

2022 CITIZEN-CENTRIC REPORT

FISCAL YEAR 2022

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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 2020 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 welcomed its first Economic Development Manager in April of this year, Mr. Dave Guerrero. Mr. Guerrero will lead CEDA's efforts to attract new investments, to work with the legislature, different agencies, and stakeholders to develop a sustainable economic plan that will bring business opportunities for our Commonwealth. Mr. Guerrero has a Master's Degree in Economics along with extensive work experiences in financial institutions, both in and outside the Commonwealth. Mr. Guerrero has experience in anti-money laundering, fraud, compliance, operations, sales, loans, and investments.

In joining CEDA, Mr. Guerrero said, "As the first in this role, I face uncharted territory. I see my role as someone who will bring the right people together to accomplish our shared mission. I'll be talking to a lot of people, seeing what can work, evaluating risks, and filling gaps. It must be a win-win for the CNMI and investors. I thank the CEDA Board for their confidence in me and look forward to working with them to make the Marianas better for all of us."

MESSAGE FROM
CEDA CHAIRWOMAN
& EXECUTIVE
DIRECTOR

There are many ways that we can turn the economy crisis into a time of opportunity. At CEDA, we manage our limited resources to positive effect. Our success will be measured in the ways our community response to the current crisis. If responses generate innovation and re-establishing the CNMI as a good place to do business, then we will have succeeded.

Our success is the result of dedicated and talented team. We recognize them for their efforts, ideas, and dedications. We at CEDA stands committed to being a facilitator of economic growth and prosperity; this is our commitment, and our future success will be built on this commitment.


Aubrey M. Hocog
Chairwoman


Manuel A. Sablan
Executive Director



CEDA
COMMONWEALTH ECONOMIC
DEVELOPMENT AUTHORITY



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.

CEDA & DCD BOARD OF DIRECTORS & OFFICERS

Aubrey M. Hocog (Rota)
CEDA Chairwoman; DCD Member

Frank Lee SN. Borja (Tinian)
CEDA Vice-Chairman; DCD Chairman

Isidro K. Seman (Saipan)
DCD Vice-Chairman; CEDA Member

Joaquin Q. Dela Cruz (Saipan)
Secretary, CEDA Board; DCD Member

Michael S. Sablan (Saipan)
CEDA & DCD Member

Jocelyn T. King (Tinian)
CEDA & DCD Member

OFFICERS

Manuel A. Sablan
Executive Director

Donnie P. Militante
Comptroller

For more information about CEDA
www.developcnmi.com

 Commonwealth Economic Development Authority

PERFORMANCE WHAT WE DID IN FY 2022

DEVELOPMENT CORPORATION DIVISION (DCD)

The combination of factors had hit the world (Global Financial Crisis, skyrocketing oil prices, fear in general due to COVID-19) and the Asia region's sharp drop in tourism, including the CNMI. We at CEDA continue to support our local businesses amid these unwavering challenges. In FY 2022, the CEDA Board of Directors granted a four-month automatic loan payment deferral for CEDA loan clients/business owners from July 2022 to October 30, 2022.

DCD LOAN PROGRAMS

MICROLOAN AND DIRECT LOAN PROGRAMS	2021	2022
Loan applications started (online)	-	36
Loans applications processed	41	23
Loans approved	26	17
Loans closed	24	14
Total amount of loans disbursed	\$1,192,439	\$480,168
Average interest rate	7.50%	7.71%
Average loan review time	4-7 days	4-7 days
Loans cancelled	7	1
Loans approval rate	63%	74%
Performing loans	107	122
Foreclosures	-	-
Foreclosed properties sold at auction	-	-

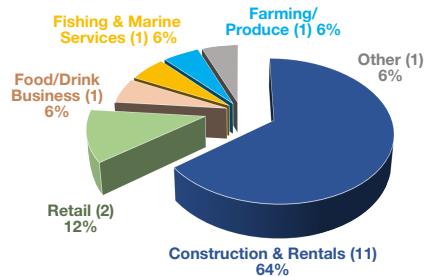
TOTAL LOANS APPROVED IN FISCAL YEAR 2022

Rota		
Business Category	Amount Approved	Count
Construction & Rentals	\$467,100	6
Retail	\$25,000	1
Other	\$60,000	1
	\$552,100	8
Saipan		
Business Category	Amounts Approved	Count
Construction & Rentals	\$344,000	5
Food/Drink Business	\$5,000	1
Fishing & Marine Services	\$18,000	1
Farming / Produce	\$24,000	1
Retail	\$600	1
	\$391,600	9
Tinian		
No approved loans for FY 2022		
Total for FY 2022	\$943,700	17
Total for FY 2021	\$1,624,732	26

STATE SMALL BUSINESS CREDIT INITIATIVE (SSBCI) - A BANK DRIVEN PROGRAM

The SSBCI is a bank-driven program that consists of two (2) financing options; the Collateral Support Program (CSP) and the Loan Purchase Participation Program (LPPP). Only two (2) local businesses availed of the financing in FY 2022.

Types of CEDA Loans Approved in Fiscal Year 2022



Micro Loans (\$25,000 and below)

The Micro Loan Program is under the purview of the Executive Director. The average loan review and decisions take about 4-7 days. Interest rates range from 5-5% to 9%, and terms of up to seven (7).

Direct Loans (\$25,000 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 4-7 days and decisions usually within an average of 30 to 45 days.



CEDA received \$440,000 from the U.S. Department of Commerce's Economic Development Administration or technical assistance to examine the feasibility of the Tinian cattle industry. This study will help provide a roadmap to attract private investment and advance economic resiliency on Tinian and the CNMI. Photo credit NMC

In FY 2022, with CEDA Board's approval, the management embarked on a new Loan Management System – Down Home. CEDA is transitioning to this new system to link to the online application communication system, the LenderFit. The Loan Management System is in its final stages of completion.

Commendation goes to the staff for a job well done in conducting business as usual during the pandemic and undergoing in-depth training to implement CEDA's new loan system.

Bank-driven SSBCI program 2022

Bank-driven SSBCI program	2022
Loan applications processed	2
Loans approved	2
Loans closed	2
Total amounts of loans disbursed	\$1 million
Total amount of collateral support	\$500,000
Loans cancelled	-

DEVELOPMENT BANKING DIVISION (DBD)

However small, the DBD continues to fund capital improvement projects for Saipan, Rota & Tinian. Thru a wise investment scheme, the CIP Revolving Loan Fund CEDA established from payments of CIP loans from revenue-generating agencies totalled \$3,438,976 as of September 30, 2022.

QUALIFYING CERTIFICATE PROGRAM

The Qualifying Certificate Program had drawn the attention of investors and existing businesses with its investment incentives. Though for FY 2022, only one new business had invested in the CNMI, there were several inquiries. CEDA feels that the proposed legislation will result in more future investments.

In early FY 2022, the CEDA Board of Directors reviewed and recommended the approval of Marshall Holdings CNMI LLC's request for tax benefits. Qualifying Certificate QC 2021-01 was signed by the Governor on December 1, 2021, granting tax rebates and abatements to Marshall Holdings CNMI LLC's business activities derived from the solar energy production, inter-island ocean transport, import/export, and eco-tourism. QC 2021-01 was subsequently amended on June 29, 2022, clarifying Marshall Holdings CNMI LLC's business activities and subsidiaries entitled to receive QC benefits. Proposed capital investment is \$3.34M.

On June 29, 2022 also, Acting Governor Jude U. Hofsneider approved the request for an amendment to modify Saipan Globe International Group's (SGIG) QC No. 2017-01 as amended by QC No. 2018-01. Modifications are on Tax Abatement and Rebates for additional five years and on Conditions of QC 2017-01 as amended by QC No. 2018-01. SGIG is a new hotel development in San Roque that invested a total of approximately \$60M since it started its project in 2017.



FINANCES

HOW WE USED OUR RESOURCES

Commonwealth Economic Development Authority (CEDA) is a self-funded autonomous agency and derived its revenue to fund its operations from various sources such as interest and fees from loans, interest and dividends from investments, income from lease and foreclose properties and office space rental. In FY 2022, although CEDA actual revenue was lower than FY 2021 by \$84,454 or 5%; actual revenue was higher than projections by \$201,195 or 33%. The increase in revenue over projections was attributed to efficient collection of loan receivables and outstanding dividend from investment.

FINANCIAL STATEMENT SUMMARY

STATEMENT OF NET POSITION

	2022	2021
Assets	\$44,589,150	\$44,655,825
Liabilities	\$7,511,184	\$7,259,176
Net Position	\$37,077,966	\$37,396,649
Liabilities	\$44,589,150	\$44,655,825

STATEMENT OF REVENUES, EXPENSES & CHANGES IN NET POSITION

	2022	2021
Operating Revenues	\$1,706,459	\$1,790,913
(Provision for) recovery for loan impairment	(\$392,250)	\$26,753
Net Operating Revenues	\$1,314,209	\$1,817,666
Operating Expenses	(\$1,624,979)	(\$1,580,468)
Operating Loss	(\$309,770)	\$237,198
Non-operating Revenues (Expenses), net	(\$8,913)	(\$119,128)
Change in Net Position	(\$318,683)	\$118,070
Net Position - beginning	\$37,396,649	\$37,278,579
Net Position - ending	\$37,077,966	\$37,396,649

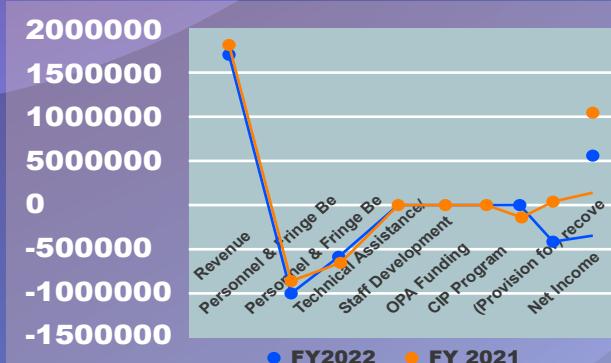
Commonwealth Economic Development Authority (CEDA) changes in net position decreased by \$318,683 from FY 2021 to FY 2022. As of September 30, 2022, CEDA has a liquid asset of \$27 million or 61% of total assets, while loan receivable net of allowance was \$7.46 million or 17% of total assets.

Personnel and benefits increased slightly in FY 2022 as we filled and brought in Economic Development Manager to lead the Economic Development Department. In line with Public Law 22-01, CEDA was identified as the lead agency to spearhead future economic growth.

As part of CEDA revenue diversification in generating more revenue funding for operations, we invested \$19.25M in liquid funds in laddered TCD investments to take advantage of better interest rates.

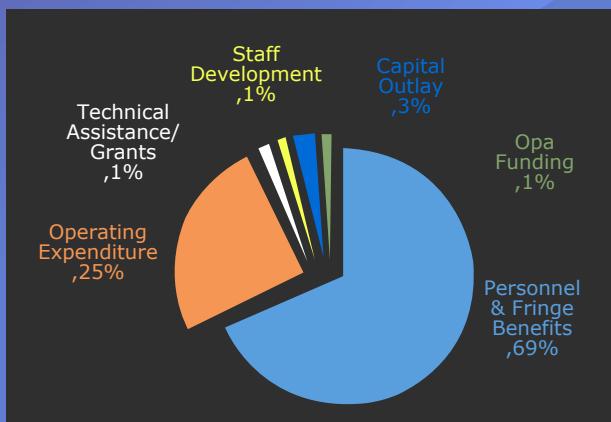
PROFIT AND LOSS COMPARATIVE

Account	FY 2022	FY 2021
Revenue	\$1,706,459	\$1,790,913
Personnel & Fringe Benefits	-1,024,689	-926,611
Operating Expenditure	-573,515	-634,203
Technical Assistance/Grants	0	0
Staff Development	-13,775	-5,285
OPA Funding	-12,000	-6,635
CIP Program	-8,913	-119,128
(Provision for) recovery of loan & interest impairment	392,250	-26,753
Net Income	-\$318,683	\$118,070



CEDA BUDGET 2022

Budget Item	Budget Amount	% of Budget
Personnel & Fringe Benefits	\$992,154	68.6%
Operating Expenditure	\$364,150	25.2%
Technical Assistance/Grants	\$20,000	1.4%
Staff Development	\$15,000	1.0%
Capital Outlay	\$39,800	2.8%
OPA Funding	\$14,000	1.0%
Total Budget	\$1,445,290	100%



CEDA has a budget of \$1,445,290 for FY 2022, a \$12,539 or less than a 1% increase from FY 2021's approved budget.

CEDA faces a promising but always an uncertain future. But, we are sure at least, that with the Board of Directors, we are committed to the aggressive promotion of opportunities for the CNMI. The road ahead promises to take us into new and exciting territory, vast markets yet untapped. With our leaders up the Hill, our Board of Directors, our dedicated management and staff, we will not fail to seize new opportunities, which together, we can share into new sources of profit and progress.

CHALLENGES	RECOMMENDATIONS
1 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.	We now have an Economic Development Manager to lead our Economic Development Activities' department. We look forward to hiring additional employees to assist in this development.
2 To actively promote the CNMI as a location for private investment. To encourage the development of new businesses and support the retention and expansion of existing businesses. To seek out new markets for CNMI goods and services.	We will work closely with different government agencies one commerce, tourism, and trade. We will coordinate and work with government regulatory agencies in finding ways to ease the permitting processes.
3 To coordinate, develop, and participate in off-island investor missions to generate interest and investment in the CNMI, emphasizing business investments from the United States of America.	We will work in close partnership with private sectors and support their efforts to assist existing and new businesses.
4 In our loan department, one of our challenges is to remain focused in servicing our current clients while finding lending programs to attract new clients and thereby develop and improve the CNMI's business climate.	The management and the CEDA Board of Directors are in discussion of opening an assistance package outside of commercial lending. The discussion was held in abeyance because of some provisions in the law that prevent CEDA to enter this type of lending arrangement. We will seek an amendment to CEDA Law to make this possible.
5 Continued challenges in foreclosures and after judgement processes.	We will continue to work with the Legislature to enact legislation to 1) eliminate deficiencies balances on judgement debts after judicial foreclosure and auction of all mortgaged 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.
6 Challenges in the administration of the QC Program regarding 1) failure of beneficiaries in meeting deadlines, 2) investment opportunities for Saipan, Tinian and Rota, and 3) minimum investment amount.	There is a pending legislation for consideration up at the Senate to amend QC Program. Challenges noted are addressed in the proposed bill. We have submitted our letter of support and indicated the positive impact on islands' investments. We will follow up on the progress of this bill and will urge its passage into law.

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