



**The Role of
Cooperatives
in
Cuba's New Economy**

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October 1st, 2015

Objectives of the Promotion of Cooperatives in Cuba

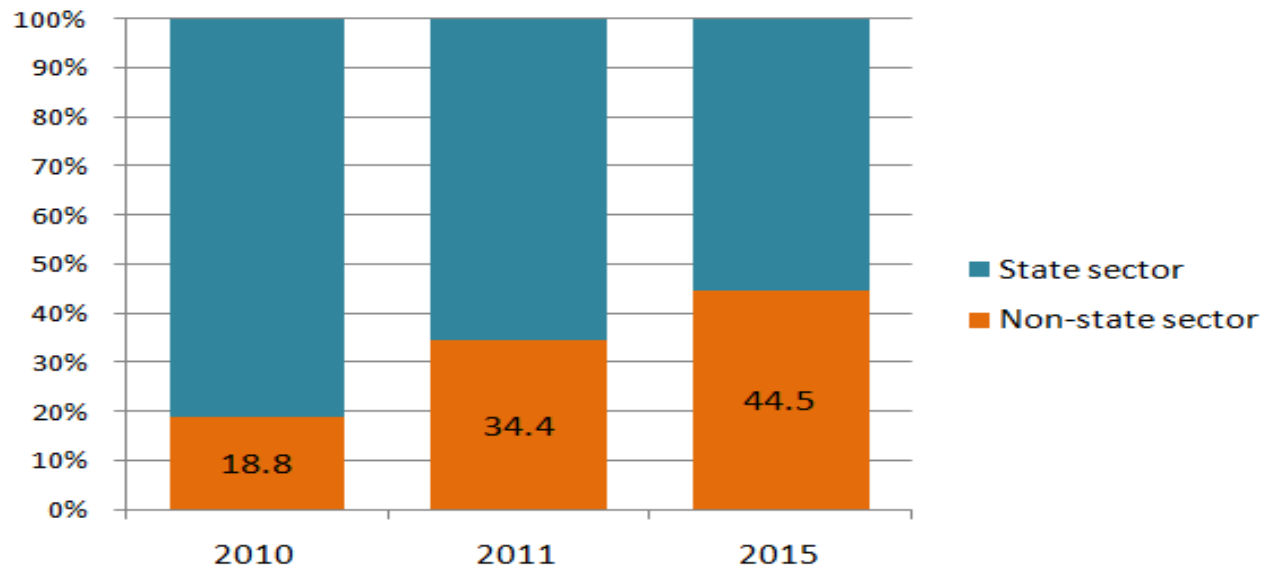
- To transfer non-fundamental economic activities from the state to the “non-state” sector (private, co-ops, foreign firms, joint ventures) in the most “socialized” way possible
- To allow state enterprises to concentrate on core activities, contracting out to co-ops secondary and support activities
- To generate more stable and dignified employment
- To increase and diversify production of consumer goods and services in a more socially responsible way
- To serve as an example of good business practices for private enterprises

Estimated Contribution of the Non-State Sector In Terms of Employment:



and GDP:

Source: author, based on MEP, 2011.





Cuban Agricultural Cooperatives

Cuban Agricultural Cooperatives

Existing Types

- **Credit and Services Cooperative (CCS)** since 1960
 - **producers' cooperative of private farmers**
 - members work their land independently
- **Agricultural Production Cooperative (CPA)** since 1975
 - **workers cooperative**
 - members sell their land to the co-op, if they have any
 - members work collectively; can hire wage workers permanently
- **Basic Unit of Cooperative Production (UBPC)** since 1993
 - **hybrid between state enterprise and workers cooperative**
 - collective production units made from subdivision of state enterprises
 - free usufruct of land; purchased equipment from the state

Cuban Agricultural Cooperatives Legislation

- **For CCS:**

- Law 95 “Ley de Cooperativas de Producción Agropecuaria y de Créditos y Servicios” (Gaceta Oficial No. 72, Nov. 29, 2002)
- General Rules in “Reglamento General de las Cooperativas de Créditos y Servicios” in Acuerdo 5454 del Comité Ejecutivo del Consejo de Ministros, Anexo 2 (Gaceta Oficial, No. 20 Jul. 4, 2005)

- **For CPA:**

- Law is the same as for CCS
- General Rules in “Reglamento General de las Cooperativas de Créditos y Servicios” in Acuerdo 5454 del Comité Ejecutivo del Consejo de Ministros, Anexo 1 (Gaceta Oficial No. 20, Jul. 4, 2005)

- **For UBPC:**

- Law Decree 142 in “Sobre las Unidades Básicas de Producción Cooperativa” (Gaceta Oficial No. 6, Sept. 21, 1993)
- General Rules in “Reglamento General de las Unidades Básicas de Producción Cooperativa” in Resolución 574 del Ministerio de la Agricultura (Gaceta Oficial No. 37, Sept. 11, 2012)

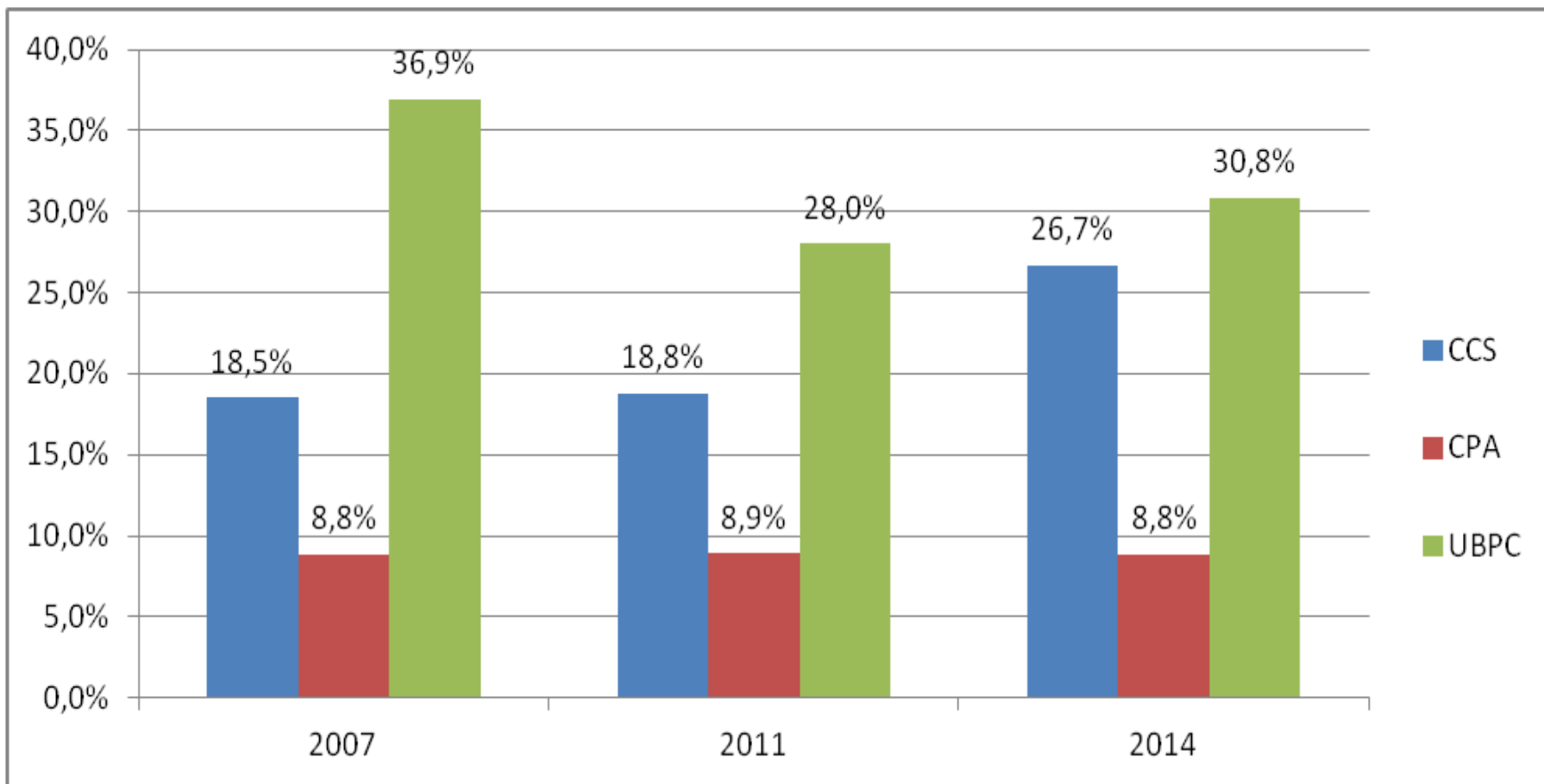
Cuban Agricultural Cooperatives Overview (2014)

| | # of co-ops | total members | % of Cuban workforce | % of Cuban agricultural land |
|--------------|--------------------|----------------------|-----------------------------|-------------------------------------|
| CCS | 2,321 | 337,548 | 6.6% | 26.7% |
| CPA | 1,055 | 44,725 | 0.9% | 8.8% |
| UBPC | 1,695 | 142,766 | 2.8% | 30.8% |
| Total | 5,071 | 525,039 | 10.3% | 66.3% |

Source: author, based on ONEI, ANAP, MINAG, MINAZ.

Cuban Agricultural Cooperatives

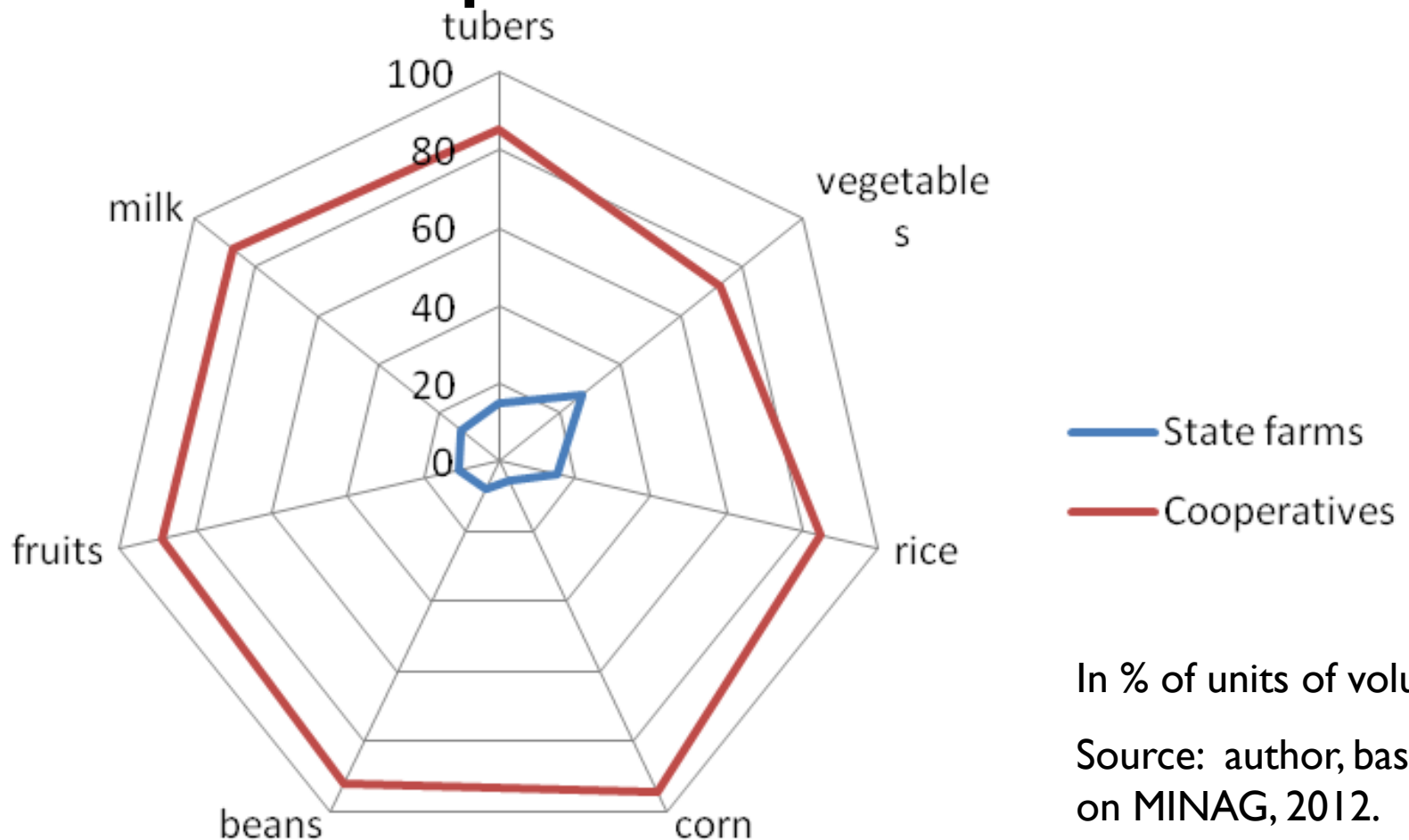
Land tenure (2007, 2011, 2014)



Source: author, based on Nova (2011), MINAG, MINAZ and others.

Cuban Agricultural Cooperatives

Output vs. state farms

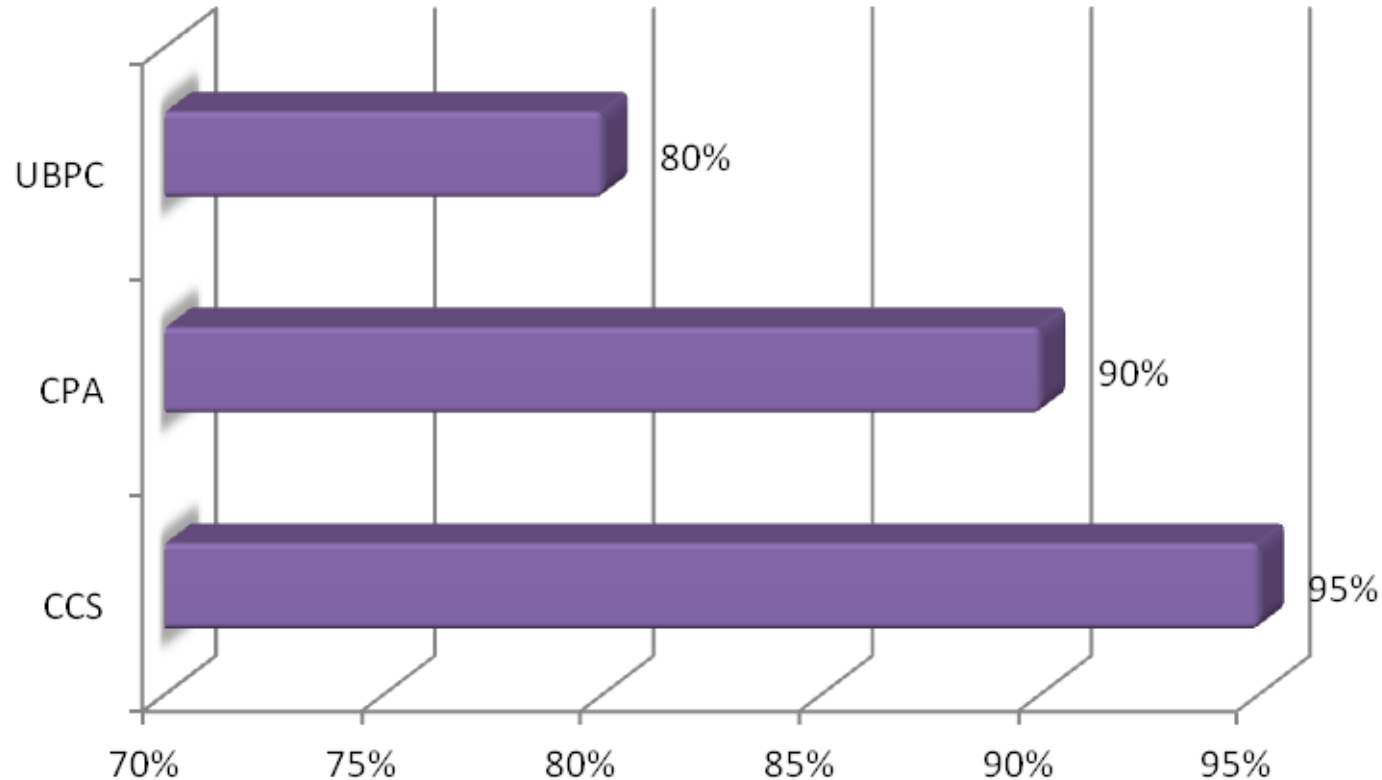


In % of units of volume

Source: author, based on MINAG, 2012.

- ✓ In 2013, estimates for these crops were closer to 90%.
- ✓ In 2010, they contributed 77% of overall agricultural production.

Cuban Agricultural Cooperatives Profitability



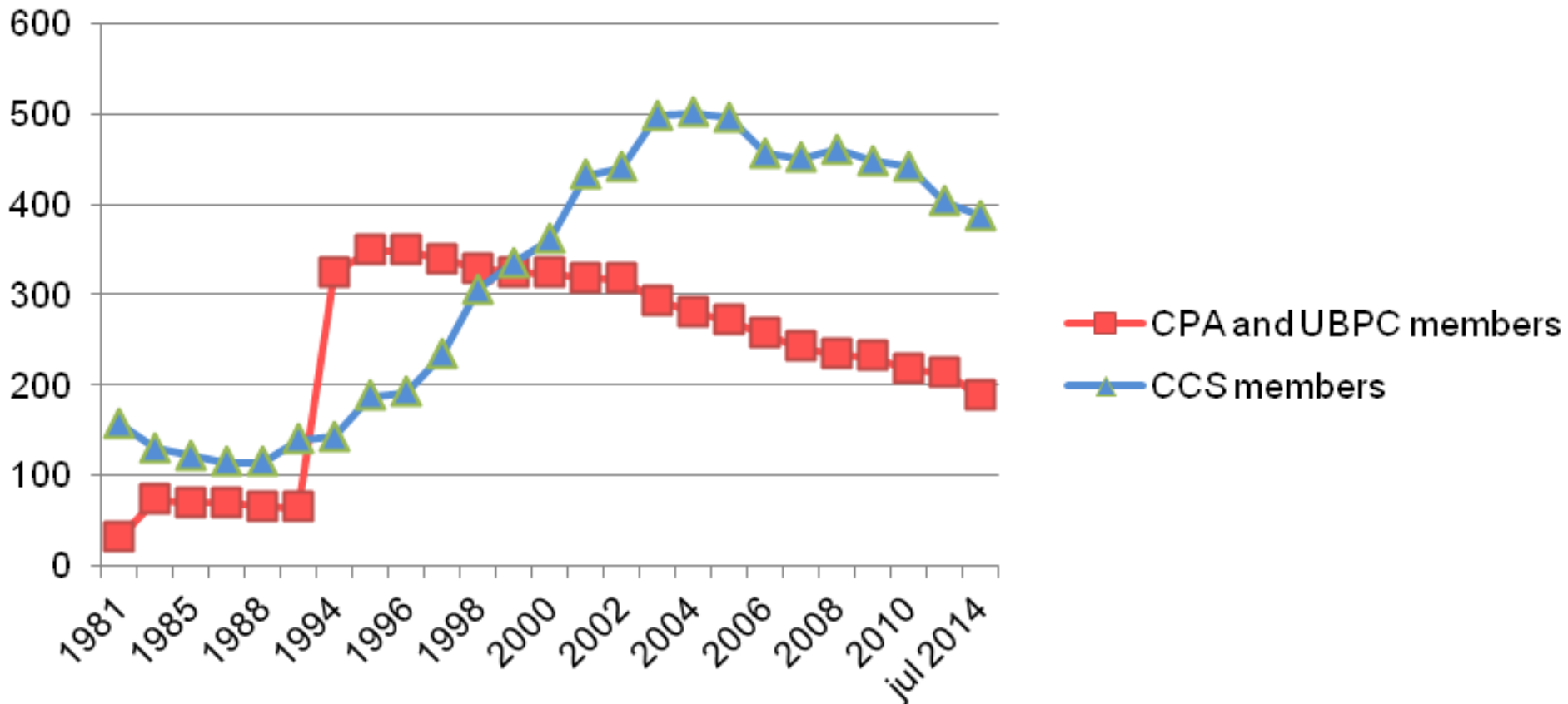
Source: author, based on Nova, 2012.

Cuban Agricultural Cooperatives

Main difficulties

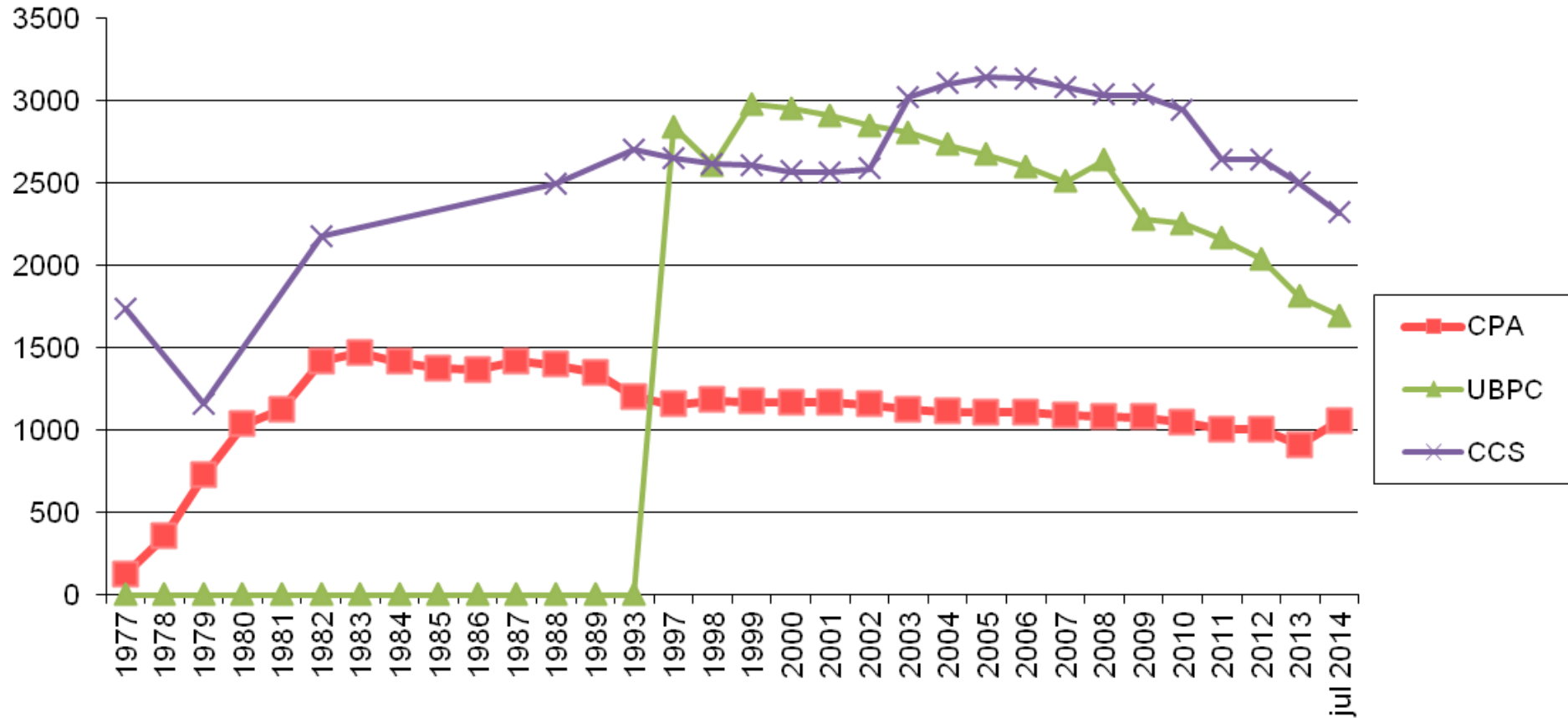
- Limits and barriers to their autonomy
- Deficient cooperative education
- Access to supplies, equipment, technology and productive services
- Limitations for marketing
- Lack of labor force
- Democratic decision-making as a formality

Cuban Agricultural Cooperatives Membership (1981-2014)



Source: author based on ONEI, MINAG, MINAZ, ANAP.

Cuban Agricultural Cooperatives (1977-2014)



Source: author, based on ONEI, ANAP, Valdes Paz (2006).

Cuban Agricultural Cooperatives

Recent measures

- New land leasers can become members of any type of cooperative, not just CCS (DL 300); and can form new cooperatives
- A package of 17 measures was passed in Sept. 2012 to improve the functioning of UBPC, establishing:
 - no subordination to state enterprises
 - can decide the percentage of net profits to be distributed
 - will be able to buy inputs and sell output directly
 - will propose and coordinate their production commitments with state enterprises
- CPA and CCS (and state farms) will benefit from the same measures
- MINAG transformed from an agency that “supervises or attends to cooperatives” to one that “promotes” them



Cuban Non-Agricultural Cooperatives

Cuban Non-Agricultural Cooperatives

Legal framework

- Law Decree 305 – conceptualization and main characteristics
- Decree 309 – general rules (Reglamento General)
- Law Decree 306 – special social security regime
- Resolution 570 – procedure for the licitation of state property to be leased out
- Resolution 427 – tax regime, accounting and pricing norms

All in *Gaceta Oficial* no. 53, Dec. 11, 2012

Cuban Non-Agricultural Cooperatives

Main Aspects of their Legislation

- only workers' co-ops and producers' co-ops allowed
- hiring of workers only temporarily
- profits to be distributed according to work; only one collective account is mandatory
- can set prices, except for those products of “social impact”
- ability to buy inputs from state enterprises and import through state agencies; some will be assigned by the state
- won't be subordinated to any state institution, but “methodologically” supervised by corresponding ministry
- once in the Mercantile Registry, they acquire legal status as an enterprise, with property and other rights
- preferential treatment from state over private businesses

Cuban Non-Agricultural Cooperatives

Preferential Treatment in Legislation

- Priority for the 10-year renewable leases of state property
- Can carry out more economic activities than private businesses
- Tax breaks:
 - grace period of first 3 months for all taxes
 - less for Social Security
 - lower brackets on profits
 - can deduct all expenses except for “advances”
 - can deduct average provincial wage by number of members
- Access to inputs sold by state at 20% discount
- Can receive “soft” credits from state banks (73% had, up to Jan04)

Cuban Non-Agricultural Cooperatives

Main Shortcomings of Legislation

1) Approval procedure

- too bureaucratic, with too many steps
- hostage to administrative whims: no clear criteria, no deadlines for reply
- doesn't promote initiative from below

2) Absence of important institutions

- organization that specializes on co-op supervision
- organization that represents their interests *vis a vis* the state

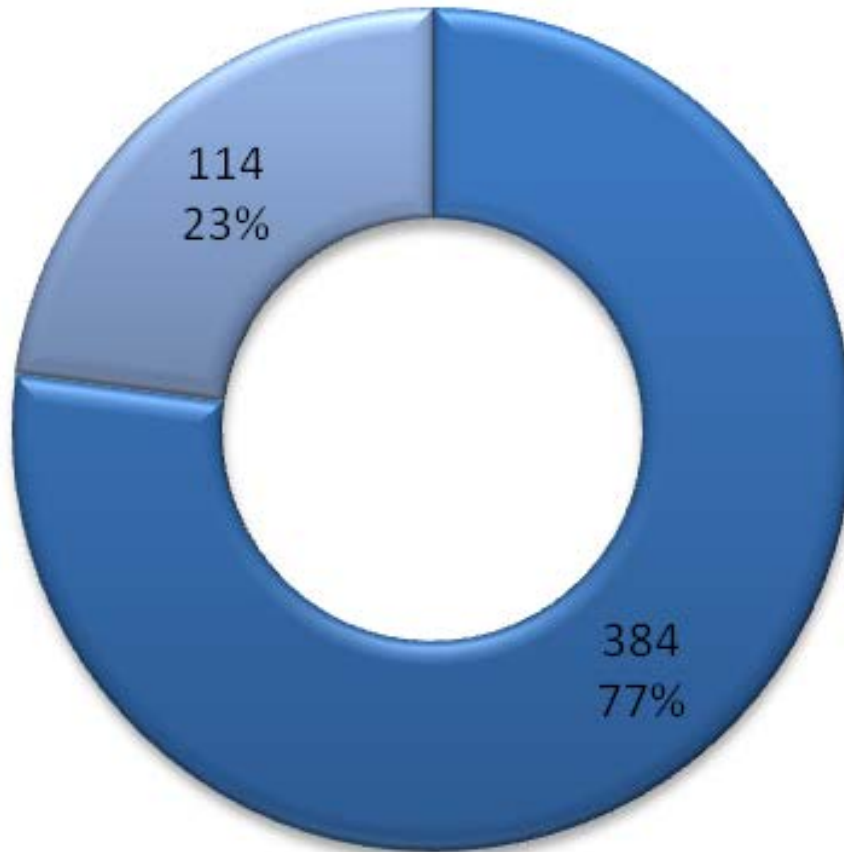
3) Undervalues co-op education and training

- absence of the universal co-op principle of “cooperative education, training and information”
- education committee and education fund not mandatory

4) Doesn't promote social responsibility

- proposals for the approval of new co-ops are not required to include a study of social impact
- social fund not mandatory

Cuban Non-Agricultural Cooperatives Proposals Approved



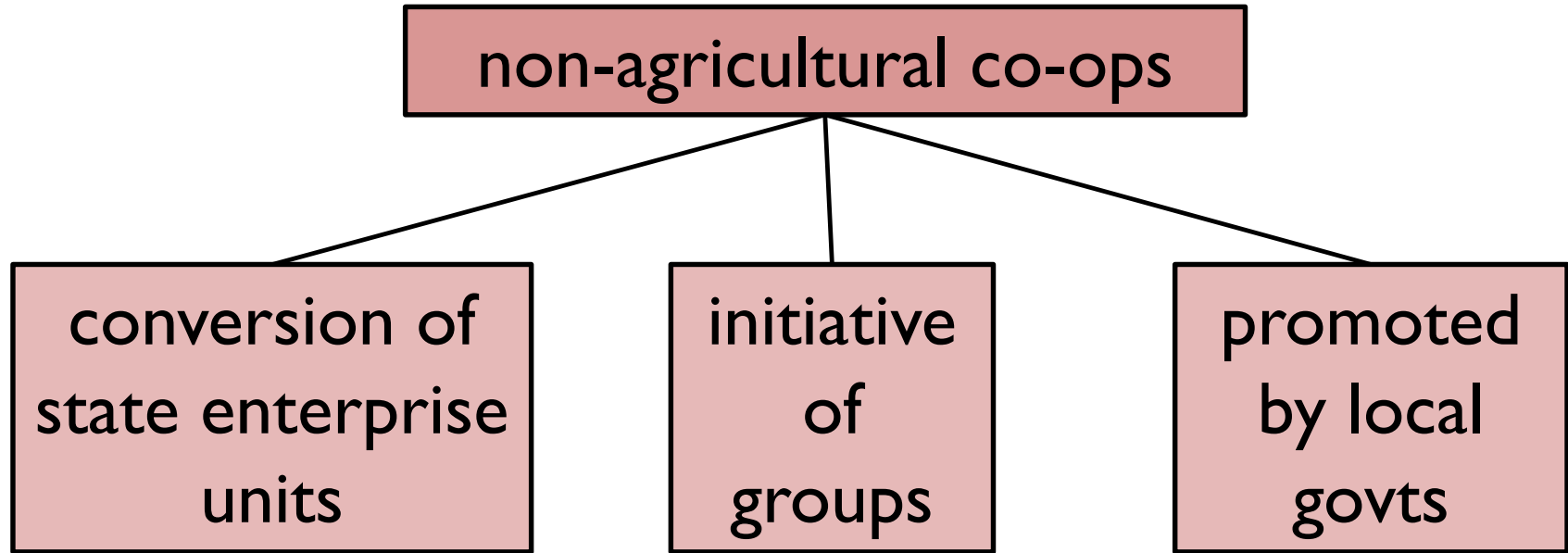
Total: 498

- State origin
- Non-state origin

Source: author, based on CIDEL, 2014.

Cuban Non-Agricultural Cooperatives

Different Possible Origins



gastronomy... light industry;
leased;
collective property

prod. of goods & services ...
owned/leased/in usufruct;
collective/individual property

care, communal services ... ;
owned/leased/in usufruct;
collective/individual property

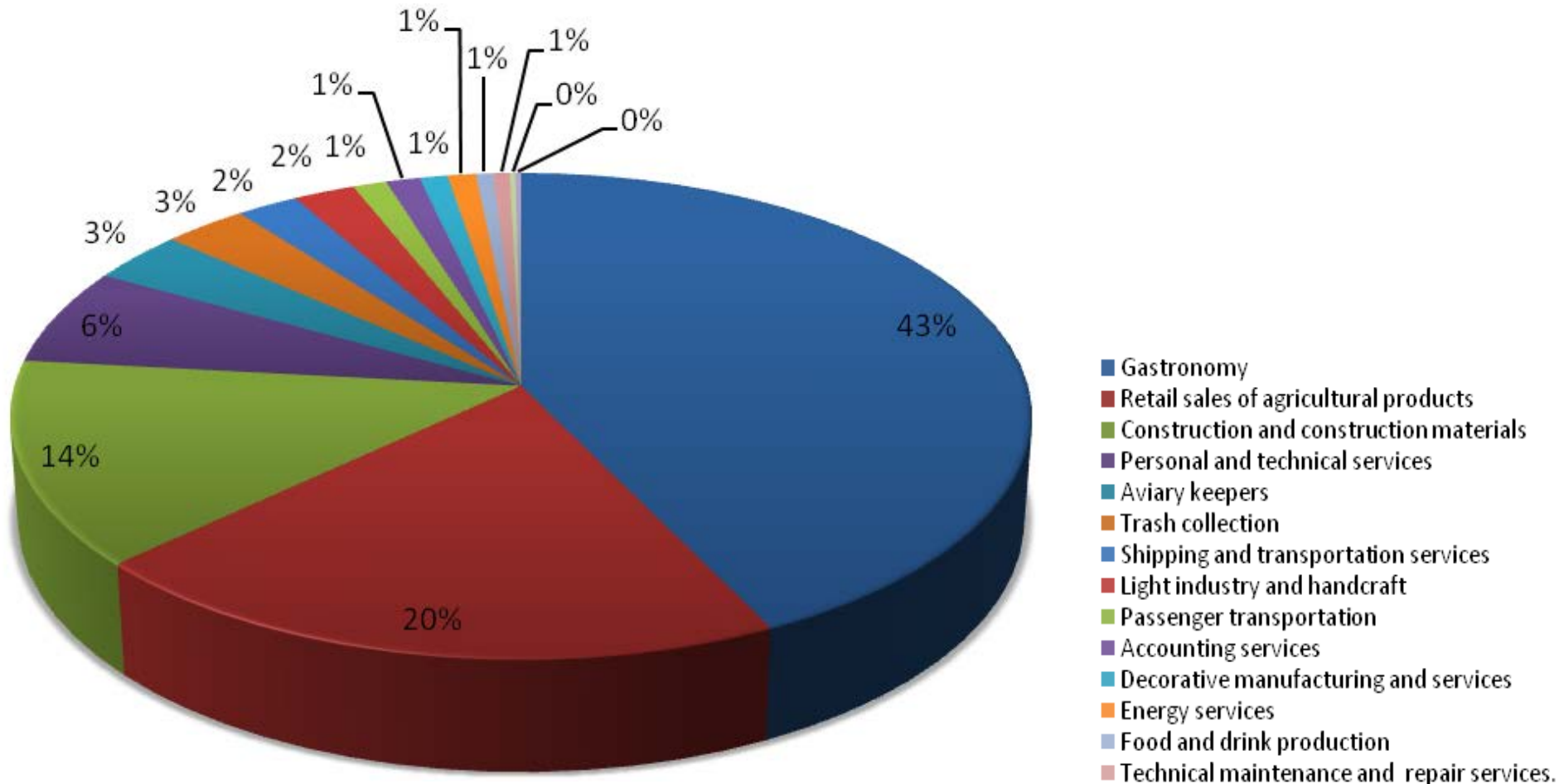
Cuban Non-Agricultural Cooperatives Proposals Approved, by Group and Origin

| Approved groups | Total | State origin | Non-state origin |
|-----------------|------------|--------------|------------------|
| I | 126 | 114 | 12 |
| II | 71 | 33 | 38 |
| III | 73 | 41 | 32 |
| IV | 228 | 196 | 32 |
| Total | 498 | 384 | 114 |

Source: author, based on CIDEL, 2014.

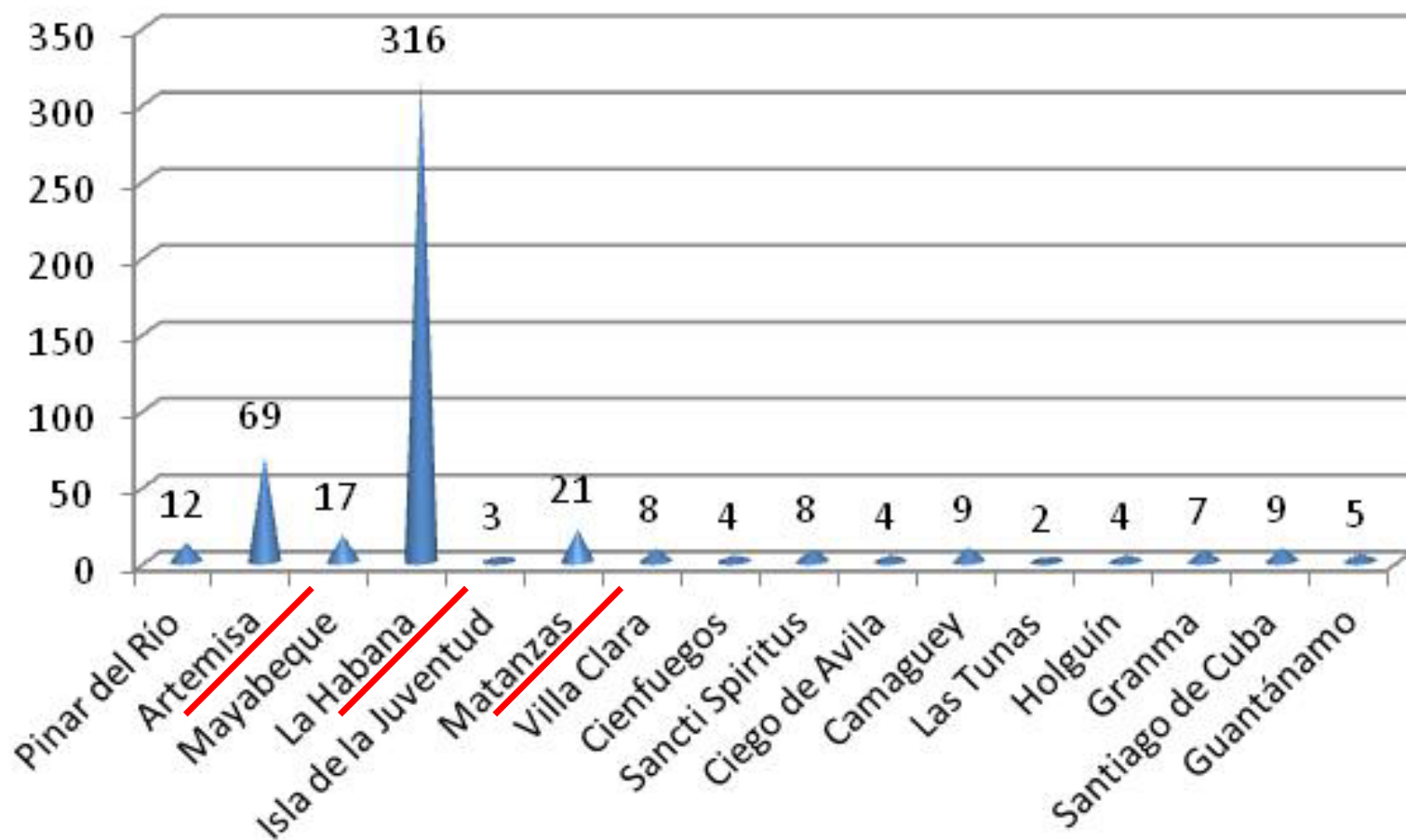
The pending approval of a fifth group with more than 300 has been announced by public officials.

Cuban Non-Agricultural Cooperatives Approved, by Activity



Source: author, based on CIDEL, 2014.

Cuban Non-Agricultural Cooperatives Geographical Distribution



Source: author, based on CIDEL, 2014.

Diagnostic of Non-Ag Co-ops

Description of Research Sample

13% of the total created in Cuba

21% of the total created in Havana

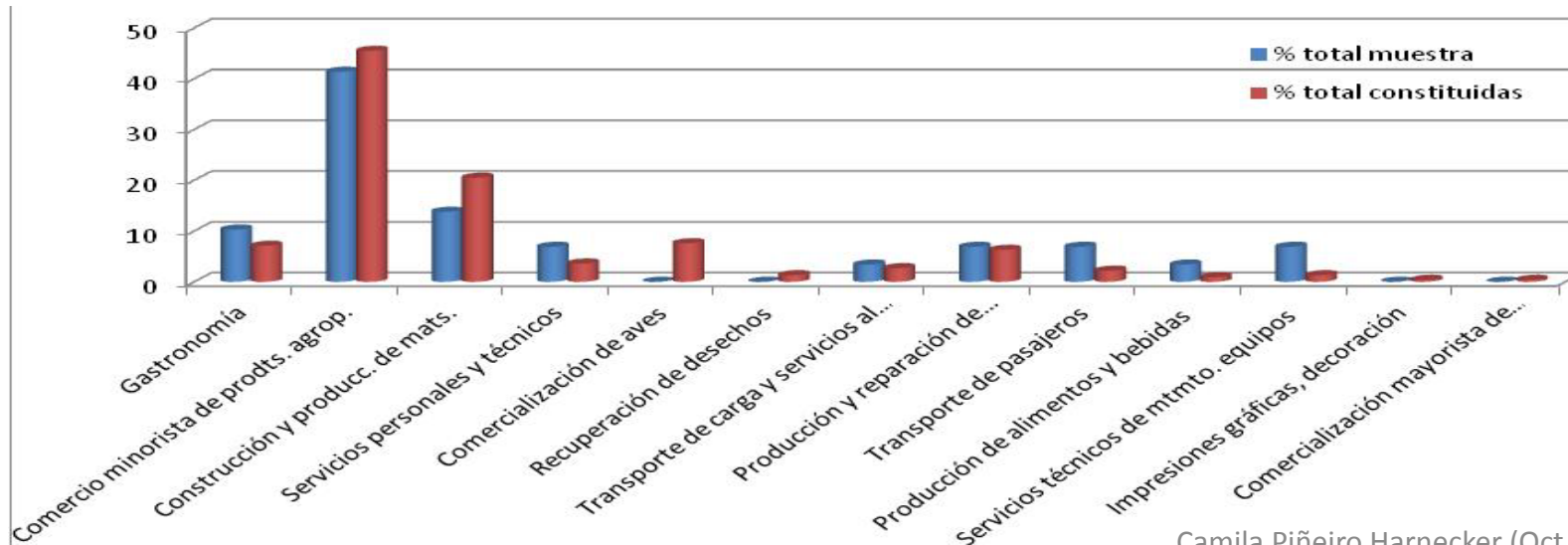
State origin: 76%

Group initiative: 24%

Average membership: 17 (increasing)

Women: 26%

Comparison with total created, in regard to economic activity



Diagnostic of Non-Ag Co-ops Achievements

Workers' income:

- tripled
- better working conditions

Resource management:

- reduction of waste
- less pilfering
- collective supervision
- interest in professional growth

“The power to decide is the most important”

Work environment:

- more cohesion
- more motivation
- more balanced distribution of work tasks

Satisfaction of external clients:

- except for ag. markets, better quality without *significant* price increases

Diagnostic of Non-Ag Co-ops Difficulties

creation process:

- those of state origin feel decision was imposed
- elections of management without secret voting

training and education:

- insufficient or none
- lack of knowledge of principles, rights and rules
- lack of preparation of state entities to deal with them

provisioning:

- state enterprises are not complying with law
- state enterprises not buying or selling to them

factors increasing costs:

- prices of priv. transport. providers
 - requested to pay in cash
- tax exempt period is too short

A black and white photograph showing a pair of hands working with soil. One hand is holding a small, clear container, and the other is holding a small, dark object, possibly a seedling or a small plant. The background is a blurred field of soil and plants. The text "Final Thoughts" is overlaid in large, white, sans-serif font at the top. Below it, the word "about" is in a smaller, white, sans-serif font. At the bottom, the word "Cooperatives" is in the largest, white, sans-serif font.

Final Thoughts

about

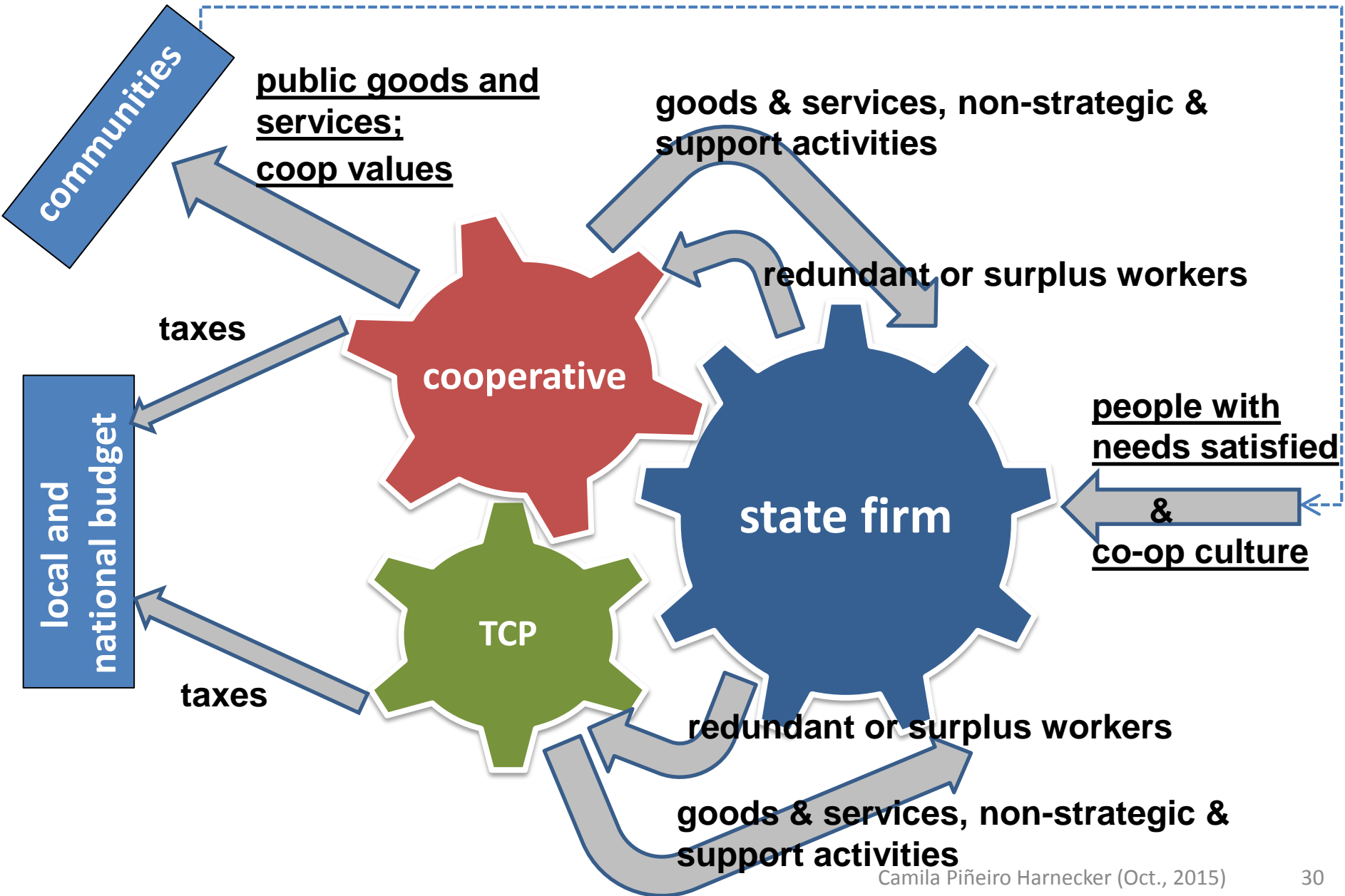
Cuban

Cooperatives

What Cuban Cooperatives Need

- State promotion with effective and pedagogical supervision, that facilitates initiative from below, that it is not too ambitious
- Streamlined approval process for new co-ops, both ag and non-ag
- A specialized institution for supervision and support
- An umbrella organization that represents all co-ops
- A network of organizations that provide cooperative education, training and consulting services (“acompañamiento”)
- Better access to goods and services

Cooperatives in Cuba's New Economy



Author's publications on Cuban cooperatives:

“The contribution of cooperatives to Cuba's new socialism” in Durand (ed.) *Moving Beyond Capitalism* (to be published by Ashgate)

Guía Introductoria sobre cooperativismo para Cuba. (to be published by Ed. Caminos)

“Las nuevas cooperativas en Cuba: logros y desafíos” en *Miradas a la Economía Cubana: Análisis del Sector No Estatal*, Ed. Caminos, La Habana, 2015, pp.53-61.

“Cooperativas no agropecuarias en La Habana. Diagnóstico preliminar” en Colectivo de autores *Economía Cubana: Transformaciones y Desafíos*, Ciencias Sociales, La Habana, 2014, pp.291-334.

“Las cooperativas en Cuba” en Font y González-Corzo (eds.) *Reformando el Modelo Económico Cubano*, City University of New York, NY, 2014, pp. 63-82.

“Nonstate enterprises in the Cuban economy: Building socialism?” *Latin American Perspectives* Issue 197, Vol. 41 No. 4, July 2014 pp. 113 - 128.

Repensando el socialismo cubano: Propuestas para una economía democrática y cooperativa. Ruth Casa Editorial, La Habana, 2013.

Cooperatives and Socialism: A View from Cuba (ed.), London, Palgrave MacMillan, 2012.

“Las cooperativas en Cuba: situación actual y perspectivas” en Lianza y Chedid (orgs.) *A Economia Solidária na América Latina: realidades nacionais e políticas públicas* Pró Reitoria de Extensao UFRJ, Rio de Janeiro, 2012, pp. 161-173.

Thank you for your attention!

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