

# CUBA

# TRANSFORMACIÓN

**EDITION 5**

## STABILIZING THE CUBAN ECONOMY: HOW SHOULD PRIORITIES BE DEFINED?

This document examines what the priorities of an initial phase of economic reforms in Cuba should be, recognizing both the depth of the current crisis and the impossibility of addressing all problems simultaneously. The authors argue that the country's transformation should be organized in stages and that the first measures should focus on stabilizing the economy, halting social deterioration, and creating the conditions for more far-reaching reforms.

Based on this premise, the text proposes nine criteria for selecting and prioritizing the most urgent reforms, taking into account factors such as the severity of existing problems, institutional capacity, resource availability, impacts on public welfare, and international experience. The goal is to identify measures capable of producing rapid results while laying the groundwork for the country's economic and social recovery.



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Cuba's situation offers few certainties, but some are hard to ignore. Cosmetic or small-step changes will not be enough to pull the island out of its stagnation. At the same time, the problems are so numerous that, even under favorable conditions, any transformation will need to start with a clear set of priorities. Not everything can change at once: the country will need to identify initial measures that structure the process, build confidence, and produce tangible results. Crumbling infrastructure, deep production and energy crises, severe economic distortions, and the social costs already incurred make it clear: there are too many pending tasks to tackle all at once.

Cuba also faces severe shortages of money, political time, and the institutional capacity to design, coordinate, and carry out reforms. For that reason, instead of attempting everything at once, Cuba would need to rank reforms and sequence them in phases.

In previous editions of this series, we proposed three phases: first, stabilization and emergency measures; second, restarting production; and third, redefining the country's longer-term economic and social development model.

Over roughly three years, the initial phase should focus on halting economic and social decline; supporting the growth of the private sector as the main immediate source of jobs and income; correcting prices and the exchange rate so markets can send reliable signals again; creating basic conditions of confidence and predictability for investment; and seizing any opportunity from a possible easing of sanctions and greater openness to the world. Taken together, these objectives define a phase that is more than traditional monetary stabilization: it is a broader effort to contain the crisis, rebuild basic capacities, and lay the groundwork for deeper reforms.

The following nine criteria could serve as a basis for selecting measures to implement in the first phase:

### **1. Severity of the problem to be corrected**

Reforms should target the most severe imbalances and urgent gaps in the Cuban economy. For example, the energy crisis, food shortages, and exchange-rate distortions affect everything else the economy does, so they should be addressed first.

## **2. Institutional capacity for implementation**

In the initial phase, priority should go to measures the government can actually implement, supervise, and coordinate with its limited capacity. More administratively complex reforms could be postponed to later phases. For example, removing restrictions on private enterprise, lifting price caps, or changing labor rules may be more viable in the short term than fully redesigning the banking or pension systems.

## **3. Ability to mobilize financial resources for implementation**

Priority should go to measures that can be funded with money that is available now or likely to become available soon—whether through sanctions relief, credit, incoming investment, earning or saving hard currency, better allocation of domestic resources, or international aid.

## **4. Availability of infrastructure and physical capital**

Priority should go to sectors that already have usable infrastructure, equipment, logistical capacity, and physical assets. This reduces start-up costs, makes implementation easier, and enables faster results. For example, tourism already has hotels in place, whereas rebuilding the energy sector would require massive investment.

## **5. Compatibility with demographic constraints and human capacities**

Priority should go to reforms that match the workforce Cuba actually has. Emigration, an aging population, and skills gaps rule out reforms that require large numbers of workers or highly specialized professionals. Tourism and agriculture could therefore come before complex manufacturing or highly specialized services.

## **6. Multiplier effect on the rest of the economy**

Priority should go to reforms that benefit other sectors or fix several bottlenecks at once. The goal is to favor measures that unlock broader recovery. For example, correcting the exchange rate, improving energy supply, or eliminating monopolies in agriculture and foreign trade can simultaneously boost production, supply, exports, employment, and government revenue.

## **7. Expected speed of results**

In the first phase, priority should go to measures that produce quick results—stabilizing the economy, boosting supply, and getting essential goods and services to people—while building confidence and support for the changes. For example, deploying emergency electricity generation capacity—such as floating power plants—securing fuel supplies, or removing regulatory barriers to private business would produce faster results than far-reaching institutional reforms.

## **8. Effect on welfare and the social legitimacy of reforms**

Priority should go to reforms that stop the decline in living standards, protect the most vulnerable, and spread the costs of adjustment fairly. Reforms must also be able to keep public support: when benefits flow to a few while costs fall on ordinary households, reforms lose legitimacy and risk being blocked or reversed. Examples include updating public-sector pensions and wages, strengthening social assistance, and improving energy supply.

## **9. Favorable international evidence and precedents**

Priority should go to reforms that have worked elsewhere under similar circumstances. International evidence does not replace analysis of the Cuban case, but it does help identify policies more likely to succeed. For example, there is broad evidence in favor of spending public money more efficiently, targeting subsidies, fixing exchange-rate regimes, and strengthening incentives in agriculture, the private sector, and small-scale activities more generally.