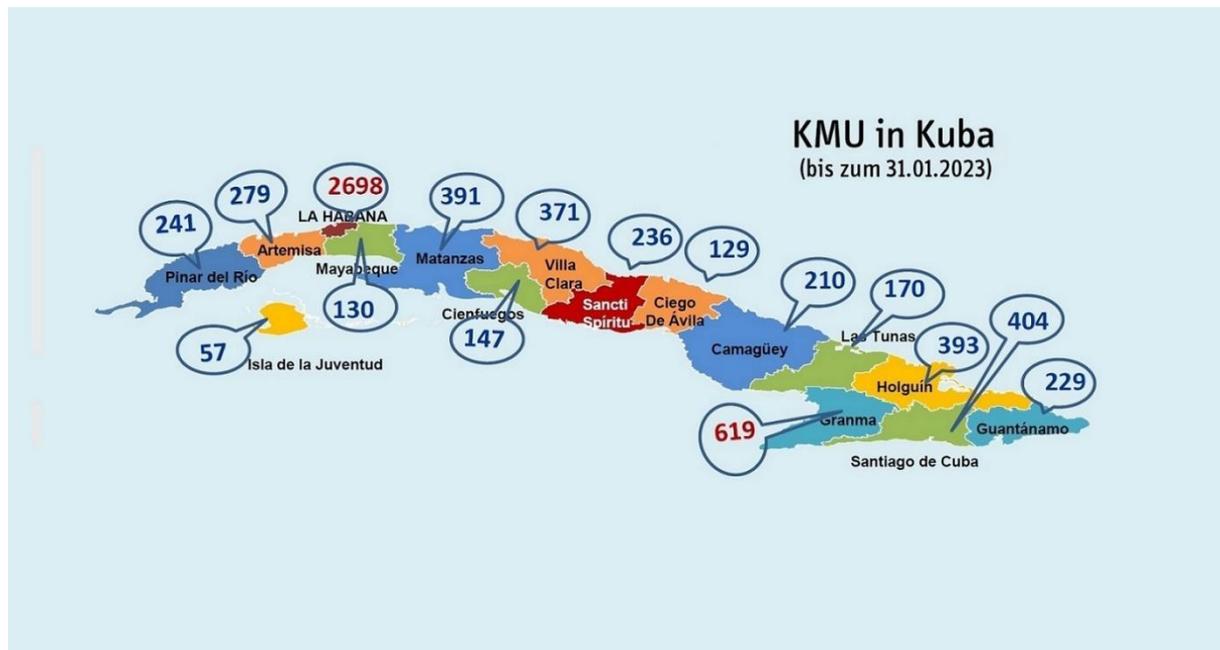


6700 SMEs: A Current Look at the Private Sector in Cuba

21.02.2023



Number of SMEs by province by January 31, 2023 (Source: [ICAN](#)).

A year and a half after the laws on small and medium-sized enterprises (SMEs) came into force, the island now counts more than 6700 new economic actors. Researchers from the Cuban Institute of Anthropology, together with the Ministry of Economy, have now produced a [detailed insight](#) into the current composition of the private sector in the form of a brochure. Where have most SMEs been established to date, how large are the businesses, and in which industries are they active? "Cuba Today" breaks these down.

Small share of total employment

SMEs (in Cuba: "Micro, pequeñas y medianas empresas," or MIPYMES) can employ up to 100 people and are given the legal form of a "Sociedad de responsabilidad limitada" (SRL), which is roughly equivalent to a German GmbH. In addition to a significantly more attractive tax system and liability through company ownership, this also opens up new opportunities for cooperation with the state sector and foreign investors. In addition, since the new laws came into force in September 2021, start-ups have been possible in all sectors except for a 112-point negative list. The negative list (PDF) primarily includes traditionally state-owned fields of activity such as the military, healthcare, the water and energy industries, but also mining, media, the sugar industry, and wholesale.

The further opening up of the private sector is part of the country's "new economic strategy" introduced in 2020, which aims to replace imports with local production, and to make the economy more efficient through diverse forms of ownership and better integration.



34 percent of SMEs and 44 percent of local development projects are involved in food production
(Source: [Escambray](#))

As of the brochure's editorial deadline, January 31, Cuba counted a total of 6704 new economic actors of this type. They employed 179,317 people, or 3.8 percent of the registered workforce on the island. In addition to state-owned and private SMEs, the new economic actors include self-employed workers, cooperatives, and local development projects. Agricultural cooperatives are not counted, which is why the share of the non-state sector in total employment appears rather low. If agricultural cooperatives are included, about 1/3 of the workforce is not employed by the state. Prior to the pandemic, the private sector (excluding agriculture) had 600,000 employees, or about 13 percent of the workforce in 2019.

62 percent of new actors are located in the western part of the island. The capital Havana has the highest representation (40 percent), followed by the eastern province of Granma with 9.2 percent. Why a particularly high density of SMEs and cooperatives has emerged in this southeastern region, with 619 new businesses, is a mystery to the researchers. The province is rather underperforming in terms of economic strength.

97 percent of the 6704 new actors are private companies, with only 79 state-owned SMEs and 61 cooperatives. 34 percent are in the food production and marketing sector, which includes food services. If the selection is limited to pure food producers, 15 percent work in this sector. The latter category includes, for example, bakeries, canneries, and dairies. Twenty-one percent are engaged in other productive trades, led by construction and light manufacturing. These often include construction firms of various sizes, as well as furniture and textile manufacturers. The relative majority of 45 percent provide services, ranging from operating beauty salons, to various transportation and repair services, and trade, to programming complex software.

A look at the statistics

Exactly half (50.5 percent) of SMEs are small businesses with 11 to 35 employees. 27.5 percent are medium-sized companies with 36 to 100 employees. 22.1 percent are micro-enterprises, whose workforce does not exceed 10 people. The table shows how SMEs and cooperatives are distributed among the different regions:

SME type	Micro	Small	Medium	Cooperatives	Local Dev Project
West Cuba	796	1900	1100	33	399
Central Cuba	230	588	275	5	405
East Cuba	455	894	466	23	276
Total	1481	3382	1841	*61 (474)	1080

New economic actors by region and farm size by January 31, 2023 *Cooperatives: new establishments only, total Cuba counts 474 non-agricultural cooperatives (CNoA), Source: [ICAN report, ONEI 2022](#)

In addition, there are now 1080 so-called Local Development Projects ("Proyectos de desarrollo local," or PDL) in Cuba. They are intended to create new, closed economic cycles with social objectives at the local level. Imports are to be replaced by local products; revenues and start-up capital come, from among other sources, from a two-percent local development tax that has been levied at the provincial level for several years. Most (276) are counted in the capital Havana, followed by Villa Clara Province (202) and Las Tunas (103). 44 percent are primarily devoted to food production, while 31.3 percent are in the service sector. Well-known examples are the state-owned SME "La Quinta" on the grounds of Havana's botanical gardens, which, among other things, promotes the inclusion into a working life of people with mental disabilities, and the bicycle rental company "Ha'Bici". The latter has a fleet of 600 bicycles distributed over several stations, which are intended to provide an inexpensive alternative form of transportation, particularly for the outskirts of Havana.



"Ha'Bici" has been operating six rental stations in Havana's Marianao and Boyeros municipalities since January (source: [Tribuna](#)).

Looking at the evolution over time in the approval of the new actors, a relatively dynamic evolution is evident during 2022. At the first "update" on the new actors on Cubaheute on October 5, 2021, shortly after the new laws came into force, there were just 35 SMEs. As of January 27, 2022, their number has grown to 1707. By April 20, there were 3074, and on November 23, there were 5985 SMEs. Similarly for Local Development Projects, their number has more than doubled from 423 during the nation's first local development fair in March 2022 to 1080 now.

Self-employed businesses with more than three employees had until Sept. 20, 2022, to transition to the new legal form. Speculation about a temporary halt to new license issuance has not yet been confirmed. Most recently, 99 private SMEs and one state-owned SME were licensed on Feb. 16,

bringing the total number to 6804. The last round included electrical workshops, construction companies, catering companies, bakeries and transport service providers.

Public-private partnerships as a model?

A lingering problem of all new forms of ownership is integration with the rest of the socialist economy, which consists largely of centrally planned state enterprises and budget-financed institutions. In terms of exports, the researchers still see "abundant untapped reserves among the new actors": only 58 enterprises are regular exporters. The lack of financing, currency distortions (access to foreign exchange and their different exchange rates), and insufficient linkages with other actors remain the main obstacles.



Public-private partnerships in Cuba, can it work? The reopening of the Zapata y 12 ice cream parlor (source: [Tribuna](#)).

A recent positive example is the reopened Zapata and 12 Complex ice cream parlor on the street corner of the same name in Havana's Vedado neighborhood. As the local newspaper "Tribuna" reports, the former state-run facility now functions as a pilot project for a public-private partnership: "The state provides the facility, the labor force and the technical infrastructure, while the private company supplies all the imported raw materials and participates in the manufacturing process," according to the report. Both the provincial committee of the Communist Party and Havana Governor Reinaldo García were on hand for the opening.

Apparently, similar transformations are currently taking place in some Havana businesses. Many state-owned establishments that have been closed since the pandemic are just awakening from their two-year slumber, now under a new management model. In the commercial center of Miramar, for example, a kind of private supermarket, Grocery, has opened for the first time in a state-owned property, with high prices and offerings that can otherwise only be found in foreign exchange stores and on the black market.

In the case of "Zapata y 12," the state-private partnership is intended to ensure a more socially acceptable price level, since the model of local value creation established there is associated with a reduction in costs. A scoop of ice cream there costs 35 pesos (about 30 cents), a hamburger 150 pesos (about 1.2 euros) - less than in comparable, purely private, establishments.

It will be interesting to see if and when the models will catch on in other sectors and provinces. At any rate, a willingness to experiment with integrating the new actors into the economy seems to

have slowly awakened in Cuba. After all, the parliament plans to pass a new enterprise law ("Ley de empresas") by December of this year, as Economy Minister Alejandro Gil announced. The law is intended to redefine the way state-owned companies function, as well as how the various actors interact with each other, and recent experience should provide enough material for the upcoming debate. The first draft of the law is expected to be presented in the coming months.

More info:

- ICAN research report with maps and community-level data: [Caracterización de los nuevos actores económicos en Cuba \(PDF\)](#).