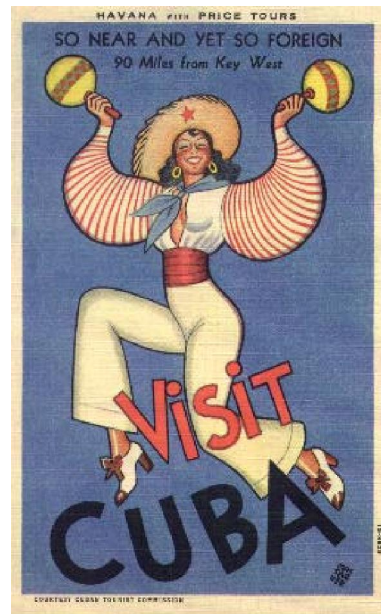




## Overview

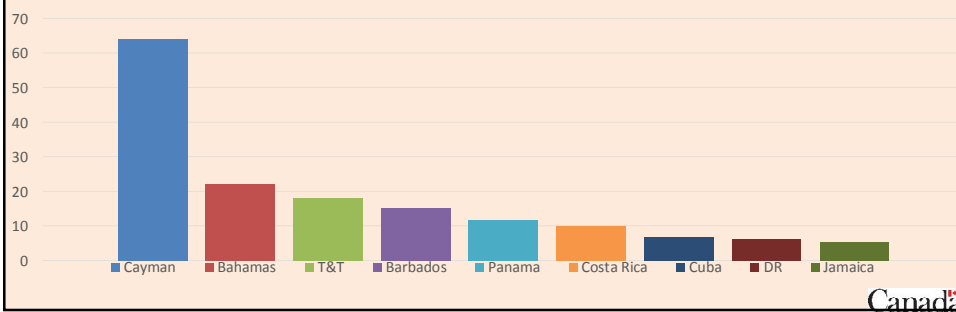
- Why Cuba matters
- Cuba' Priorities
- Restructuring and the Private Sector
- US and Cuba
- The renewable sector
- The investment environment
- Last thoughts



## Why Cuba Matters

- Largest population in LAC
- 7<sup>th</sup> largest GDP in LAC
- Major reforms underway
- Push to attract foreign investment
- Rapid growth on the horizon

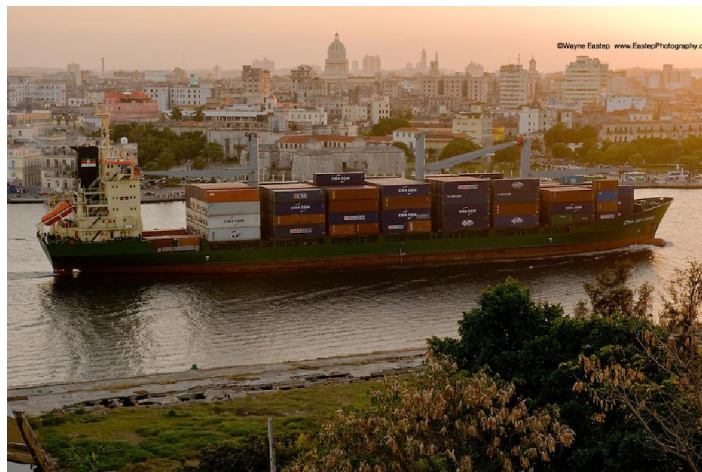
GDP USD Billions (source: World Bank)



Canada

## Cuba's Economic Priorities

- Increasing GDP
- Resolving the liquidity crisis
- Reducing inefficiency and waste
- Increasing foreign investment
- Increasing food production
- Increasing exports
- Fighting corruption at all levels







# GACETA OFICIAL

DE LA REPÚBLICA DE CUBA

MINISTERIO DE JUSTICIA

EXTRAORDINARIA LA HABANA, MIÉRCOLES 16 DE ABRIL DE 2014 AÑO CXII

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Número 20

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## ASAMBLEA NACIONAL DEL PODER POPULAR

JUAN ESTEBAN LAZO HERNÁNDEZ, Presidente de la Asamblea Nacional del Poder Popular de la República de Cuba.

HAGO SABER: Que la Asamblea Nacional del Poder Popular de la República de Cuba, en su Primera Sesión Extraordinaria de la VIII Legislatura, del día 29 de marzo de 2014 ha aprobado lo siguiente:

**POR CUANTO:** Nuestro país ante los desafíos que enfrenta para alcanzar un desarrollo sostenible puede, por medio de la inversión extranjera, acceder a financiamiento externo, tecnologías y nuevos mercados, así como insertar productos y servicios cubanos en cadenas internacionales de valor y generar otros efectos positivos hacia su industria doméstica, contribuyendo de esta manera al crecimiento de la nación.

**POR CUANTO:** Los cambios que tienen lugar en la economía nacional como consecuencia de la actualización del modelo económico cubano regido por los Lineamientos de la Política Económica y Social del Partido y la Revolución, aconsejan revisar y adecuar el marco legal de la inver-

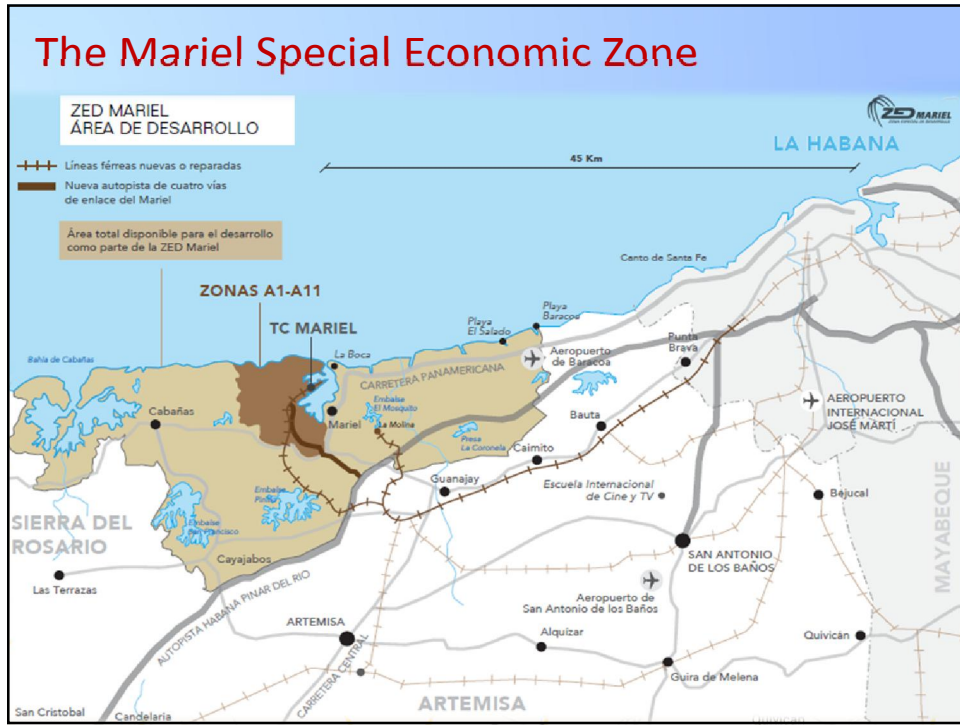
**POR CUANTO:** La Constitución de la República establece entre otras formas de propiedad, la de las empresas mixtas, sociedades y asociaciones económicas y prevé, con respecto a la propiedad estatal, la transmisión total o parcial de objetivos económicos destinados a su desarrollo, con carácter excepcional, si ello resultare útil y necesario al país.

**POR TANTO:** La Asamblea Nacional del Poder Popular, en uso de las atribuciones que le están conferidas en el artículo 75, inciso b) de la Constitución de la República, acuerda dictar la siguiente:

### LEY No. 118 LEY DE LA INVERSIÓN EXTRANJERA CAPÍTULO I DEL OBJETO Y CONTENIDO

**ARTÍCULO 1.1.-** Esta Ley tiene por objeto establecer el marco legal de la inversión extranjera en el territorio nacional sobre la base del respeto a la ley, la soberanía e independencia de la nación y el beneficio mutuo, para contribuir a nuestro desarrollo económico en función de una sociedad socialista próspera y sostenible.

2.- La presente Ley y su legislación complementaria establecen un régimen de facilidades,



## Lots of incentives

(source: Ernst & Young)

	Outside of ZED Mariel Law 118/2014	ZED Mariel Law 313/2013 / Decree 316
Corporate tax (IEA / Joint Venture with Cuban state entity)	Exempt for first 8 years then payable at 15%. May be increased by up to 50% when involving natural resources (oil/minerals). Profits reinvested are tax exempted.	Exempt for first 10 years then taxable at 12%. Exemption may be extended depending on particular project.  Profits reinvested are tax exempted.
Corporate tax (100% foreign owned)	35%	14% by employer 5% by employee
Social security contribution	14% by employer	14% by employer 5% by employee
Customs duties	Not payable during development period. Following development period, customs duties are payable in accordance with the established tariffs. Scheme to exempt goods subsequently re-exported.	Not payable on capital equipment imported for investment. For other inputs (raw materials) customs duties are payable in accordance with the established tariffs. Scheme to exempt goods subsequently re-exported.
Services tax (Gross receipts tax)	Exemption during first year of operations.	Exemption during first year of operations.
10% of gross sales value	Payable at 50% of the rate (10%) established by law. Raw materials and products to be exported are exempted	1% flat rate established.
Wholesale goods tax 2% gross sales value	Exemption during first year of operations. Payable at 50% of the rate (2%) established by law. Raw materials and products to be exported are exempted	Exemption during first year of operations. 1% flat rate established.
Territorial contribution 1% gross income	Exempted during investment recovery period.	None
Personal Income Tax (Non-Cuban residents)	15% of all income obtained or generated as a result of economic activity in Cuba. Dividends are exempt	15% of all income obtained or generated as a result of economic activity in Cuba.
Personal Income Tax (Cuban residents)	0-50% sliding rate for "trabajadores por cuenta propia" and on bonuses paid by foreign entities (where approved).	5% rate established for payments from state employment agencies. Withheld by the agency.
Zone's Development Fund	None	0.5% of the gross income earned in each quarter.



## The US-Cuba Relationship



## But... Not Much Has changed

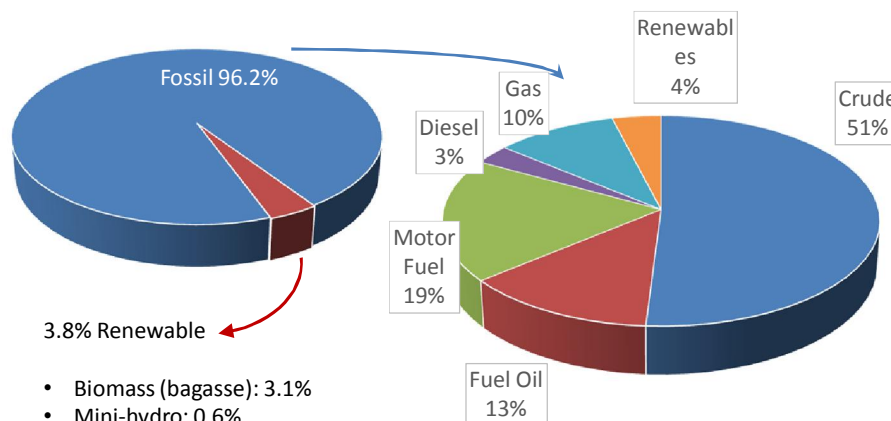
- Embassies
- Less bureaucracy for US citizens to visit Cuba and spend money, but no tourism
- Agriculture and pharmaceutical sales have already been allowed for years
- Limited sales of building products, parts for aviation safety
- Telecom equipment and investment possibilities
- Use of Visa / Mastercard ?
- Off the list of terrorist financing

## Cuba's Renewable Energy Targets

1. Increase the efficiency of power generation and consumption attaining the reduction of its cost.
2. Increasing the participation of the renewable energy sources (RES) in the power generation and consumption matrix and reducing the country's dependence on fuel import.
3. Rise of the environmental sustainability of the economy.



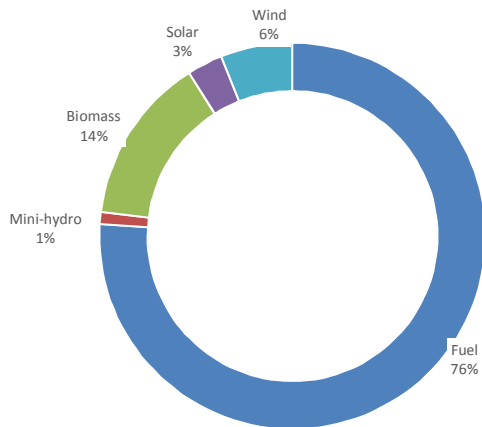
## Cuba's Energy Portfolio – Present State



- Biomass (bagasse): 3.1%
- Mini-hydro: 0.6%
- Wind: 0.1%
- Photo-voltaic: less than 0.1%

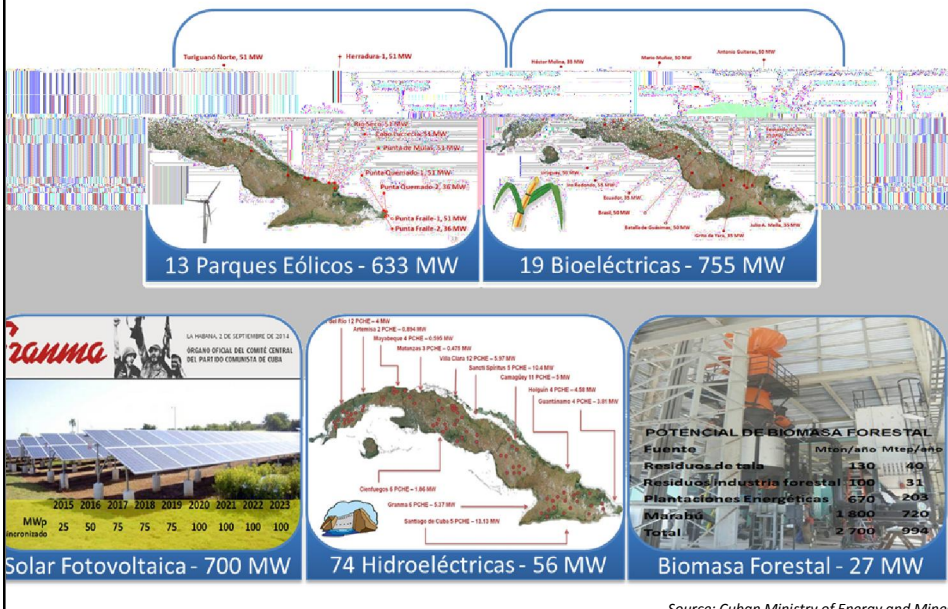
Total installed capacity: 7150MW

## Target for 2030



Target	
Wind	633MW
Biomass (bagasse)	755MW
Solar	700MW
Mini-hydro	56MW
Biomass (marabu)	27MW

## ALCANCE DEL PROGRAMA: 2200 MW – 7500 GWh ANUALES



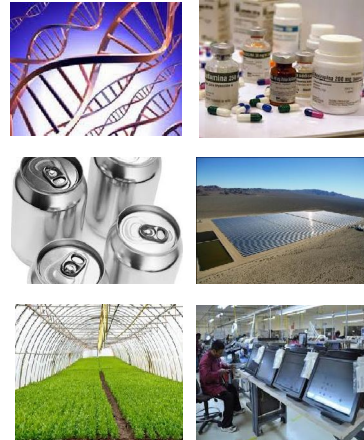
Source: Cuban Ministry of Energy and Mines



## What is driving the need for new renewable power?



### Anticipated new manufacturing



## Wanted: the right kind of investor



The embargo remains a barrier



## Labour

- Labour is highly educated
- Insufficient skilled trades
- Labour costs are high
- New law allows investors to pay workers more



The Canadian Trade Commissioner Service

## A few last thoughts

- The Cuban market is challenging and complex, and not a good option for those new to international markets.
- Lengthy and complex decision making and approval processes can cause frustration.
- Financing and payment terms are key pieces in decision making.
- Cuba is seeking qualified partners – not open to allcomers

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The Canadian Trade Commissioner Service

## Canadian Trade Commissioner Service

Helping Canadian Companies Succeed

We assist Canadian companies via information and intelligence to:

- Prepare for international markets
- Assess market potential
- Find qualified contacts
- Resolve problems



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