ASSESSING FISCAL MANAGEMENT AND CENTRAL BANKING IN CUBA AND PROPOSALS FOR IMPROVEMENT

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This paper assesses fiscal management and central banking in Cuba and makes recommendations for improvement. The first section discusses what could be considered best practices in legal and regulatory frameworks for the implementation of modern fiscal management practices; the role that a central fiscal authority should play; and the types of policies and administrative arrangements that could be adopted to improve fiscal management with limited human resources. In light of this discussion, the paper assesses the existing fiscal management practices in Cuba and proposes recommendations for improvement. The second section reviews best practices in central bank laws; assesses the central bank law of Cuba and central banking practices in the country; and identifies steps that could be taken to bring Cuban law and practice closer to international standards. The third section has the main conclusions of the paper.

A budgetary reform was implemented in Cuba in 1999 through the adoption of Decree-Law 192 (DL 192) on the Financial Administration of the State and a financial reform was carried out in 1997 when the Central Bank of Cuba (CBC) was created. DL 192 was designed to create a fiscal management framework to generate financing resources for the public sector in order to allow the implementation of government policies and programs, including those carried out through public entities and enterprises. The law was supposed to provide the basis for the timely development of reliable information systems. To attain these objectives, the law defined the legal provisions for the budget, treasury and public credit operations, and government accounting.

The financial reform of May 1997 (Law 172) created the CBC, out of the old National Bank of Cuba (NBC) which also carried out commercial banking activities. The CBC is supposed to be autonomous and the institution in charge of formulating and conducting monetary policy. The CBC was also made responsible for bank supervision and regulation. In addition to the creation of a separate central bank, the 1997 reform retained the NBC as a commercial

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state bank concentrating in foreign trade activities and the Popular Savings Bank, which was granted a license to operate as a universal bank. Moreover, 14 new financial institutions were created including an investment bank, another universal bank, a foreign trade bank separate from the NBC, and nonbanking institutions including a network of exchange bureaus. In addition, 14 foreign financial institutions were given licenses to open representative offices in Cuba.

The Economist Intelligence Unit (EIU) reports that changes in the monetary system over the past two years have increased the CBC’s role in the management of the economy. The CBC has been charged with maintaining the balance between the demand and supply of two currencies circulating in the domestic economy: the Cuban peso (CUP) and the convertible peso (CUC) to control price pressures. The CBC uses direct credit controls and, according to the EIU, new rules have enhanced the CBC’s ability to monitor and control hard-currency credit creation. In addition, the EIU reports that the use of indirect instruments is growing. Monetary measures to control aggregate demand are supplemented by price controls and supply measures that aim to influence the availability of goods and services in the economy. However, a large informal economy and the coexistence of different markets with diverging prices continue to complicate monetary management and its impact on domestic prices.

**PRINCIPLES OF FISCAL MANAGEMENT**

Fiscal operations are generally anchored in two main legal sources: the constitution and tax and budget laws. The constitution usually specifies the division of taxing powers between different levels of government, and between the executive, the legislature, and the judiciary. Tax laws are critical to make tax policy legally enforceable. They define the powers of the tax administration to collect information about taxpayers and the administrative actions that can be taken against individuals or entities that evade taxes or accumulate tax arrears. Financial regulations are also indispensable to ensure that the fiscal authority is vested with the legal power to control and manage public spending.

Simple tax legislation and revenue collection procedures are highly recommended for countries with limited administrative capacity or little tradition of a functioning tax system. This makes tax legislation more transparent and makes it easier to implement and administer. In this context, a wide variety of duties, tariff rates, and special taxes and surcharges are to be avoided. The mismatch between administrative capacity and the complexity of the existing laws and regulations often lead to inevitable efficiency losses, mistakes in tax assessments, and difficulties in tax collection.

Budgetary laws need to set out clear responsibility and accountability of public bodies and principles of comprehensiveness and unity of public funds and transparency. This involves, for example, budget classification structures consistent with international standards and practices; providing strict guidelines for budget execution, such as prohibiting unbudgeted expenditures and arrears; establishing a consistent framework for internal control and internal and external audits; and providing mechanisms for financing budget deficits that are in line with overall sustainability criteria. Well-established procedures for managing foreign aid should be part of budgetary practices.

A strong central fiscal authority is required to develop a fiscal strategy and monitor its impact on the economy; formulate expenditure policy and execute the budget; and design tax policy and collect revenues. To carry out these functions, the central fiscal authority normally consists of four main operational departments: the budget department is responsible for coordinating the overall expenditure program and preparing fiscal projections (including for tax reve-
nues) and budget execution reports. This department also normally is responsible for assessing the fiscal impact of policy measures. A treasury department is responsible for controlling spending and ensuring proper accounting of such spending. The development of the treasury function is closely related to the establishment of a well-functioning payments system, because the treasury department is normally charged with moving collected government revenues into treasury bank accounts, rationalizing government banking arrangements to promote transparent recording of transactions, and designing workable strategies for cash management.

Increasingly, it is recommended that a macro-fiscal unit be created to help support policy formulation. These units provide ministers of finance with advice on general fiscal policy issues and budget formulation. They can prepare medium-term expenditure frameworks, analyze debt sustainability and tax policy issues, and assess structural fiscal issues such as pension reform. Low-income countries that receive foreign assistance also need a mechanism to facilitate coordination of donor funds. This is necessary to avoid a disconnect between expenditure needs and budgetary outlays. From the perspective of the donors, information on the activities of other donors in specific areas is useful for framing their own assistance programs and avoiding duplication of efforts.

International experience in many countries suggests a number of steps that can be taken to improve the mobilization of revenues and expenditure management and control. Once key legislation is in place, critical priorities are to secure the basic necessary infrastructure (buildings, equipment, etc.) and the appointment of qualified personnel in key senior staff positions. Foreign experts can play an important role in countries where the necessary skills are not readily available. A revenue administration department to implement tax policy and collect taxes is also needed. This department is frequently separated into customs and domestic revenue administrations. In some countries, requiring individuals and/or companies engaged in commercial activities to register with the authorities has facilitated revenue collection. Simplifying returns and payments procedures, which makes filing easier and reduces the administrative burden on the tax authorities, has proven to be revenue enhancing. The establishment of large taxpayer units to focus on taxpayers accounting for a significant majority (usually 60 percent to 80 percent) of tax revenues has been recommended in many low-income countries. Scarce administrative capacity can best be used by concentrating on the relatively small number of taxpayers accounting for the lion’s share of tax collections. However, these large taxpayer units require a minimum qualified pool of staff to conduct effective audits.

To ensure efficient financial management and control it is important that the central authority has control of most revenues and expenditures—this is usually justified because of the positive externalities associated with central tax administration. Of course, this would still permit revenue sharing with sub-national governments and allow sub-national governments to have their own sources of revenue at the margin. Such assignments are useful to inculcate accountability even when there is significant devolution of spending responsibilities to sub-national administration, especially for basic education and health care. Good budget management should result in fiscal discipline (control over expenditure aggregates), ensure that budgetary spending is consistent with the approved budget, and give donors fiduciary assurances that their money is being spent in line with their objectives. For these purposes, the establishment of accounting and reporting frameworks with an appropriate budget classification is important. Improved information on government financial flows from all levels of government is typically seen as necessary to ensure that all public revenues and spending practices are captured in a comprehensive fashion. In particular, complete information on government accounts in the banking sector is needed to help ascertain the accuracy of data on fiscal outturns based on accounting information. To improve the quality of financing data and to simplify the process of collecting this information a treasury single account is recommended in many countries. This is also critical in achieving efficiency in cash management essential to improve budget management as well as transparency.
The accounting system would need to be based on decisions on the accounting and reporting standards. A full integration of the budget classification is needed based on administrative units and core functions (health, education, security); broad economic items (such as wages and salaries, goods and services, and capital expenditures); and a funds/project classification to facilitate the tracking of funds from different donors. Improving cash management is essential to improve budget management. If possible, a system to control spending at the commitment stage is also desirable, often through the implementation of an integrated government financial management system, but the latter may be a medium-term target for many countries. Gradually developing and strengthening an auditing capacity and establishing a fiscal conduct code can be ways to limit corruption and misappropriation of public resources.

**Fiscal Management in Cuba**

DL 192 defines the Cuban State Budget (Budget) as consisting of the consolidation of the central government budget, the budgets of provinces and municipalities, and the social security budget (prepared by the Ministry of Labor and Social Security). Line ministries and government agencies prepare their budgets according to the priorities identified by the Council of Ministries and the instructions of the Ministry of Finance and Prices (MFP). These separate budgets are consolidated into the Budget that is approved by the National Assembly. Budgetary execution is done through the issuance of budgetary credits by the MFP. These credits are considered executed once an obligation has been acquired (accrual basis). Accrued obligations not paid by the end of the fiscal year (December 31) are supposed to be paid with cash balances existing at the end of the year; budgetary resources for the following year are not supposed to be used for this purpose. DL 192 allows the MFP to modify the budgetary appropriation during the year as long as the total Budget spending ceiling is not exceeded. DL 192 also has provisions for public credit operations (in both the domestic and external markets), treasury operations (cash management), and the accounting system.

Santos Cid, Peralta del Valle, and López García note that DL 192 introduced budgetary practices to make public sector operations more transparent. These include separate reporting of revenues and expenditures without netting revenues and expenditures, measuring expenditures on an accrual basis, and not earmarking revenues as a general rule (except social security contributions which are earmarked for pensions). The central government budget controls most of the fiscal resources (particularly indirect revenues plus borrowed resources and dividends from enterprises). The central government is the only level of government authorized to borrow and share revenues with municipal governments to help finance their budgets (although the tax on the use of labor is ceded completely to municipal governments). Municipal budgets finance an important share of spending on education, public health, social assistance, and cultural and sport activities.

State enterprises are included in the Budget in three ways: they are subject to the income tax and are supposed to pay dividends to the central government; they are subsidized by the Budget in case they carry out public functions assigned by the state or if they incur losses due to obsolete technology or over-staffing; and enterprises that require Budget help are subject to an assessment of their operations at the time of the Budget’s preparation.

The approved Budget contains targets for the Budget deficit, the central government deficit, transfers to the municipal governments and the Social Security System, and subsidies to cover enterprise losses. Budgetary practices in Cuba require all executing agen-

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6. The *Government Finances Statistics Manual 2001* of the International Monetary Fund has become the international standard in this area.

Fiscal Management and Central Banking in Cuba

Comercio (a state-owned commercial bank) where public sector accounts are maintained. Procedures have been established to transfer tax revenues to the implementing agencies of the central, provincial, and municipal governments and to make adjustments if necessary.

Borrowing operations and loan guarantees are to be specified in the annual budgets. The BCB is the government’s agent for the placement of government bonds and bills and represents the government in debt negotiations or debt restructuring. The BCB cannot purchase government bonds directly.

An Assessment of Fiscal Management in Cuba and Recommendations

In line with international best practices, fiscal management practices in Cuba are well grounded in legislation passed in the mid-1990s. The budgetary and treasury practices appear to have much that is commendable. It is noteworthy that the fiscal management reforms of the mid-1990s resulted in an important fiscal adjustment during the last decade according to the statistics published by the Cuban government. Fiscal deficits are reported to have declined from very high levels, exceeding 30 percent of GDP in the mid-1990s, to about 4½ percent of GDP in 2004–05. It is, of course, impossible for the author to verify whether the practices and procedures called for by Cuban legislation are being applied, how sound are the accounting practices being used, and the reliability of the fiscal statistics.11 With this background, the following comments and proposals can be made:

- Budgetary results are published at the end of the year in the official newspaper and in the Anuario Estadístico de Cuba, but with a long lag (currently fiscal data are only available through 2004). For effective budgetary control and monitoring, monthly, or at a minimum, quarterly data are

needed by policymakers. Best practices also would call for the publication of quarterly reports, with a lag of not more than 6 months.

- Expenditure data are only published by budgetary groups (education, health, etc.). Only partial expenditure information is published on broad economic categories (i.e., no information is published on salaries and wages or on spending in goods and services). Only aggregate data on investment is published. More specific data would facilitate the analysis and the debate regarding expenditure efficiency in Cuba. For example, a large amount of resources are spent on untargeted general subsidies for which little information is published. Information by expenditure categories is supposedly collected according to the expenditure classification system used in the budgetary system and it could be made public.

- The tax burden in Cuba is heavy (about 40 percent of GDP in recent years) and the tax system is still complex and has clear inefficiencies. There is room to simplify the tax system and reduce the number of exemptions and the discretion in granting new exemptions. In particular, three problems can be identified: (a) the payroll tax is a disincentive to hiring labor; (b) the exemption of salaried workers from the personal income tax in effect makes the tax almost inexist-ent in Cuba, while at the same time it is a heavy burden to the self-employed that must pay it; and (c) the sales tax has a well-known cascading effect that can only be resolved by converting it to a value-added tax.

- The number of taxes could be reduced, the rates cut, and the tax base widened. Administrative steps like those discussed earlier (e.g., taxpayer registration, a large taxpayer unit) could maintain the tax effort at the same time that the tax system is made more efficient and equitable.

- It is not clear whether the macroeconomic impact of state enterprises is properly taken into account in Cuba’s fiscal management practices. Keeping track of the dividends paid by the enterprises and the budgetary subsidies given to the enterprises do not completely capture the resource use impact of the state enterprises. State enterprises could be using and/or wasting a large amount of resources and exploiting monopolistic positions with significant impacts on the macro economy. As long as they continue to exist, it is necessary to fully consolidate their revenues and expenses into the fiscal accounts.

- Off-budgetary transactions appear to be a significant problem in Cuba. Werlau (2005) presents a sobering analysis of the “Comandante’s reserves”—an integrated system of overseas bank accounts as well as the national reserve of fleets of automobiles and trucks, fuel, and stores of food and consumer and luxury goods for the elite. It is not known whether these transactions are captured in the budget or those of other programs that are directly managed by the head of state like the recent energy program. In the same vein, it is unclear whether the government reports as tax revenue the expropriatory share of the salaries it keeps from nationals working in foreign enterprises in Cuba.

CENTRAL BANKING

Central Bank Laws and Practices

International experience shows that central bank laws need to address a number of key issues: objectives, autonomy and accountability, functions, instruments and powers to implement monetary policy, management structure, and financing and financial accountability. The preferable formulation for the primary objective of the central bank is price stability. This is the best contribution that monetary policy can make to promote broadly-based sustainable growth. Con-
sistent with this broad objective, a specific target—which could, for example, involve explicit inflation targets, maintenance of a fixed exchange rate, or monetary targets—should be established and announced. These targets may be determined by the central bank (target autonomy); or determined by the government in agreement with the central bank (instrument autonomy). Increasingly, financial sector stability is also considered to be an important objective of central banks.\textsuperscript{15}

Given the objectives of a central bank, it has to be decided whether the state, under whose authority a central bank operates, should retain some control over its activities, and specifically over the conduct of monetary policy or the determination of the exchange rate. Experience shows that an autonomous central bank is more successful at achieving the objective of price stability if its charter protects it from political pressure. This is because elected officials are more likely to pay more attention to the short-term benefits of inflationary policies (employment and alleviation of the effective cost of public debt servicing) than to the long-term harmful effects of inflation.

However, autonomy does not mean being free of accountability. It is better that the central bank law determine the scope of the bank’s independence and provide for ways to achieve central bank accountability. Accountability practices vary across countries ranging from reporting requirements to parliaments to commitments to specific inflation targets. It is also better to establish procedures and publish targets that can be monitored relatively easily.

Central banks usually have some common functions, namely the issuance of the domestic currency, control and supervision of financial systems, and being a banker for commercial banks and the government. Central bank legislation typically specifies the role of the central bank as the sole issuer of legal tender; the range of its functions as the fiscal agent and banker for the government and other parts of the public sector; its role regarding the issuance and underwriting of government debt; and under what circumstances and with what restrictions (percentage of revenue or other quantitative limit) it can lend to the government. Absent a specific provision in the legislation, lending and other forms of credit to the government would be permitted without limitations or conditions, since the central bank has the capacity to enter into financial transactions.

Experience shows that unless restricted by legislation, lending to the government becomes an obligation subject to political pressure. It is now generally agreed that a central bank should be precluded by law from extending direct credit to the government and other domestic public entities (loans, overdraft facilities, direct purchase of treasury bills or bonds, or securities). In some countries, central banks grant temporary advances to the government for limited amounts calculated on the basis of past government revenue (e.g., a certain percentage of revenue). The problem is that this type of financing can become a permanent overdraft facility. Many central banks have found that once lending to the government is permitted, trying to cap such loans is a futile exercise, and this experience has led to the recommendation that in principle there should be no direct lending to the government.\textsuperscript{16}

Other central bank functions that need to be addressed in the legislation include ownership of international reserves; lending to banks against collateral and its role as lender of last resort; supervision of banks to ensure that banks remain solvent and have adequate liquid assets at any time to repay deposits either on demand or on maturity; and the bank’s role and participation in payments systems (clearing and settlement of all forms of payments other than direct

\textsuperscript{15} The Bank of England’s Court of Directors defines two core purposes: stable prices in the domestic currency (monetary stability) and financing system stability. The latter entails detecting and reducing threats to the financial system as a whole. Such threats are detected through surveillance and market intelligence functions. They are reduced by strengthening infrastructure, and by financial and other operations, at home and abroad, including, in exceptional circumstances, by acting as the lender of last resort.

\textsuperscript{16} Central banks can, of course, finance the government indirectly by standing ready to buy government securities from banks beyond what would be called for to regulate bank liquidity through open market operations.
cash payments)—as distinct from supervision and regulation.

Most central bank laws list a range of more or less detailed indirect and direct instruments to be used for the implementation of monetary policy. Regarding market or indirect instruments to regulate liquidity, central bank laws envisage the announcement of key interest rates relating to the bank’s own facilities, the authority to take and make deposits, and the authority to issue a bank’s own certificates or securities. The laws also address the authority to lend against specified collateral and to lend without collateral funds and type of assets that can be used in open-market operations. Central bank legislation also addresses the use of non-market instruments to directly influence liquidity and allocate credit to specific sectors on specified terms, if any. These apply to reserve requirements that are viewed typically as rather blunt instruments and to interest rate controls and credit ceilings, the use of which is increasingly discouraged because of the resulting misallocation of resources.

Central bank laws specify the organizational structure of the bank’s upper management, proper behavior by such officials, and the terms and conditions for hiring and dismissing directors and officers. Clear professional requirements for management and specific time periods for appointments are recommended to ensure good management and the autonomy of the institution. Grounds for dismissal are also established. The financing and the financial accountability of central banks are other important areas to be covered by legislation. The initial capital and ownership structure needs to be determined as well as the sources of income in addition to the usual income of a central bank for the special services it provides. Provisions for the allocation of profits and losses are also required. There is a need to identify appointment procedures for internal and external auditors as well as their competence and responsibility regarding reporting.

Central Banking in Cuba

Law 172 of May 28, 1997 created the CBC. The CBC took over the central banking functions from the NBC. Article 1 states that the CBC is created as the institution to regulate and supervise financial institutions; that it is an autonomous legal institution that covers its expenses with its own resources and income; and that it is not responsible for the obligations of the state and its agencies unless it explicitly takes them over. Article 3 of Law 172 identifies the main functions and objectives of the CBC: the issuance of domestic currency, attainment of price stability, management of the country’s international reserves, proposal and implementation of monetary policy to attain the country’s economic objectives, ensuring the functions of the domestic and external payments system, and supervision of financial institutions. Article 6 states that the capital of the CBC is composed of a capital contribution from the Cuban government and a legal reserve that should equal the government’s contribution. CBC’s profits can be used to establish or increase legal reserves, to create a stabilization fund for the currency, and create other investment or contingency funds. The rest of the profits are to be transferred to the government.

Articles 9 through 15 give the CBC the exclusive right to issue currency and establish procedures for the substitution and destruction of worn banknotes. Article 16 of Law 172 identifies the type of operations that the CBC can conduct with banks. In addition to the financing operations typically done by central banks, there is a provision to give credits to development or investment funds that pursue “socially useful objectives.”

Article 17 allows the CBC to open lines of credit for banks and provide banks with refinancing and discounting facilities. It also allows the CBC to regulate interest rates. According to the section on monetary policy on the CBC website, interest rates for short-term borrowing have been fixed at 5 percent and at 7 percent for medium- and long-term operations since 1999. However, banks are allowed to use a corridor

17. See www.bc.gov.cu for a text of the CBC law.
of plus or minus 2 percentage points depending on the creditworthiness of clients and the risks of the operations. Interest rates on personal bank loans are 8 percent for loans to purchase consumption goods or 9 percent to finance investment or cash loans. Currently, banks can pay between 2 1/2 percent and 7 1/2 percent on peso deposits depending on the term of deposits. Interest paid on foreign exchange accounts is set by the banks in line with international interest rates. Article 17 also gives the CBC the authority to set reserve requirements for banks and to issue debt instruments in domestic or foreign currency. It also requires the CBC to issue regulations and procedures for the good functioning of the payments system.

The CBC is the government’s banker and fiscal agent (Articles 18 and 19). The government maintains its current account at the CBC and the CBC manages the issuance of government bonds and bills in domestic and international markets. Article 20 says that the CBC cannot purchase government bonds directly or issue currency to finance government deficits but it leaves the door open for central bank financing of the government by saying that the Council of Ministers (the Consejo de Estado) can determine if this is necessary. As the government’s fiscal agent, the CBC can act on the government’s behalf to contract credit for the government internally or externally and to represent the government in debt restructuring operations (Article 21). Article 25 specifies the CBC’s international operations, including management the country’s international reserves. From the text of the law it is not clear whether the CBC is the owner of the international reserves. One oddity is that the CBC is allowed to make a capital investment in foreign bank branches in Cuba. Article 26 gives the CBC the authority in the area of foreign exchange controls and to establish the exchange system in light of balance of payments developments. The CBC also grants licenses for domestic and foreign banks (Article 27).

Articles 30 to 56 regulate the appointment of the CBC’s management (president, vice-president, secretary, auditor, and bank superintendent), board of directors, and staff. The president of the CBC is appointed either by the National Assembly or by the Council of Ministers at the request of the President of the Republic. The appointment is open-ended but the president can be removed if the existing central bank legislation is not followed or for illegal acts. The CBC’s board of directors (composed of the president, vice-presidents, secretary, auditor, and bank superintendent) take decisions regarding monetary, financial, and exchange policies. The policies are then submitted to the government for approval. Once the policies are approved, the CBC is responsible for their implementation (Article 53).

**Assessment of the Central Bank Law of Cuba**

Law 172 created a central bank that is an integral part of the government and very different from most central banks in the world today. This does not appear to be a concern of CBC officials who are supporters of the type of central planning that exists in Cuba and where the head of government has unlimited powers. The following assessment of the law can be made regarding the central bank’s objectives, the relation of the central bank to the government, and the functions and operations of the CBC.

- Although the attainment of price stability, ensuring the functioning of the payments system, and supervising the financial system are appropriate objectives for a central bank, the fact that another monetary policy objective is to achieve the economic objectives of the country, leaves the CBC with a too-open-ended agenda and subject to government pressure. This is particularly serious given that top CBC officials do not have fixed terms and serve at the pleasure of the government.
- The CBC is not an autonomous central bank, notwithstanding Article 1 of Law 172, something that could limit its capacity to attain its proper objectives of price stability and financial

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The lack of independence from the government is manifested in many ways. First, as noted above, the appointments of the CBC president and other officials are not for fixed terms and they could be removed if monetary policy is not supportive of the country’s economic objectives. Second, the fact that decisions on monetary policy and on the financial sector by the CBC board have to be submitted to the government makes the CBC operate pretty much like another line ministry. Third, while in principle the CBC should not lend directly to the government by buying government bonds, Article 20 clearly gives the Council of Ministers the ability to order the CBC to provide financing to the government.

- The CBC is also required by its charter law to carry out functions and operations that are not proper functions of a central bank. For example, the CBC is authorized to give financing to investment or development funds that promote socially desirable objectives (Article 16-b) or to invest in branches of foreign banks in Cuba.
- The fact that the CBC relies on direct credit and interest rate controls shows that much still needs to be done to promote an efficient financial sector.
- Finally, there is a lack of transparency in the CBC’s operations. It is not clear if the CBC continues to publish annual reports (none are available for recent years) or externally audited balance sheets. Information on monetary aggregates or the financial system is not published regularly. This makes the CBC an outlier vis-à-vis most central banks in the world.

CONCLUSIONS

This paper’s analysis shows that Cuba attempted to bring its legislation regarding fiscal management and central banking more in line with international practices. This effort appears to have been more successful in the area of fiscal management, and the fiscal government deficit has been brought under control. However, it is difficult to know whether the fiscal management practices envisaged in the legislation are being fully implemented. There is anecdotal evidence that there are significant off-budgetary operations. The operations of the state enterprises also need to be fully consolidated with the general government data. The tax system needs to be simplified and fiscal data reporting needs to be made more comprehensive, better focused in terms of expenditure coverage, and more frequently available.

The assessment of the central bank law is more negative. There are serious deficiencies in the law that give the CBC an open-ended policy agenda that could easily lead to policy conflicts and that seriously limits the autonomy of the CBC. Furthermore, the law also gives the CBC functions that are not appropriate for a central bank. The law does not establish appropriate mechanisms for the accountability of the CBC. This has resulted in the operations of the CBC being very opaque and no information being made available to the public on the balance sheet and operations of the central bank.

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19. It could be argued that the CBC has been rather successful in controlling inflation but this has been achieved in part through price controls. This argument ignores prices on the black market and the scarcities that exist in Cuba.