

COMMONWEALTH ECONOMIC DEVELOPMENT AUTHORITY (CEDA)



CITIZEN-CENTRIC REPORT Fiscal Year 2021

What's Inside

Performance	2
Finances	3
Challenges/Outlook.....	4

Our Mission

is to appropriate financial and technical assistance to facilitate the start-up or expansion of private and public enterprises for their success, the benefit of the CNMI's economic welfare and the long-term sustainability of CEDA.

Our Vision

is to revitalize and reposition CEDA to perform its mission and achieve an overall vision of economic development for the CNMI.

Who we are and What we do

The Commonwealth Economic Development Authority (CEDA) is a semi-autonomous agency of the government of the Commonwealth of the Northern Mariana Islands (CNMI). CEDA, formerly the Commonwealth Development Authority (CDA) that was established in 1985, now carries additional statutory mandates, foremost is to be proactive in the pursuit of industries and investments that will strengthen the CNMI economy. The CEDA Divisions to carry these functions are:

- The Development Banking Division (DBD) generally shall be engaged in government and public sector activities. The DBD serves as the financial advisor and coordinator to any public borrowing of the CNMI's departments, autonomous public agencies, municipalities, and public corporations, thru Bond and bank financing.
- The Development Corporation Division (DCD) generally shall be engaged in private sector activities. The DCD via its pilot programs provides direct financing: 1) the Micro Loan Program of \$25,000 and below; 2) the Direct Loan Program of up to \$450,000; and 3) the State Small Business Credit Initiative (SSBCI), a bank-driven program. CEDA was designated Implementing Agency by the CNMI Department of Commerce to administer this Program in 2012

CEDA administers and facilitates other investment initiatives; the Qualifying Certificate (QC) Program established in 2000 and the Opportunity Zone (OZ) Program in 2018. The QC Program provides for certain tax incentives for businesses in the CNMI that meet the Program requirements in return for their investment in the CNMI. Under the OZ Program, investors can defer tax on any prior gains if the gains are reinvested in a Qualified Opportunity (QO) Fund, a vehicle for investment in QO Zones.

CEDA & DCD Board of Directors & Officers

Aubry M. Hocog (Rota) -- CEDA Chairwoman; DCD Member
Frank Lee SN. Borja (Tinian) -- CEDA Vice-Chairman; DCD Chairman
Joaquin Q. Dela Cruz (Saipan) -- DCD Vice-Chairman; Secretary, CEDA Board
Michael S. Sablan (Saipan) -- CEDA & DCD Member
Jocelyn T. King (Tinian) -- CEDA & DCD Member
Isidro K. Seman (Saipan) -- CEDA & DCD Members

Officers

Manuel A. Sablan, Executive Director
Donnie P. Militante, Comptroller

Contact us:

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Rota at Tamara & Seven Brothers' Building, Songsong Village
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Tinian at NMC Campus, San Jose Village
Tel. No.: 433-9203 Fax No.: 433-3690

For more information about CEDA, visit us at:

CDA Website: www.developcnmi.com
Facebook: Commonwealth Economic
Development Authority

PERFORMANCE - What We Did in FY 2021

Development Corporation Division (DCD)

Despite the challenges brought by the COVID-19 public health and economic crisis beginning last year, CEDA continues to provide funding to small and big business entrepreneurs. In fact, the CEDA Board increased its loan cap on the Direct Loan Program from \$250,000 to \$450,000.

DCD Loan Programs

MICROLOAN AND DIRECT LOAN PROGRAMS	2020	2021
Loan applications processed	28	44
Loans approved	21	26
Loans closed	21	25
Total amount of loans disbursed	\$637,389	\$1,095,819
Average interest rate	7%	7.50%
Average loan review time	6-8 days	4-7 days
Loans cancelled	1	7
Loan approval rate	75%	59%
Performing loans	117	107
Foreclosures	5	-
Foreclosed properties sold at auction	5	-

Micro Loan (\$25,000 and below)

The Micro Loan Program is under the purview of the Executive Director. The average loan review and decisions take about 5-7 days. Interest rates range from 5-5% to 9%, and terms of up to seven (7)

Direct Loan (\$25,001 to \$450,000)

The Direct Loan Program falls under the purview of the Board of Directors. For a complete loan application, the average loan review is 5-7 days and decisions usually within an average of 30 to 45 days.

TOTAL LOANS APPROVED IN FISCAL YEAR 2021

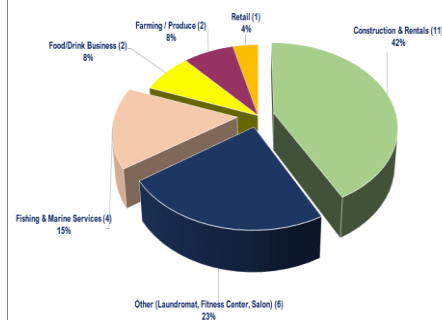
Rota		
Business Category	Amount Approved	Count
Construction & Rentals	\$502,000	8
Farming/Produce	\$45,000	2
Fishing & Marine Service	\$50,000	2
Food/Drink Business	\$6,000	2
Other	\$16,000	3
	\$619,000	17

Saipan		
Business Category	Amount Approved	Count
Construction & Rentals	\$280,000	3
Retail	\$2,500	1
Other	\$670,732	2
	\$953,232	6

Tinian		
Business Category	Amount Approved	Count
Fishing & Marine Service	\$27,500	2
Other	\$25,000	1
	\$52,500	3

Total for FY 2021	\$1,624,732	26
Total for FY 2020	\$1,111,000	22

Types of CEDA Loans Approved in Fiscal Year 2021



State Small Business Credit Initiative (SSBCI) - A Bank-Driven Program

There are two (2) financing options offered under the SSBCI Program. The Collateral Support Program (CSP) supplies pledged cash collateral accounts to lenders for qualified projects. The Loan Purchase Participation Program (LPPP) provides necessary financing that might be otherwise unavailable due to cash flow shortage based on Lender's analysis. This allows for participation on loans with lenders for qualified projects.

Bank-driven SSBCI program	2020	2021
Loan applications processed	1	1
Loans approved	1	1
Loans closed	1	1
Total amount of loans disbursed	\$300,000	\$1 million
Total amount of collateral support	\$150,000	\$500,000
Loans cancelled	-	-

Development Banking Division (DBD)

The DBD fared relatively well in 2021. It continues to fund capital improvement projects for Saipan, Rota & Tinian, from the earnings it earned in investing wisely the interest of the \$140M Bond. Via legislative appropriations, projects funded in Rota was \$199,821, \$188,812 for Tinian and \$695,177 for Saipan. The CIP Revolving Loan Fund CEDA established from payments of CIP loans from revenue-generating agencies, totalled \$5million to date.

FINANCES - How We Used Our Resources

The Commonwealth Economic Development Authority (CEDA) is a self-generating revenue agency and funds its own operations. It generates revenues from various sources such as interest and fees from loans, interest and dividends from investments, and income from lease and office space rentals. In FY2021, CEDA revenue was lower than what is projected by \$118,873 or 12%. The short fall was attributed to the decrease in earnings from investments as well as lower interest and fees from loans.

Financial Statements Summary

Statement of Net Position

	2021	2020
Assets	\$ 29,130,641	\$ 28,842,536
Liabilities	7,623,561	6,997,808
Net Position	21,507,080	21,844,727
Liabilities and Net Position	<u>\$ 29,130,641</u>	<u>\$ 28,842,536</u>

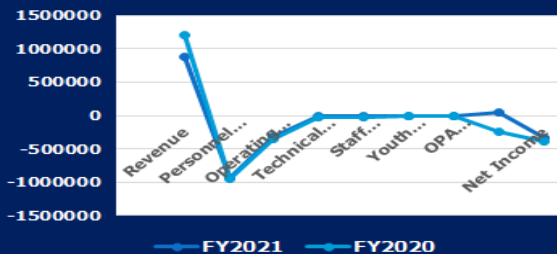
Statement of Revenues, Expenses & Changes in Net Position

	2021	2020
Operating Revenues	\$ 871,042	1,212,558
(Provision for) recovery for loan impairment	44,503	(243,153)
Net Operating Revenues	915,545	969,405
Operating Expenses	(1,253,192)	(1,355,715)
Operating Loss	(337,647)	(386,310)
Non-operating Revenues (Expenses), net	-	-
Change in Net Position	(337,647)	(386,310)
Net Position - beginning	21,844,727	22,231,037
Net Position - ending	<u>\$ 21,507,080</u>	<u>\$ 21,844,727</u>

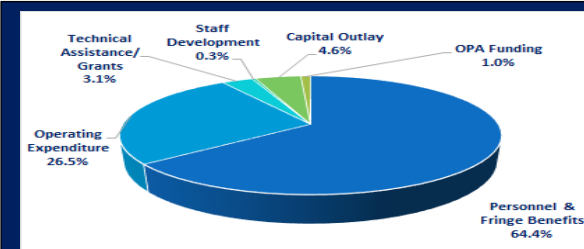
The Commonwealth Economic Development Authority changes in net position decreased by \$337,647 from FY2020 to FY2021. As of September 30, 2021, CEDA has a liquid asset of \$17.75 million or 61% of total assets, while loan receivable net of allowance was \$7.78 million or 26.7% of total assets.

CEDA Budget 2021

Account	FY2021	FY2020
Revenue	\$ 871,067	\$ 1,212,558
Personnel & Fringe Benefits	-926,611	-955,445
Operating Expenditure	-311,347	-348,494
Technical Assistance/Grants	-7,734	-21,718
Staff Development	-890	-18,511
Youth Training Program	0	0
OPA Funding	-6,635	-11,547
(Provision for) recovery of loan & interest impairment	44,503	-243,153
Net Income	\$ (337,647)	\$ (386,310)



Budget Item	Budget Amount	% of Budget
Personnel & Fringe Benefits	\$ 922,216	64.4%
Operating Expenditure	380,367	26.5%
Technical Assistance/Grants	-5,000	3.1%
Staff Development	5,000	0.3%
Capital Outlay	66,000	4.6%
OPA Funding	14,168	1.0%
Total Budget	\$ 1,432,751	100%



The Commonwealth Economic Development Authority (CEDA) has a budget of \$1,432,751 for FY2021 representing a \$98,205 or 6.5% decrease from FY2020's approved budget. The Board-approved suspension of wage-grade increase, salary increases, salary conversions and capital expenditures impacted our reduced budget and expenses for FY 2021.

CHALLENGES/RECOMMENDATIONS - What to Do

Enacted as the Commonwealth Economic Development Authority (CEDA) of 2021, our agency is empowered to plan for and implement a more robust, more diversified economy for the Commonwealth. In previous years, the Commonwealth Development Authority (CDA), the predecessor of CEDA, endeavored to do these. Producing good results under favorable conditions is achievable, but not during this period of uncertainty. With a well-planned strategy and highly effective Board of Directors, management, and staff, CEDA will face these challenges, both in the global economy and here at home.

Challenges

New mandates under the CEDA Law:

- to assist in the development of the economic development plan for the CNMI and control and implement the part of the plan assigned to us;
- to be responsible for actively promoting the CNMI as a location for private investment;
- to promote and encourage the development of new businesses and the retention and expansion of existing businesses in the CNMI;
- to promote and encourage the expansion and development of a market for the products of the CNMI; and
- to coordinate, develop, and participate in off-island investor missions to generate interest and investment in the CNMI. emphasizing on business investments from the United States of America.

The Board of Directors approved, and we recently announced to hire an Economic Development Manager to lead our Economic Development Activities Department. We plan to hire additional employees to assist in this development.

We will work closely with different government agencies on commerce, tourism, and trade.

We will coordinate and work with government regulatory agencies in finding ways to ease the permitting processes.

We will work in close partnership with private sectors and support their efforts to assist existing and new businesses.

Challenges in foreclosures and after judgment processes.

We will work with the legislature to enact legislation to 1) eliminate deficiencies balances on judgment debts after judicial foreclosure and auction of all mortgage assets. Creditors would only be entitled to those proceeds, and 2) amend the right of redemption on foreclosed properties from one year to three months.

In the administration of the Qualifying Certificate Program (QC), there are challenges that we face: 1) In Compliance, beneficiaries fail to meet the deadline because of late submission of reports from participating government agencies; 2) Investment opportunities to all islands; and 3) The minimum investment amount.

There is a pending legislation for consideration up at the Senate to amend the Qualifying Certificate Program of 2000. Challenges across are being addressed in the proposed bill. We have submitted our letter of support and indicated the positive impact on islands' investments if legislation is passed into law. We will follow up on the progress of this bill.