



PROPOSALS FOR IMPLEMENTATION

ACCESS TO  
EUROPEAN  
UNION FUNDING  
—  
FOR CUBAN  
ENTREPRENEURS

AUGUST 2021

PROPOSALS FOR  
IMPLEMENTATION

# ACCESS TO EUROPEAN UNION FUNDING FOR CUBAN ENTREPRENEURS

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## BACKGROUND

Last May, the European Union expressed to the civic platform, Cuba Humanista, its willingness to “support the development of skills and access to funding for the non-state sector” in Cuba, thereby “fully [recognizing] the potential of the private sector to provide important contributions to the Cuban economy at the current and critical juncture.”

The declaration was made through a letter signed by Katja Afheldt, who supervises the Division of the European External Action Service (EEAS). This occurred after Cuba Humanista presented two proposals to the Cuban government: “Measures for the initiation of economic recovery from an enterprise perspective” and “Foundations for educational reform”, both of which were also sent to the European Union as a relevant, international actor in the present and future of Cuba.

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We fully recognize the potential of the private sector to provide important contributions to the Cuban economy at the current and critical juncture. Therefore, the EU has offered and will continue to offer its assistance, for example, in the design of the new law on SMEs, drawing on the EU's experience with this sector, which represents the backbone of the EU economy and of job creation. We are also ready to support capacity development and access to finance from the non-state sector. "

KATJA AFHELD

EEAS (EUROPEAN EXTERNAL  
ACTION SERVICE)  
ON BEHALF OF ITS  
HIGH REPRESENTATIVE,  
JOSEP BORRELL

Cuban Humanista proposes a Social Market Economy for our country, based on the pillars of freedom and social justice. In our labor to propose practical solutions to support the socioeconomic development of Cuba and in the spirit of the will expressed in the letter sent to the Division of the European External Action Service (EEAS), after conducting an analysis of the opportunities that could open the private enterprise sector on the island, we present the following proposal with the aim of outlining a methodology that allows the European Union adequate channeling for funds that are destined for the development of projects for socioeconomic impact in Cuba.

The European Union has in place a number of programs that facilitate the access to different sources of funding that offer direct financial support for projects and organizations whose objectives are the development and growth of economic activities that will positively impact the society.

It is important to highlight that the European Union does not provide 100% funding for projects, and therefore it will be the sole responsibility of the proposers of the projects that receive financial backing to manage the resources to co-finance their projects. To this effect, they can act with their own capital, access loans from local banks, incorporate new partners in their projects, or utilize any other bidding method that enables them to meet the co-funding requirement.

## PROPOSAL FOR THE CUBAN CONTEXT

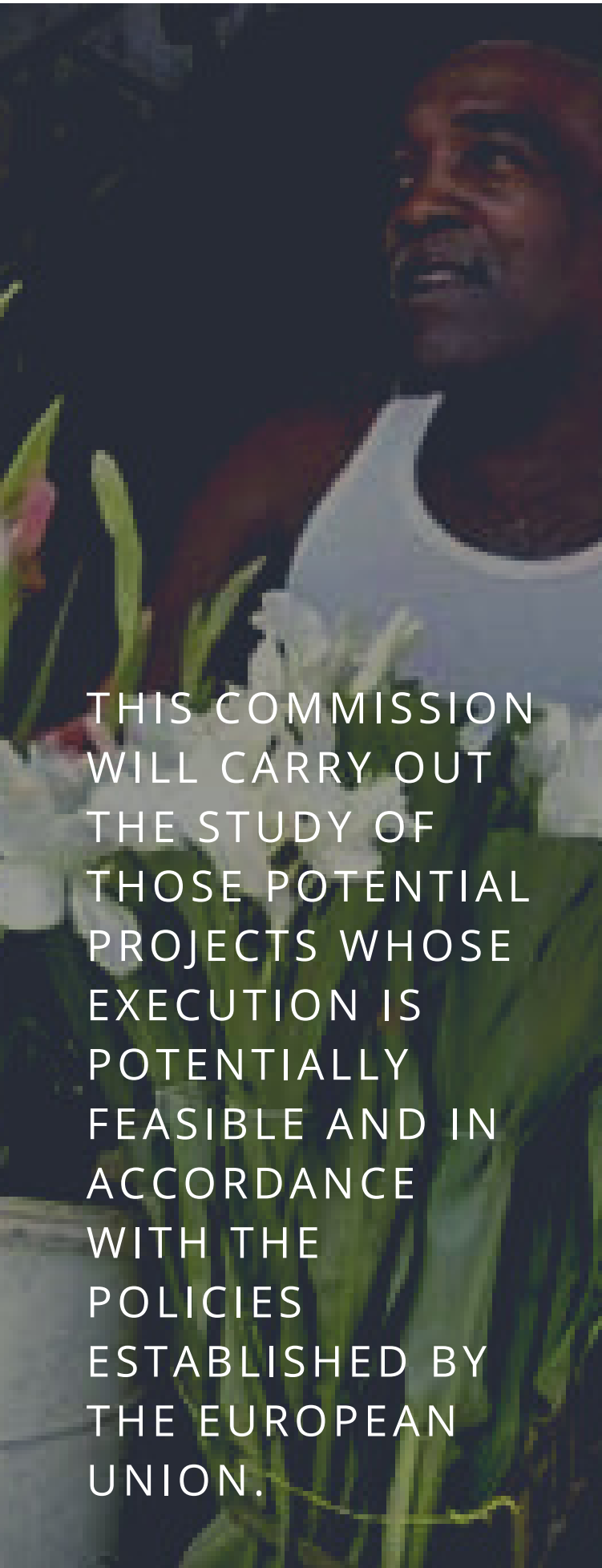
The main objective of this proposal is to guarantee that the funds designated by the European Union to different programs to foster development, job creation, economic growth and investment, have a real impact within the Cuban socioeconomic context.

The funding actions should have a medium-term impact.

For this reason, the European Union must urgently establish a methodology and adopt financial mechanisms which have been adapted to the Cuban circumstances in order to guarantee impact and at the same time, not give rise to disagreements and doubts about the earmarking of funds and their use. Among other elements, this clearly translated into the need to proactively look for solutions so that the funds do not end up in the hands of organizations or individuals who have been responsible, directly or indirectly, for acts of repression or who have been vinculated with the governing elite.

We reiterate that we consider it to be absolutely essential that the European Union revise and adapt its mechanisms for funding development projects in the case of Cuba, keeping in mind the social, economic, and political reality in Cuba, and with the aim of interacting directly with entrepreneurs who present viable projects to promote development and improve of the quality of life of the Cuban people.

In the same way, we believe that the European Union can use its interlocution with the Cuban government to foster an amicable environment for the emergence of micro, small and medium



THIS COMMISSION  
WILL CARRY OUT  
THE STUDY OF  
THOSE POTENTIAL  
PROJECTS WHOSE  
EXECUTION IS  
POTENTIALLY  
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ACCORDANCE  
WITH THE  
POLICIES  
ESTABLISHED BY  
THE EUROPEAN  
UNION.

enterprises. To that effect, the key is to develop a set mercantile, financial, and fiscal norms and practices that allow for the development of enterprises.

Cuba Humanista, in view of the preceding considerations, and with the aim of depoliticizing the allocation and use of funds from the European Union for social development projects in Cuba, and recognizing the importance of entrepreneurship for improving the life conditions of the Cuban people, puts at the disposition of the European Union the recommendations that we express below. In formulating these recommendations, we have consulted with experts in public policy, administration, and corporate finance.

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## FUNDING STRUCTURE

In light of the scant progress of the Cuban state in terms of transparency and accountability, as well as its intent to control the so-called non-state sector, we suggest to the European Union that the transfer of funds destined to the projects of previously selected entrepreneurs be carried out through mechanisms without the interference of the Cuban government. To this effect, we propose the following:

- In answer to the elements above, as well as the distortions of Cuban financial policy, we suggest that the European funds designated to entrepreneurial projects in Cuba be channelled toward a European financial entity with recognized solvency in which a management trust is constructed for the handling of the funds.

- In all cases, the individual contractual financial relationship for each specific project would be directly between the entrepreneur whose project has been selected for financial support (or the representative of the recipient in the case that it is a project to be carried out by an association) and the European Union and/or the fiduciary entity designated as the manager of the funds, without the meddling or interference of any government.
- Access to the funds for the execution of the different projects should be under the financial figure of "Line of Credit," which will be employed in the acquisition of goods and services from third parties, and in accordance with the previously established requirements and project milestones as established in the contracts.
- Each contract must establish a schedule of disbursements / payments of invoices to suppliers, duly supported by compliance with the satisfaction of the different stages of project execution.
- A catalogue of providers will be drawn up, first and foremost the European providers, to be used by Cuban entrepreneurs for their procurements during the development of their projects, according to the contract and approved budget.

## SELECTION

We suggest that the selection of projects for funding is carried out by an independent commission made up of specialists, experts in the financial sector and others considered by the donor entity to be necessary (all independent of the Cuban government). We also suggest including, in the capacity of advisor, a solvent representative of the Cuban civil society and a representative from the government with sufficient experience in the area of Cuban enterprise.

The commission will autonomously carry out a study of the potential projects whose execution would initially be feasible and which are in accordance with the policies established by the European Union.

A) The selection commission will take into account the technical criteria, while avoiding discrimination for political, ideological, or any other reasons. In addition, they must ensure that the government does not interfere in the process.

B) The process of rating the different entrepreneurial candidates and their projects will be transparent and will evaluate on the basis of creativity, feasibility, and real impact to improve the socioeconomic situation, particularly with regard to employment.




To the extent possible, the commission will look for projects that favor commercial relations and exchanges with enterprises and institutions that belong to member states of the European Union, consolidating their efforts on the transfer and use of technologies, the exchange of experiences, access to competitive prices of inputs and distribution channels, etc.

## DUE DILIGENCE

Among the objectives of the methodology is that the beneficiaries comply with the requirements of the call for proposals and avoid elements of corruption and deceit (such as the use of front men).

In this way, it will be indispensable that the commission do their due diligence with each proposer. To this effect, the entrepreneurs would develop, provide or make available documentation such as the following:

- Comprehensive information about the proposing entrepreneur and all of the direct or indirect stakeholders in the business.
- Business Plan.
- Feasibility and Market Studies that substantiate the viability of the project.
- Procedures Manual.
- Study of the environmental impact in the corresponding category.
- Relevant licencing according to the characteristics of the project, granted by the competent authorities.
- Documentation that certifies the material and financial means that back the operability of the project and allow for co-funding.
- Commercial and personal references.
- Accreditation, if applicable, of compliance with the required industrial property and copyright norms.
- If the business involves properties, accreditation of the legitimacy of its use by means of property documents, rental contracts, or any other legal figure.



IT WILL BE ESSENTIAL FOR THE COMMISSION TO CARRY OUT THE DUE DILIGENCE; AND TO THIS END, ENTREPRENEURS MUST DEVELOP AND PROVIDE THE REQUIRED DOCUMENTS...

It is important to point out that the due diligence must take into account the requirements established on an international level with regard to measures against money laundering and the financing of terrorism.

It is vital that the European Union leverage the plurality of the educational institutions of the civil society (educational centers in churches, training projects and consulting firms with experiencing in training entrepreneurs) and establish mechanisms for the training and skills development of entrepreneurs in order to equip them with the techniques, tools, and professional resources that allow for the optimization of their projects, including the economic and commercial aspects that guarantee the correct use of the funding that will be provided to them and to achieve professional/technical backing during the whole process.

## COMMITTEE FOR INCIDENTS (AD HOC)

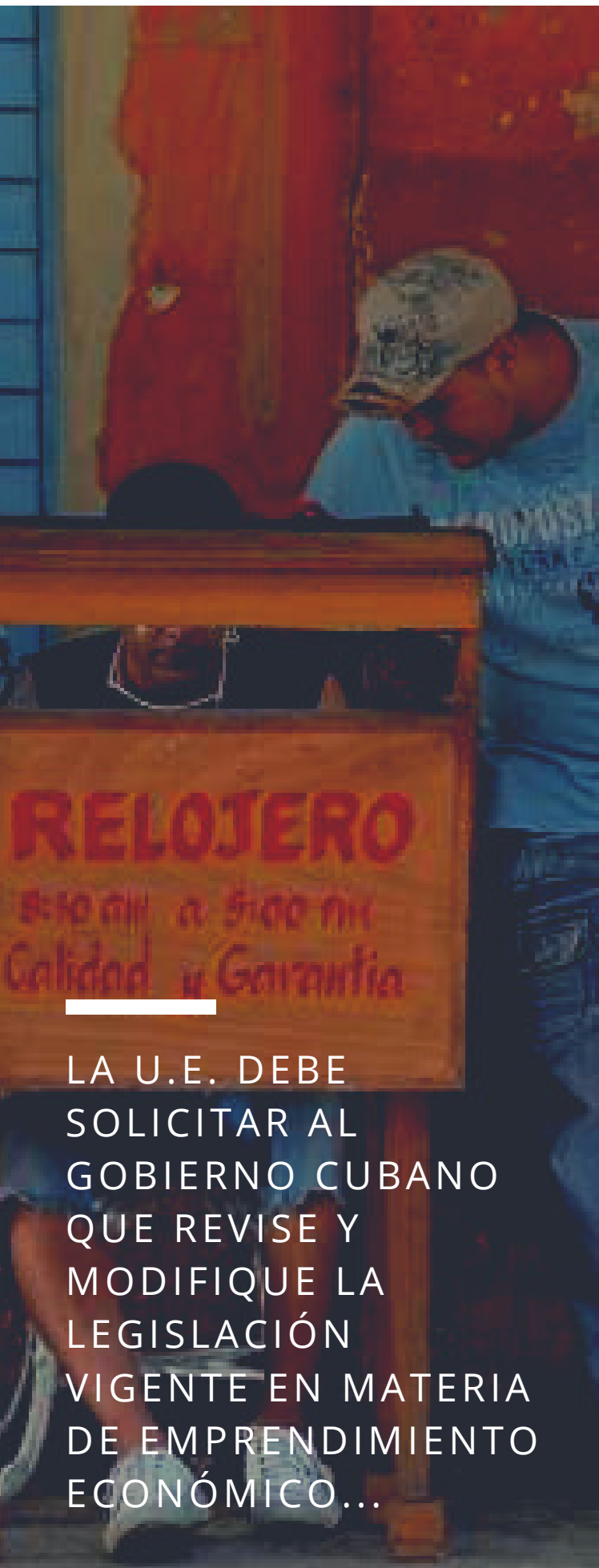
We recommend creating a Committee for Incidents (ad hoc), as a space to attend to and resolve the incidents that can come up during projects implementation, in particular, those which involve the Cuban administration. It will be made up of:

1. A representative designated by the European Union.
2. A trusted member of the Administration.
3. The beneficiaries or proxies.
4. Representative of Cuba's Ministry of Finance and Prices.

## SOME SUGGESTED CHANGES TO THE CUBAN GOVERNMENT

The European Union should ask the Cuban government to review and modify the current legislation regarding economic enterprise, eliminating obstacles so that the projects that receive funding from the European Union can be executed and thereby contribute to the economic development of the country as soon as possible. Some questions to address in order to allow for the execution of the projects would be:

- Increased flexibility with regard to importing the resources needed for the development and execution of the enterprise activities for the selected projects, even authorizing the direct import.
- Increased flexibility in the processes for potential export of products or services that are generated within the projects that are being executed.
- Exemption from the payment of import tariffs during the period in which the selected project is being executed and until the funding has been amortized and in accordance with the agreed terms and conditions, thereby maximizing the funding resources provided for the project.
- Exemption from the payment of income tax until the funding has been amortized and in accordance with the agreed terms and conditions.



LA U.E. DEBE  
SOLICITAR AL  
GOBIERNO CUBANO  
QUE REVISE Y  
MODIFIQUE LA  
LEGISLACIÓN  
VIGENTE EN MATERIA  
DE EMPRENDIMIENTO  
ECONÓMICO...

- Granting loans in local currency (CUP) to entrepreneurs with projects funded by the European Union through national banking entities, mainly to meet salary commitments and other national costs.
- Facilitation of the connectivity and access to communications technologies, in particular internet, as indispensable tools for the harmonious functioning of the projects. Propitiate the creation of Special Plans for Businesses with affordable rates.
- Modification of the existing legal framework allowing the possibility to incorporate foreign investment to form and as part of a trade association with the enterprise for the execution of the projects selected to receive funding.

Likewise, the European Union should ask the Cuban authorities, specifically the Central Bank of Cuba, to adapt and/or create the legal and operational mechanisms needed to appropriately contribute to the effective functioning of the projects funded by the European Union. To this effect, we suggest the following:

- A) Facilitate credit in local currency (CUP) to entrepreneurs whose projects have met the requirements and will receive funding from the European Union for their implementation.
- B) Facilitate the creation of bank accounts in freely exchangeable currency for the selected entrepreneurs and the projects that will receive funding from the European Union to allow for them to freely carry out any kind of bank transaction which would favor project execution.



C) Establish “low interest rates” for the loans in local currency (CUP) to the entrepreneurs who are executing projects funded by the European Union, with the aim of reducing their operating costs.

## SPECIAL ECONOMIC ZONES

As set out in our proposal to the Cuban government, “Measures for the initiation of economic recovery from an enterprise perspective,” we consider it to be important to incentivize the creation of Special Economic Areas in different zones across the national territory in which different enterprises and projects can be established, regardless of whether they are funded by the European Union, with the objective of gaining a series of collateral benefits such as:

- Coming together with foreign businesses which establish themselves in these areas and invoking the benefits that a special customs and fiscal regimen could provide.
- Fostering the economic association between national entrepreneurs and foreign investors.
- The projects benefiting from funding from the European Union will better be able to take advantage of the resources that have been provided to them, in an environment that is more favorable to generating business opportunities.
- Creating of an ideal environment to incentivize and allow for the free importation and/or exportation of goods and services.
- Economic diversification with a multi-sector reach that would allow for a stronger boost to entrepreneurship on a national level, promoting economic and administrative decentralization from the start.



## CONCLUSIONS

The main reason for which Cuba Humanista is promoting these recommendations to the European Union stems from the need to establish a mechanism through which entrepreneurship in Cuba can truly be strengthened. This mechanism would focus on providing appropriate access to sources of funding which would allow for the dynamic, coherent and rapid reactivation of Cuba's forces of productivity and the power to attend to the urgent demands and needs of the people.

The absence of tangible results from the State model, together with the different policies implemented by the Cuban government, makes it impossible to meet the needs of the population, and keeps Cuba in an underdeveloped state with the majority of families in poverty.

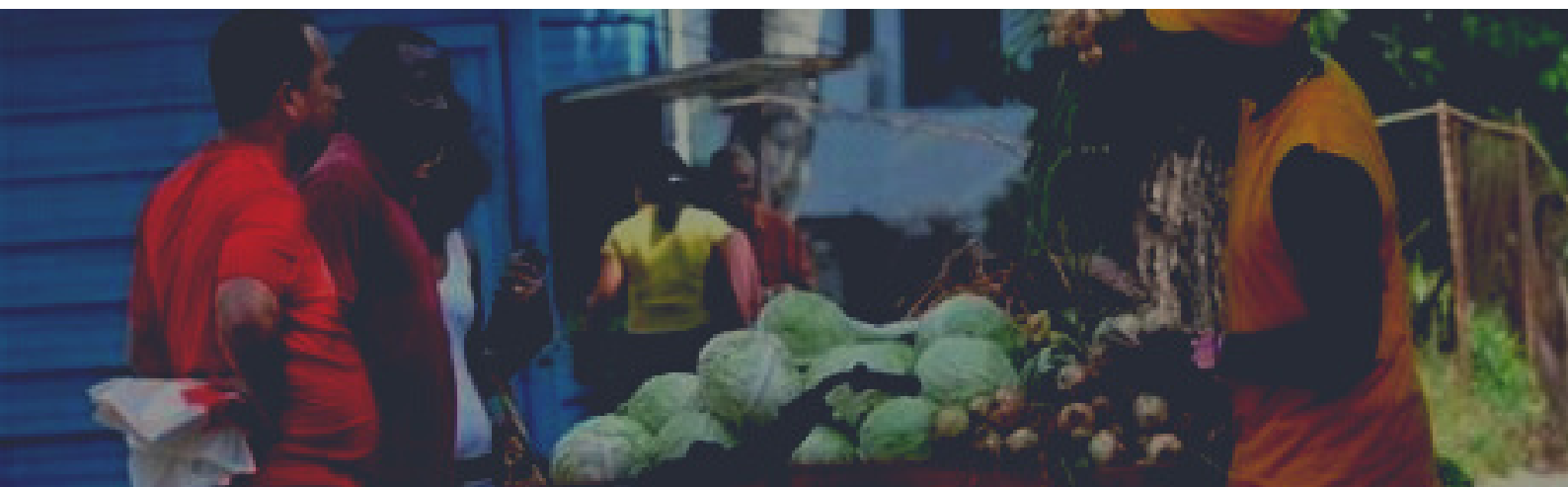
We believe that the European Union is called to assume a central role in supporting Cuban entrepreneurs through their diverse programs to finance projects, as expressed in the letter signed by Katja Afheldt, supervisor of the Division of the European External Action Service (EEAS), when she manifests their will to "support the development of skills and access to funding for the non-state

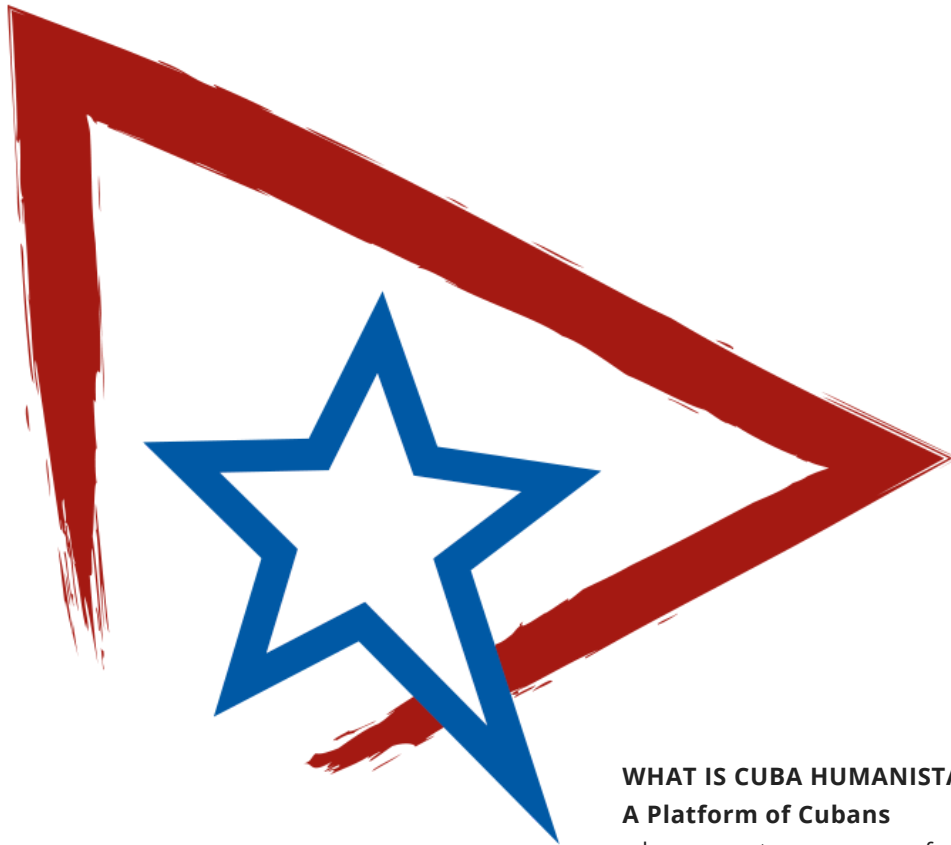
sector" in Cuba, thereby "fully [recognizing] the potential of the private sector to provide important contributions to the Cuban economy at the current and critical juncture."

This is the moment to establish the conditions to bring about the reactivation of the forces of productivity in Cuba, with the collaboration and help of important allies such as the members of the European Union. To do so, there is a need for an economic framework that guarantees the proper use of available funds for projects and that produces positive results that mark the beginning of the economic recovery of present-day Cuba.

An important aspect to highlight will be the precedent that it would set for participation and leadership in the European Union within the framework of directly funding entrepreneurship in Cuba without the political mediation of the Cuban government.

Cuba Humanista, and those who collaborated in the preparation of these proposals, are committed to the future of Cuba. We anticipate the collaboration of the European Union, to do whatever is within their power, to establish an economic model capable of providing concrete results that in the short and medium term, improve the social and economic wellbeing of the Cuban people.





**WHAT IS CUBA HUMANISTA?**

**A Platform of Cubans**

who promote a process of peaceful and orderly transition toward democracy and toward Social Market Economy.

**People-centered**

from responsibility and thoughtful consensus, that values the role of the family and understands politics as a form of public services.

**With a Desire to Contribute**

to the process of rebuilding the country from its legal and civic foundations, in which the citizenry is the main actor for change.

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