Platform was update with the incorporation of new development initiatives.

How did the JP apply the Gender Marker

The JP is Gender-sensitive (for example, the JP acknowledged and aimed to address gender to enhance the policy/programme, such as undertaking gender analysis to ensure policies/programmes do no harm). Evidence, data collection and analysis (e.g. gender assessments of programmes; policy briefs, costing for scale-up of social services);Capacity development (e.g. training of social workers, local governments, local communities);

Focus on LNOB cross cutting principles

Human Rights	Persons with disabilities	Youth	Environmental and social standards
No	No	No	No

Strategic Partnerships, Documents and Communications

How did the JP facilitate collaboration with diverse stakeholders in the SDG financing space

National authorities, especially the Ministry of Economy and Planning, are the strategic partners. Their commitment to and ownership of the JP was crucial to its success. The JP did not obtain additional financing from other stakeholders.

Donor and Strategic events attended by JP in 2022

JP steering committee/ programme board meeting	Strategic partners/ donors event	Closing meeting/ event
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No	Yes		Yes		
JP contribution to SDG Financing					
Drafted a bill, strategy, and/or approved a law increasing the fiscal space for the policy focus	Produced financing, costing, diagnostic and feasibility analyses as a basis to invest or increase spending on the SDGs	Improved efficiency (cost savings) in management programmes/schemes	Improved effectiveness of (value for money; social impact of \$1 spent) sector investment on the SDGs	Drafted policies/regulatory frameworks or developed tools to incentivize private sector investment on the SDGs	Structured financial instruments (public, private or blended) to leverage additional funding
No	Yes	No	No	No	No

Main capacity building activities supported by the JP that allowed people to expand their knowledge on SDG Financing and INFFs

Main capacity building actions:

- 7 thematic seminars covering relevant areas, previously agreed with the authorities.
- 3 exchanges of experiences with representatives of financial institutions in the LAC region (2 virtual meetings and 1 internship).
- 8 training workshops on the use of new methodological and data analysis tools.
- 14 seminars for the presentation of partial and final results of the JP.

Civil servants represented 60% of the people trained.