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Cuba and the complex transformation of the State Enterprise (II)

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In the analysis of this subject, first that it must be considered it is that the changes in the economic policy in relation to the state company that took shelter in the economic and social policy guidelines approved in April 2011 took into account a set of necessary premises for the success of these transformations.

As starting point was expressed the principle that in our society the State enterprise as the essential element in the economic management based on the social ownership of the basic means of production, in the frames of a system of planning that would be dominant on the market would be decisive.

Under these conditions it was established and then was put into practice a gradual process of decentralization of powers in favor of the growing autonomy of the State company, in a context of differentiation of the State and business functions, for which it was necessary to develop a regulatory framework right, including its procedures, with the aim of raising production efficiency and the satisfaction of social needs.

Outlined so probably the most far-reaching transformation and essential but whose analysis requires a remarkable synthesis effort at the same time, complex and long-term in the whole process of updating of the Cuban economic model. (Taking this into account we will build on the analysis carried out by a group of economists, including Luis Marcelo, Ileana Díaz, Luis de el Castillo and Camila Piñeiro, among the most prominent in the study of the subject). The first steps in this direction have led to a transformation of the structures of the business based on creating superior organizations of business management (OSDE), companies and business units of base (UEB), which began to materialize since 2010 by 25.4% in the number of companies reducing and 18.9% of the corporations of the State, at the time that created a number of OSDE and especially UEB.

An evaluation of structural movements in progress highlights the gradualness which presuppose the changes in the management system, where different powers of control previously located at ministerial level now are at the OSDE, while maintaining a level of centralized management in the company that are subordinated to the UEB, which do not possess legal personality.

This last has led to a controversy over the relevance of this decision, especially in regard to the conversion of a number of companies in States with more limited powers. This even led to that was announced in the last National Assembly review of this aspect, particularly in the case of the sugar mills.

The issue of the structure is not minor, because the measures already adopted in this year located a number of faculties at the enterprise level, what the dimension of each structural element and the relations of coordination or subordination with the higher or lower level, depending on whether, going to have a noticeable effect on the process expediting or hampering decision-making.

However, in a context of long years without major changes in terms of the decentralization of substantive decisions at the level of the companies – except what could rescue the business processing applied from 1998 – is very positive what now is introduced, even though the deadline for its application are extended in time taking into account the necessary experimentation that it must pass and the essential training of the boxes that apply the decisions agreed.

The changes approved in this first stage are mainly collected in Decree Law 320 and the 323 Decree of the Council of Ministers, issued in April of 2014, amending the Decree Law 252 and Decree 281 as regards the business management system, that latter ruled the relationship basically with the business improvement process. Accordingly, steps that now run should give continuity to the best experiences of this process which today comprises about a thousand companies of the existing 096 2 at the end of the first half of the year.

A general approach to the amendments approved for public companies shows that they include easing of its corporate purpose, with the Elimination of its limitations. Discussed, also reduce the management indicators in the plan, defining more accurately the content of the obligations of the company by State commissioned and differentiating the formation of prices depending on whether pre-set or excess deliveries which may be freely marketed.

In addition, expands the retention of profits after payment of taxes – defining its possible uses, including the distribution among workers, at the time which is authorized to retain the depreciation and create compensation funds at the level of the OSDE to address short-term imbalances. Also sets the OSDE approves the plan of the company and payment of wages systems, which opens the possibility of an increase on the basis of the increase in productivity and efficiency.

All of these changes will take place in an environment that includes the new tax law and a foreign investment law, as part of macro-economic legislation in the process of implementation, to which is added the complex process of reunification, monetary and exchange rate policies, which also began in the Cuban economy.

(To be continued)

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