



## Caribbean Green Economy Action Learning Group

From a “doorstep economy” to a green economy: a case study of Cuba  
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#3

### Green Economy

#### The context: an economic model in transition

Cuba’s centralized economic model is exhausted, and the economy is in crisis. The average annual growth rate has fallen from 9% from 2004-2007 to 2.5% from 2008-2010; the fiscal deficit reached US\$ 10 billion in 2008; the terms of trade deficit increased by 35% in 2008 and another 15% in 2009; and real salary levels have been falling since 1990, and are now only 27% of its 1989 level, with major impacts on family living standards.

The Government has introduced some measures over the last two years to address the situation, mainly through a shift from state to private enterprise. It aims to reduce inflated state payrolls by 20-25% over five years, eliminating 1.5 million state jobs by 2015. It is implementing a public sector reform process and new tax system, strengthening the role of local government and restructuring the system of subsidies to support persons rather than products. To transform the agricultural sector, it is distributing idle state lands to individuals and cooperatives (3.4 million acres were granted to 170,000 new farmers by January 2012). A culture of entrepreneurship

The Caribbean Green Economy Action Learning Group (GE ALG) is made up of development professionals and academics from the region, with a range of expertise including development economics, planning, tourism, agriculture, social development, public administration, rural development, environmental management, disaster management, gender and climate change.

The Caribbean Natural Resources Institute (CANARI) serves as convenor for the Group. The purpose of the GE ALG is to identify and promote ways in which “green economy” can advance sustainable development in the Caribbean through shaping visions, perspectives, positions and actions. The GE ALG collectively plans research actions and draws lessons and recommendations for policy and practice.

The GE ALG produces Discussion Papers to inform reflection and analysis on key topics relevant to transforming economic development in the Caribbean. Please see <http://www.canari.org/greeneconomy.asp> for more information.

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is growing rapidly: from 100,000 self-employed workers in 2008, there are now around 340,000, and 62,747 new licences have been granted to private enterprises.

Approximately 85% of the total population of Cuba is concentrated in urban areas. In spite of all the efforts over the last three years to revitalise the agricultural sector and improve conditions in rural areas, rural population growth is still slow. This situation has subjected Cuba's major cities to all the negative effects of rapid growth, without the economic basis to support the transformation of infrastructure and services such growth requires. The resulting unplanned occupation of open spaces and green areas is having a major impact on the urban environment, reducing the space available for social communication.

This problem has increased sharply in recent years with the official re-sanctioning of self-employment and the possibility of establishing small private enterprises. Motivated by the opportunity to engage in potentially profitable legal commercial activity, thousands of citizens have taken possession of the most unlikely urban spaces. Doorways, lobbies, gardens, flowerbeds, garages, entranceways, shaded areas, sidewalks, communal passageways and neighbourhood green spaces have been transformed into "commercial areas", degrading the urban environment through the intensive occupation of open and communal spaces in neighbourhoods, communities and residential areas. This commercial occupation of public spaces also affects the structure of the cities by the indiscriminate consumption of finite resources such as water, energy and food supplies, without any plan for increasing their production. Neither the new commercial laws nor the tax system make provisions for investment in the environment or the evolution towards a green economy. In

addition, there is little financing available to start up "green enterprises" because they are not seen as a good credit risk.

### **Green economy vs "doorstep economy"**

The structural consequences of the creation in Cuba of what I have called the "door step economy" will be enormous if no efforts are made to move in the direction of a green economy or similar strategy. Currently, the doorstep economy is seen as a positive outcome of the revitalisation of the sense of private property so long forgotten in Cuban society and of the illusion of prosperity it has momentarily created in the population. The reality that is emerging, however, is that this "emergency solution" is not delivering large flows of income, nor bringing in tax revenues, and there has been no consideration to developing the business and financial capacities of these new entrepreneurs or business associations to support them.

However, Cuba has a number of good experiences to learn from and build on. A favourable policy environment along with a good framework of environmental laws and regulations has encouraged a number of local initiatives in urban and rural areas around the country, which have been implemented with varying degrees of success. These experiences have contributed to increasing levels of socio-economic participation to address the "governance gaps" that spontaneously arise in the Cuban context. The projects, most of which are implemented by local governments together with civil society organisations and research and academic institutions, provide potential pathways to sustainable development through the development of a green economy. They have also demonstrated that we can put in practice in our local context the concept of "sustainable livelihoods" and generate employment and income by converting the protection of the environment, the care of public health and

urban infrastructure, and small-scale urban and peri-urban agricultural production, into well-remunerated economic activities.

Many of these initiatives provide examples of the social and environmental benefits that



**Photo 1. Entrepreneurs in downtown Havana tourist areas.**  
Credit: CANARI

socially responsible enterprises can provide as basic elements of a green economy. By revitalising their neighbourhoods, these projects are creating potential enterprise zones that demand new kinds of private sector associations to sustain them.

### **Current and future challenges**

It will be a challenge to ensure that the new economic transformations in Cuban do not simple result in an uncontrolled expansion of the commercial sector, but rather draw on other experiences and instruments. Among the fundamental actions that could be taken and that have been used in some of the initiatives mentioned earlier are these:

- promote local exchange systems to increase the amount of goods and services consumed by self-employed households;

- create financial mechanisms that support community-based structures of production and consumption;
- promote energy independence and other actions that can spur the growth of “eco-neighbourhoods” in Havana and other cities and support local green economic development;
- support an orderly transition from self-employment to small and medium enterprise: diversify the types of legal ownership and build capacities in green economy;
- transform production processes and working cultures;
- reform energy policies;
- expand the scope of the tax system to ensure a sustainable development pathway rather than simply maintain the operations of the State.

The moment to introduce elements of a green economy into public policies is now, while Cuba is in the process of transforming its economic model. Every problem can now become an opportunity. Cuba’s transition is being closely watched by the big economies, and its emigrant communities in the North and we have the need and the responsibility to do things right.

Uncontrolled capitalism does not bring equitable distribution of benefits, social development or a sustainable future. Cuba today is at a crossroads, and must find its own direction. The solutions for our problems cannot be found in Nash or Stiglitz. That is our challenge. We can only achieve economic growth while protecting the environment by investing in the future. That will require putting in place mechanisms that, while changing the patterns of socio-economic and socio-political inclusion, also train people in responsible patterns of consumption. The aim should be to achieve a society that strengthens and valorises, through inclusion in national accounts, social services as well as

ecosystem services, and protects nature and biodiversity through an integrated socio-

economic approach.

#### Caribbean Natural Resources Institute

The Caribbean Natural Resources Institute (CANARI) is a regional technical non-profit organisation which has been working in the islands of the Caribbean for over 20 years.

Our mission is to promote and facilitate equitable participation and effective collaboration in the management of natural resources critical to development in the Caribbean islands, so that people will have a better quality of life and natural resources will be conserved, through action learning and research, capacity building and fostering partnerships.

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