More Market, Less Bureaucracy: Cuba's Parliament Pushes Ahead with State Reform

Cuba's Parliament approved additional reform measures this week (Source: Presidencia)

At its annual summer session on July 29 and 30, the Cuban National Assembly passed several new laws intended to provide a legal foundation for the ongoing economic reforms and which are also part of the implementation of the 2019 Constitution. In addition to the draft laws, the agenda included an interim report on the implementation of the 176 reform measures adopted in June. An overview.

Fortress Cuba in Reform Mode

President Díaz-Canel devoted most of his speech to the international situation and U.S. sanctions against Cuba. He characterized the current U.S. administration as a “neo-fascist regime” and drew parallels to 20th-century European fascism. At the center of his criticism was an executive order signed by U.S. President Donald Trump on January 29, which threatens any nation that supplies Cuba with fuel with penalties.

Another order dated May 1, 2026 threatens foreign companies and individuals with secondary sanctions if they maintain trade relations with Cuba. He viewed this as the “most vigorous and far-reaching” attempt to decouple Cuba’s economy from the global economy.

The months since the last session in December 2025 had been marked by an “extremely complex and threatening scenario, typical of a besieged fortress.” Díaz-Canel cited Cuba’s estimate of cumulative losses due to the blockade totaling over 150 billion U.S. dollars and recalled the special session of the UN General Assembly on July 7, during which a U.S. attempt to prevent debate on the blockade was rejected by a vote of 136 to nine.

In his speech, Díaz-Canel defended the ongoing economic reforms, stating that they serve to defend socialism. “The transformations we are implementing today are not intended to promote more capitalism, but rather to defend and advance socialist construction,” he emphasized. At the same time, he acknowledged that there were legitimate concerns among the population—such as the growth of private capital, the concentration of wealth, the possible privatization of state-owned enterprises, and the elimination of sensitive subsidies. He noted that 120 of the 176 measures were already ready for implementation. Public participation and oversight should “not remain mere slogans.” The party would therefore organize a broad dialogue with workers.

Many were wondering what the reforms would bring “in light of the hardships we face.” The answer is clear: The reforms are “the engine driving the changes necessary for prosperity,” according to Díaz-Canel. This would allow Cuba’s “creative resistance to be transformed into a tangible victory” by both protecting hard-won rights and opening up “new paths to the future.” “We may not succeed at something the first time, but everything will be solvable if we are driven by a constant willingness to correct, modify, and adapt whatever is necessary immediately and without bureaucracy,” he said.

Marrero: Over 90 Percent of Measures Already Approved

Prime Minister Manuel Marrero Cruz presented lawmakers with a detailed interim report on the implementation of the reforms. Of the 121 measures scheduled for June and July, 110 have already been approved—just over 90 percent.

In the area of **state-owned enterprises**, a new legislative decree was adopted that, among other things, allows them to define their own wage systems, set prices and rates independently, make financial investments, and decide more flexibly on the use of their profits. Wage funds will depend on the economic performance of the respective enterprise, in consultation with the union. Marrero described this as the most significant change in labor organization and wage policy in recent years. The changes have been in effect since August 1.

In the **private sector**, all pending applications to establish new small and medium-sized enterprises (SMEs) and non-agricultural cooperatives have now been approved, provided they met the requirements. Nationwide, there are currently more than 15,600 SMEs. Based on the newly submitted applications, it is expected that this number will grow to over 16,000 by the end of August. On Tuesday, Decree 160 will also take effect, which completely lifts 46 bans on the private sector and partially relaxes another 35, thereby opening up additional industries and occupational fields for new business startups.

Progress has also been made in the development of the new **social policy**: The survey of particularly vulnerable groups has been completed and identified over 876,000 people in precarious living situations. Social assistance can now be applied for digitally via the “Soberanía” e-government platform—including on behalf of others. He left open when concrete steps toward the announced targeted social policy would be taken and what form they would take.

Investment approvals have been decentralized: Only projects valued at over one billion pesos (approximately 1.2 million euros at market rates) still require central approval. As part of the downsizing of the government apparatus, over 92,000 positions have already been eliminated in the ministries of Health, Education, Culture, and Sports, primarily vacant administrative posts. The remaining ministries are expected to complete the process by September.

In the **energy sector**, which is plagued by persistent power outages, 1,464 megawatts of renewable energy capacity have now been installed, accounting for 13.8 percent of the country's total electricity generation. Over 4,200 photovoltaic systems have been installed in key facilities and residential buildings, in addition to more than 11,000 systems for households of chronically ill patients, doctors, teachers, and scientists.

In the **tourism sector**, Marrero painted a bleak picture: 73 percent of hotel capacity is closed, approximately 25,000 employees are on short-time work, and seven international hotel chains have ceased operations in Cuba, affecting 46 percent of the rooms under international management. Most recently, the major Spanish hotel chains Mélia and Iberostar announced their complete withdrawal from Cuba due to U.S. sanctions.

Regarding **foreign investment**, Marrero reported the first concrete results: the establishment of the first joint venture between a foreign company and a private Cuban SME; the approval of the first foreign company for the import, distribution, and marketing of fuel; and the creation of the first special economic zone for a wholly foreign-owned company in the field of health tourism.

Marrero warned, however, that the most difficult phase was only just beginning: "From now on, the most important and perhaps the most difficult stage begins," he said. It will now be crucial to effectively implement the measures in practice and to correct any missteps in a timely manner.

Reorganization of the State Administration: From 27 to 21 Agencies

One of the five laws passed concerns the reorganization of the central government (*Ley de Organización de la Administración Central del Estado*). The number of government agencies will be reduced from 27 to 21: 20 ministries and the Central Bank. The previous category of institutes within the central government will be eliminated; institutions such as the National Institute of Sports (INDER) or the National Institute of Water Resources will be integrated into the new ministerial structure.

The newly created ministries include, among others, the Ministry of Agriculture and Food (a merger of the Ministry of Agriculture and the Ministry of the Food Industry), the Ministry of Industry and Construction, and the Ministry of Environment, Habitat, and Water Resources. As part of the reform, the Ministry of Science, Technology, and Environment (Citma), founded in 1994, will be dissolved, and its responsibilities will be divided between two new ministries—Higher Education, Science, and Innovation on the one hand, and Environment, Habitat, and Water Resources on the other. Deputy Prime Minister Inés María Chapman defended the move before Parliament, citing a prior institutional assessment, cost-benefit analyses, and international best practices; the goal, she said, is to address fragmented responsibilities and poor coordination with the provinces. However, members of parliament expressed concerns, noting that international bodies specifically recommend integrating science and environmental policy. Criticism outside of parliament was significantly harsher: A lecturer from Matanzas complained on Facebook that—unlike with the Science Law, for example—the staff had not been consulted in writing at any point. The head of the state seismological service called it a "serious mistake" that had been made "behind everyone's back."

A symbolically significant step is the merger of the former Ministry of Economy and Planning with the Ministry of Finance. The new Ministry of Economy and Finance will omit the term "planning" from its name, despite a suggestion to the contrary by a member of parliament. The rationale given was that while economic planning remains part of its responsibilities, not all functions need to be reflected in the name. At the same time, however, the decision also reflects a paradigm shift from an administratively centralized approach to a market- and finance-based management of the economy under the new model, in which planning focuses on long-term and development plans.

José Amado Ricardo Guerra, Secretary of the Council of Ministers, explained that the restructuring goes beyond a mere merger: "When we say we are adapting the responsibilities and specific functions, this means that all agencies must restructure their organizations and functions." As part of a prior consultation, 242 comments were received, of which 139 were taken into account in whole or in part.

At the session, four additional laws were passed, establishing the legal framework for reforms in the respective areas:

- **New Labor Code** (*Código de Trabajo*): The new Labor Code replaces Law 116 of 2013 and aligns labor law with the 2019 Constitution and the new economic conditions. It is divided into four books covering the entire spectrum of labor relations. Among the new provisions are the annual setting of the minimum wage, the elimination of permit requirements for certain forms of multiple employment, the possibility of reduced working hours by agreement between the employer and the union, and the authorization of telework from abroad. As part of a prior public consultation, 96,250 proposals were received, of which 43 percent were accepted and another 10 percent were partially adopted.
- **New Housing Law** (*Ley de la Vivienda*): The new Housing Law expands the rights of homeowners, who make up about 90 percent of the population in Cuba.Individuals will now be allowed to own up to two homes, not counting any vacation properties. Previously, the limit was one primary residence and one vacation home. The options for selling, gifting, exchanging, and

transferring ownership shares in housing units are being expanded, and numerous administrative permits that were previously required are being eliminated. The confiscation of homes upon permanent departure from the country is being abolished. The law lays the foundation for a national housing construction program in which cooperatives, SMEs, and real estate companies can participate alongside government agencies. For the first time, young people are explicitly recognized as a priority group for access to housing. Disputes over decisions made by municipal housing authorities will in the future be resolved directly in court rather than through administrative channels. During the consultation process, 10,928 comments were received, 56 percent of which were taken into account.

- **New Land Law** (*Ley de Tierra*): Approximately 80 percent of the land in Cuba is state-owned, and the new Land Law is intended to make its management simpler and more flexible. This replaces the previous regulations dating from 1991. The ban on land concentration, leasing, and mortgage loans remains in place, as does the 67.10-hectare cap on private land ownership. A new provision allows usufruct rights to be granted to individuals and legal entities, including foreign entities and private or mixed-ownership Cuban SMEs, provided they are tied to production projects. Cooperatives and state-owned enterprises may now allocate land from their own holdings. Additionally, agricultural, ecological, and agrotourism activities are now permitted on these lands; agricultural disputes may in the future be resolved in court rather than solely through administrative channels, a measure intended to provide greater legal protection for investors.
- **Digital Identity and New Registration Law** (*Ley del Sistema de Identidad Personal y Domicilio*): The Law on the Personal Identity and Residence System replaces a 2007 regulation and expands the legal framework from nine to 60 articles. It introduces a digital identity—a unique, verifiable electronic representation of a person linked to their physical identity that enables digital interactions with government agencies. The system covers all Cuban citizens regardless of their location, as well as foreigners living in Cuba. The law is set to take effect within three months.

Between Pressure for Reform and the Blockade

The parliamentary session highlights the balancing act Cuba is currently performing: On the one hand, the government is pushing ahead with the most far-reaching economic reforms in decades; on the other hand, external pressure continues to intensify due to U.S. sanctions policy. Prime Minister Marrero acknowledged that the implementation of the reforms is taking place in a “particularly complex scenario” and that the most difficult phase of implementing the reforms has only just begun.

President Díaz-Canel, addressing Washington, emphasized the determination and sovereignty behind the measures: “We are not a disputed territory or a colony. We are a sovereign people who have decided our own destiny.” Whether the enacted laws and reform measures will have the desired effect remains to be seen in the coming months—in any case, the government has committed to continuously evaluating the process and making adjustments as needed. (Cubaheute)