

Local Government and Economic and Social Change in Cuba

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EXECUTIVE SUMMARY

Ever since the collapse of the Soviet Union, Cuba's major source of trade, credit and aid, the island has been searching for ways to integrate its economy into the global capitalist economy. While Cuba's political leadership has brought about a major readjustment of the state's role in areas related to economic decision-making, it has been unwilling to make substantial changes to those political and economic structures not directly related to the global economic system. One important example is its reluctance to decentralize power to local governments, even at the risk of seeing them left behind in the process of social change currently overtaking Cuba.

This background briefing analyzes the basic features of Cuba's system of local government, the main institutional adjustments that have taken place over the last decade as Cuba adapts to its new economic and social circumstances, and a number of the key challenges currently facing the system. The author argues that, despite the modifications to the system that have taken place, Cuba's system of local government, established for the specific purpose of implementing centrally planned development, is proving inadequate to address a number of important challenges, including the rise of unequal social and regional development throughout the country.

In response to the state's significant loss in its resource assignment powers to new actors such as the market and the community, the author argues that a significant reform of the system is necessary. He recommends measures designed not to perpetuate municipalities as they exist, but rather to transform them from subservient bodies with delegated functions and powers into decentralized political and administrative authorities with enough autonomy to intervene effectively at the local level.

RESUMEN

Desde el colapso de la Unión Soviética, principal socio comercial y fuente de créditos y ayuda para Cuba, la isla ha estado explorando nuevos caminos para integrarse a la economía capitalista mundial. A pesar de haber realizado grandes reajustes en cuanto al papel del estado en la toma de decisiones en el terreno económico, la dirigencia política del país ha

estado renuente a realizar cambios significativos en las estructuras políticas y económicas que no están vinculadas directamente con el sistema económico mundial. Un ejemplo de esto se observa en el rechazo a descentralizar algunos de sus poderes a los gobiernos locales, incluso cuando esto significaría que los gobiernos locales se quedaran a la saga del proceso de transformación social que aflora en Cuba en la actualidad.

El presente trabajo analiza las principales características del sistema de gobiernos locales en Cuba, los cambios institucionales principales que se han operado en la última década al tiempo que Cuba se adapta a las nuevas circunstancias económicas y sociales, y algunos de los retos que enfrenta dicho sistema actualmente. El autor señala que a pesar de los ajustes realizados, el sistema de gobiernos locales, creado con el propósito concreto de implementar programas de desarrollo planificados a nivel central, es incapaz de resolver algunas cuestiones importantes como el aumento de las desigualdades en cuanto al desarrollo social y regional a lo largo y ancho del país.

Dado que la capacidad del estado como suministrador de recursos se ha limitado considerablemente, y estas funciones han pasado a manos de protagonistas nuevos como el mercado y la comunidad, el autor manifiesta que es necesario realizar serias reformas al sistema de gobiernos locales en Cuba. Además, recomienda que se diseñen medidas encaminadas a transformar las estructuras actuales de los gobiernos locales, de forma que dejen de ser estructuras subordinadas con poderes y funciones que les delega el gobierno central y se conviertan en estructuras políticas y administrativas con la autonomía necesaria para operar eficazmente.

BASIC FEATURES OF CUBA'S SYSTEM OF LOCAL GOVERNMENT

The current structure of local government in Cuba (officially named the Local Organs of People's Power or Organos Locales del Poder Popular) dates from 1976, when 169 local government authorities (municipios) were created, divided into 14 provinces. This structure includes some representative features with municipal assemblies, designated within Cuba's constitution as the paramount state authority in each local area, being made up of members directly elected by the population. Each of these assemblies has an executive structure (initially called executive committees or comités ejecutivos and later renamed municipal administrative councils or consejos de administración municipales) that is elected by assembly members. Municipalities also include administrative and management structures to provide local services.

The creation in 1976 of a system of municipal government within Cuba's highly centralized political system with few local structures involved major transfers of resources and powers (both exclusive and shared) to the local government level. In addition to being responsible for the administration of local services, such as restaurants, garbage collection and street cleaning, Cuban local governments became key players in

fulfilling the social and regional equity goals of the government's revolutionary program. As such, local governments became responsible for administering services in the areas of health, education, social security and employment programs.

Local governments also came to play a crucial role in extending the legitimacy of Cuba's political system. This was done largely through the creation of a number of participatory mechanisms designed to allow for more effective identification of issues and involve the population in finding solutions, in addition to providing the political leadership with access to a significant source of information for decision-making. This allowed the political system, in spite of its high degree of centralization, to remain aware of people's needs, to increase its policy-making effectiveness and to keep regular political communication channels open with its social constituencies.

The creation of Cuba's system of local government marked an improvement over the system that existed prior to 1976 in a number of important ways. For the first time within Cuba's revolutionary system, individual citizens were allowed to nominate candidates for public office and to elect representatives by direct ballot to a government body. Even after the adoption of a direct election system for members of the National Assembly

in 1992, municipal assemblies remain the only elective bodies where a certain degree of competition between candidates is permitted (only candidates proposed by electoral committees presided over by the Central Organization of Cuban Trade Unions or Central de Trabajadores de Cuba, Cuba's official union organization, are allowed to run for national and provincial assemblies). In addition, the basic accountability inherent in local structures empowered the population to participate and have a say in local government decisions.

Despite these features of the system, there remain a number of serious obstacles to realizing the full potential benefits of the local government model, both in terms of enhancing governance and building democracy.

First, although local governments were ostensibly created as part of a decentralization process, the system remains highly centralized and local governments were only assigned a delegated jurisdiction that is not clearly defined in law and that can be turned back at any time. In addition, not only are local governments limited in the powers they can exercise, they also have to compete from a position of weakness with those of other government bodies in their territory, including large state enterprises and local offices of other government departments. In other words, local governments are equipped to **participate** in local development, but not to **lead** the process. Their ability to mobilize local resources is severely limited by a centralist legal framework, and they enjoy only limited autonomy in developing and implementing their budgets within the context of a command economic system in which money and the market play only a passive role.

In terms of popular participation, whatever the merits of the system, it must be recognized that it remains part of a paternalist relationship between the state and the citizenry. The actual scope for popular participation is limited by a number of negative features: participation is on a highly individual basis; agendas are limited to strictly local issues; and a pluralist perspective is lacking in the system. All those features are closely related to the underdevelopment of civil society. Because of these

democratic shortcomings, the resulting municipal institutions remain unable to assume their ambitious assigned functions in reality, and remain mired in bureaucratic roles.

CURRENT CHALLENGES

Despite its notable shortcomings, Cuba's system of local government played a significant role in implementing the social and regional equity goals of the government's revolutionary program. This role presupposed the following conditions:

- A centralized economic system in which the state controlled the assignment of resources within a quasi-monopolistic framework;
- Relatively abundant resources made available through the country's integration in the Soviet bloc; and
- A dramatic asymmetry between a powerful state and a poorly-structured civil society.

Since approximately 1990, however, largely as a result of the collapse of the Soviet Union (Cuba's major source of trade, credit and aid) these conditions have disappeared or have gradually been eroded. The state has lost a significant part of its resource assignment powers to other actors, such as the market and the community, which have emerged as new resource distribution mechanisms.

As the following section of this paper illustrates, despite the modifications to the system that have taken place over

the last decade, Cuba's system of local government, established for the specific purpose of implementing centrally planned development, is proving inadequate to address a number of important challenges that have emerged.

Unequal Development

The political and administrative boundaries established in 1976 are becoming increasingly irrelevant as each region establishes new types and degrees of linkages with the world capitalist market (or conversely, becomes disconnected from previous linkages to the Soviet bloc). Despite the need for increased flexibility of existing structures to allow a broader scope for coordination

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between local authorities and their development programs, these measures are prohibited under the current system. One result is the deterioration of the regional equalization system put in place in earlier decades. Consequently, unequal development is appearing throughout the country as the economies of some areas prosper and those of other areas contract. This contraction is apparent in traditionally have-not, subsidized regions and in those that flourished thanks to their links with either the Soviet or the home market. One consequence of this phenomenon is the rise of internal migration toward the more prosperous regions despite existing restrictions.

One example of a prospering area is the tourism magnet of Varadero-Cárdenas. Varadero was always a tourist town, but until 1987 it remained a low-profile resort largely frequented by Cuban tourists accommodated in a few modest hotels. Today, the Varadero peninsula is covered with tourist facilities (designed to attract foreign tourists), and its economy is almost totally dollarized. Tourist development has produced an influx of highly qualified labour from the entire surrounding area, especially the cities of Cárdenas and Matanzas, to the detriment of the region's traditional productive and social activities.

Unequal development is also seen within Cuba's major cities. An example of this can be observed in the coastal strip of Havana, which is becoming relatively prosperous. The area begins in the historic colonial quarter and extends westward for over twenty kilometres. Most emerging businesses are based in this area, including decentralised state enterprises and government joint-ventures such as tourist-related activities, real estate, high-technology research and manufacturing, as well as authorized private businesses and informal activities. Urban spaces are being remodelled through state or private initiative, and in addition to the standard local fast-food chains, areas of prosperous private restaurants and food shops are beginning to appear, in some cases complete with their own lighting systems and private security guards. The most economically active segment of the population settles in this area. By contrast, other areas (such as the southern end of the city and outlying areas) are seeing little change and are likely to end up as the preserve of less economically active segments of the population, such as retirees and blue-collar workers.

The southeastern region of the island is a prime example of a contracting economy. More and more, the

three provinces of that region — Granma, Santiago and Guantánamo — are becoming a source of labour for the western provinces.

In earlier decades, the benefits produced by regional development planning in both rural areas and small and medium-sized towns helped limit the influx of population to the capital. Thus only 19.9% of the country's population lived in Havana in 1995, an even smaller percentage than the 20.5% recorded in 1959. That process is rare indeed in the hemisphere's demographic annals. Migration to the city, especially from the eastern provinces, nonetheless began to increase starting with the crisis in the 1990s, and is now the main factor in demographic growth. According to figures provided by the provincial planning office, there was an influx of some 60,000 people to Havana between 1990 and 1996. That figure is hardly alarming for a city of 2 million with a very low birth rate. It does, however, portend a broader trend. In addition, given legal restrictions on migration, a considerable proportion of the actual population influx to the city is clandestine and not recorded in official figures. Indeed, even to the casual observer, the distinctive accent of the eastern provinces is heard more than ever on the streets of Havana, especially in the many slum pockets that are beginning to appear in the capital.

Perhaps the internal migration process can be seen more clearly in smaller municipalities such as San José de las Lajas, a township of 60,000 residents (75% of whom live in urbanized areas), located some 30 kilometers southeast of the capital. According to data gathered by a team of researchers led by the author, some 16,000 people migrated to San José between 1990 and 1998, while 9,000 emigrated from the area, for positive net influx of 7,000 new residents, or some 800 per year. Such a high influx of people has resulted in increased demands on services and the appearance of slum areas in various neighbourhoods of the township. The migrants are overwhelmingly from the eastern provinces: some 6,000 "orientales" (or fully 10% of the township's total population) have settled in San José while only 140 township residents have emigrated to the east.

Inadequate Authority

As was noted earlier, the powers of Cuban municipalities have been limited by their status as mere delegates of central authority. Although local governments do develop budgets and perform tax collection functions, these aspects have been largely

symbolic in a centralized system where money only plays a passive role. Under the logic of this system, the amount of funding available each year has been less important to local authorities than the availability of material resources. Even without money, it is possible to have access to resources through political mechanisms, or else to increase the funding available under symbolic or soft budgets (budgets lacking financial discipline and subject to subsidies). Budget discipline is more a moral or political end, rather than an economic requirement.

The present context, however, is somewhat different. Resources are scarce and the country's economy is feeling the effects of budget cutbacks.

Money has taken on a more active role and municipal budgets have left the realm of accounting fiction to become an active component in managing development.

Some positive changes have taken place. Local governments' fiscal practices are much more sophisticated than a decade ago. Municipalities know first-hand the importance of developing a tax base linked with areas of expanding economic activity, such as business profits and personal income. Conversely, they must operate in a more rigorous budgetary context, and therefore exercise greater spending discipline. All of this contributes to a modernization of Cuba's

administrative system. These changes, however, are not enough. Municipalities remain strictly subordinated to the traditional central planning system and currently have no access to the market and no way to increase their income or to decide how to spend resources made available through more active management and mobilization of resources.

The current constraints on local governments are thrown into even sharper relief when we look at the recent transformation of local economies. The economy in a given area is made up of a number of actors, foremost among which are the large state corporations. Prior to the crisis of the 1990s, these state companies were no more autonomous than municipalities. Operating in a context of soft budgets, and in the absence of virtually any legislative provisions governing such local-level relationships, state corporations and local governments

developed mutually beneficial links largely based on personal relationships.

Today, state enterprises have begun their transition to greater autonomy and fiscal discipline and accountability, based on non-subsidized hard budgets. On the positive side, this transition has put an end to the somewhat incestuous relationships that existed with local governments (except where companies have retained a "social fund" that has, in fact, become a public relations expense). Of concern, however, is the fact that the greater autonomy of companies has further increased their relative power vis-a-vis the

municipalities. As a result, due to the absence or incompleteness of legal provisions, municipalities now have even less scope to intervene in areas where enterprises such as resorts, real estate projects and processing plants (funded by either state or foreign private capital) have a major impact in their local areas. This can be seen in areas such as the protection of public spaces and the environment. One example of such a situation is the Varadero peninsula, whose fragile ecosystem is under threat due to the heavy development of tourist facilities.

Recent initiatives deserving mention in this context are the creation of horizontal coordination mechanisms that bring together economic entities in a given area, and in which municipalities play a

somewhat expanded role. Examples of such mechanisms include:

- Enterprise cooperation councils (consejos de cooperación empresarial), now largely abandoned;
- Popular councils (consejos populares): These are sub-municipal entities made up of delegates from specific districts. Among other duties, they are responsible for overseeing the delivery of services and managing community works;
- Municipal administrative councils (consejos de administración municipales - CAMs): These were created in 1992 to replace the earlier executive committees (comités ejecutivos), and like their predecessors, they assumed overall authority in their jurisdictions. Unlike the executive committees, however, managers of major enterprises located in

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each area have a seat on the local CAM, which allows the councils to coordinate initiatives, to provide overall local economic supervision, and to some extent, to mobilize resources from enterprises.

Perhaps the most significant of these mechanisms are the CAMs. Although CAMs did represent progress compared to the executive committees, with less bureaucratic duplication and a new forum for nimbler, more effective decision-making, they have proved insufficient.

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Class and Social Inequality

At the same time as state-run enterprises are having a growing impact on people's lives, existing mechanisms for civic participation within local government structures have become increasingly ineffective, because they fail to incorporate the growing diversity of Cuba's population as it adapts to its new economic context.

From 1959 until 1990, a profound homogenizing process had been at work in Cuban society. The elimination of the upper and middle classes resulted in a social levelling process unprecedented in the hemisphere. This process facilitated the implementation of a governance structure characterized by an asymmetrical relationship between a newly emerging and unsophisticated society, and a powerful state legitimized by that society. The resulting system ensured unity and popular support for the changes introduced under Cuba's revolutionary program.

This context of relative homogeneity, however, began to change in the late 1980s, in part due to Cuban society's own dynamics, although largely as a result of the economic reforms implemented by the Cuban regime in response to the crisis of the 1990s. The differentiation and stratification process currently underway within Cuban society in terms of property and income is a key to today's social change. Prior to 1989, 94% of the workforce was employed in state enterprises; they were divided into about twenty salary categories, with fixed remuneration matched by subsidized consumer goods.

By 1996, that percentage had shrunk to 78%, and a significant portion of the population had moved into the private, mixed or cooperative sectors. In addition, millions of state employees started to enhance their insufficient salaries through informal activities, remittances from abroad, etc. As a result, relatively high concentrations of market-based wealth and power began to appear in the hands of a minority group, especially in economically expanding regions.

As well, distinctions are appearing among individuals based on gender, age, race and, as discussed in the previous section, regional origin. Certainly all of these differences existed before, but the state's loss of part of its resource assignment powers to other actors such as the market and the community has resulted in a gradual transformation of these differences into distinct social identities.

The emergence of alternative social identities is also driven by the general realization that state policies are increasingly constraining upward mobility. Perhaps the most telling symptom of this new reality has been the appearance of relatively autonomous community organizations in neighbourhoods in Havana and other medium-sized cities.

The reintroduction of social mobility has brought new areas of social differentiation and raised the general level of social awareness. Cuba's population can no longer be described as an undifferentiated "people". Instead, it is an increasingly heterogeneous conglomerate that expresses a variety of needs and demands. The existing participatory mechanisms of Cuba's local political system, designed twenty five years ago to represent a relatively homogeneous population within a paternalistic-clientelistic state structure, do not give voice to the growing diversity of local communities, thus reducing the effectiveness of local governments. It is unlikely that popular participation in local political structures will continue as a vital component of the system unless a way is found to incorporate the social diversity in the management of development.

ADDRESSING THE CHALLENGES: THE CASE FOR MUNICIPAL REFORM

Cuban society is at a crossroads and can only progress if it redefines the very core of its structures, power relationships and public discourse. It would be naive to

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believe that municipal reform alone can guarantee a better future for Cuba. Many economic, social, political and other variables come into play that go beyond the local level as well as the scope of this paper. It can be realistically assumed, however, that the creation of a more effective and democratic local government system would have a positive influence on the future course of the country.

Municipalities must be allowed to play the role assigned to them in the country's constitution, as representatives of local communities, rather than as the lowest rung of a central administrative apparatus (as has been the practice hitherto). This new approach would usher in a systemic decentralization of political and administrative power.

There is no doubt that Cuba's political and administrative system as a whole will experience a growing degree of decentralization in the future. The key issue is whether such decentralization will benefit local politicians and bureaucrats or society as a whole. Governance at the local government level must follow the decentralization that has already occurred in state enterprises and in those economic areas that are integrated in the global market.

As a prerequisite, municipalities must receive all the decision-making, implementation and coordination powers they need to exercise supervision over all other government entities in their jurisdiction. In addition, they require a strengthened tax base, effective control over land use, and local participation in and control over management of the environment and the use of public spaces through the implementation of regulations under environment protection legislation.

In a society that is becoming irreversibly market-based, municipalities need specific powers to intervene in the market, as buyers and sellers, investors, and regulators. Municipal budgets must become more active instruments, and local governments must be able to access additional income. This would mean requiring them to operate more efficiently in order to free up resources, and allowing them to tap into alternative sources of financing, including international capital markets.

It is only after such a decentralization process that municipalities will be able to become dynamic players in local development. Decentralization that would dissolve universal state responsibilities into fragmented local standards, however, is not acceptable. For example, since Cuban municipalities administer basic health and education services, increased demands on those services leads to ballooning local expenditures, requiring transfers from the central government to balance municipal budgets. In such a context, it would be folly to introduce full fiscal autonomy. Transfers from the central government must be maintained, but a clear distinction must be made between expenditures covered by specific agreements between the two levels

of government, and expenditures that municipalities can carry out autonomously. Such an arrangement would allow local authorities an acceptable degree of fiscal autonomy.

In order to reach the goal of socially beneficial decentralization, existing participation mechanisms must be strengthened, and others created, in order give voice to the growing diversity of local communities. To that end, groups such as neighbourhood

meetings and existing or future community organizations should be encouraged to assume an advisory role in areas such as development programs, budget processes, environmental policies, and civic rights, and even to take on important functions in scrutinizing and evaluating programs and outcomes. Such an expanded role would of course require real and meaningful access to information.

These reforms would naturally reinforce the positive features of municipal electoral systems, allowing local representative bodies to assume the senior role provided for by the constitution. It would also be useful to devise other means of representing various interests and social groups, in addition to the existing representative structures, in order to take account of the country's social diversity.

Finally, legislative reform is needed to increase the flexibility of existing structures and offer broader scope for coordination between local governments and their development programs, actions that are prohibited by the current framework.

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