



# 2020 ANNUAL REPORT



## CARICOM Development Fund

### ANNUAL REPORT 2020

The CARICOM Development Fund (CDF) is an organisation established under Article 158 of the Revised Treaty of Chaguaramas for the purpose of providing financial and technical assistance to disadvantaged countries, regions, and sectors in the Caribbean Community (CARICOM) to enhance their prospects for successful competition within the Community and to redress, to the extent possible, any negative impact of the establishment of the CARICOM Single Market and Economy (CSME).

Antigua and Barbuda, Belize, Dominica, Grenada, St. Kitts and Nevis, St. Lucia, and St. Vincent and the Grenadines are classified as Less Developed Countries (LDCs) in CARICOM and disadvantaged countries in the CDF.

Barbados, Guyana, Jamaica, and Trinidad and Tobago as well as Suriname are classified as More Developed Countries (MDCs). Guyana is classified as a Highly-Indebted Poor Country (HIPC) and is therefore eligible for intervention by the CDF.

The accumulated mobilised resources of the CDF are to be disbursed in three forms - grants, interest subsidies, and concessionary loans. Financial resources to facilitate the attainment of these objectives are pledged by Member States (also referred to as Contributors) and supplemented by contributions from International Development Partners.

### VISION STATEMENT

*To lead in providing effective, efficient, and sustainable solutions that address the challenges faced by disadvantaged countries, regions, and sectors participating in the CSME.*

### MISSION STATEMENT

*CDF is committed to assisting Member States in maximising the benefits arising from participation in the CSME by reducing intra-regional disparities through effective partnerships and the provision of financial and technical assistance.*

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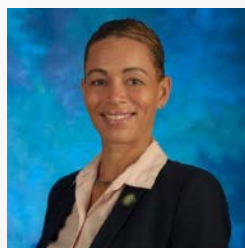
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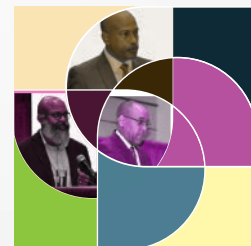
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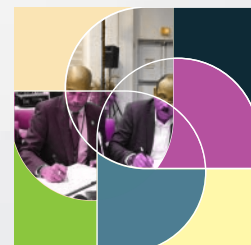
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## LIST OF ACRONYMS

BERF	Belize Enterprise Revolving Fund
CAP	Country Assistance Programme
CARICOM	Caribbean Community
CCREEE	Caribbean Centre for Renewable Energy and Energy Efficiency
CDF	CARICOM Development Fund
COFAP	Council for Finance and Planning
COTED	Council for Trade and Economic Development
COVID-19	Coronavirus Disease 2019
CPSO	CARICOM Private Sector Organisation
CRAF	Credit Risk Abatement Facility
CSME	CARICOM Single Market and Economy
DFC	Development Finance Corporation, Belize
DBSKN	Development Bank of St. Kitts and Nevis
EDAF	Emergency Disaster Assistance Facility of the CARICOM Development Fund
GDP	Gross Domestic Product
GIZ	Deutsche Gesellschaft für Internationale Zusammenarbeit GmbH
GOAUB	Government of Antigua and Barbuda
GOBZ	Government of Belize
GOGUY	Government of Guyana
HIPC	Highly Indebted Poor Country
HOG	The Conference of the Heads of Government of the Caribbean Community
IFRS	International Financial Reporting Standards
IICA	Inter-American Institute for Cooperation on Agriculture
IMF	International Monetary Fund
IPs	CDF's Institutional Priorities
IPS	Investment Policy Statement
LDC	Less Developed Country
MDC	More Developed Country
MOU	Memorandum of Understanding
OECS	Organisation of Eastern Caribbean States
PPF	CCREEE's Project Preparation Facility
PSIP	Public Sector Investment Programme
SME	Small and Medium-Sized Enterprise
USA	United States of America
VTI	Village Tourism Initiative, St. Lucia



**CARICOM**  
Development Fund

# BOARD OF DIRECTORS



**Ms. Jacqueline  
Emmanuel-Flood**

Representative of the  
OECS Commission

Acting Chairperson (Nov. - Dec. 20)



**Ms. Kira Thompson-Aird**

Private Sector Representative

Acting Chairperson (Jan. - May 20)



**Ms. Debra Roberts**

Representative of the MDCs

Acting Chairperson (July - Nov. 20)



**Amb. Daven Joseph**

Representative of the LDCs

# BOARD OF DIRECTORS



**Mr. Recardo Frederick**

Alternate Representative  
of the LDCs



**Senator Rawdon Adams**

Representative of the MDCs



**Mr. Gordon Charles**

Private Sector Representative  
(October 2020 - present)



**Mr. Joseph Cox**

Representative of the CARICOM  
Secretariat



**CARICOM**  
Development Fund

# EXECUTIVE AND MANAGEMENT STAFF



**Mr. Rodinald Soomer**

Chief Executive Officer



**Mr. Arden Warner**

Legal Counsel



**Mr. Lenox Forte**

Director of  
Regional Development



**Mr. Wayne Vitalis**

Financial Controller

## CHAIRPERSON'S STATEMENT



**Ms. Kira Thompson-Aird**  
(May 2020)

Private Sector Representative

Acting Chairperson (Apr - May 20)

Global financial markets demonstrated some fragility at the beginning of 2020, as frictions between the US and Iran continued to raise concerns and questions regarding the threat to global oil prices. The impact of GDP reduction in China on global trade was becoming more evident, while the US economy, which directly affects economic prospects in the Caribbean region, was severely affected by the impact of the COVID-19 global pandemic.

On the downside, the region suffered some early cruise ship cancellations due to the onset of the COVID-19 pandemic. Concurrently, challenges were experienced with insurance, with increased global premiums being forecasted on top of the adjustments resulting from the natural disaster events that had severely affected the region in 2017. Robust insurance management strategies and a well-regulated sector are required in the region to address this challenge, to ensure maintenance of the financial cushion that is so vital to business continuity especially in a post-COVID context. Indeed, the Caribbean's susceptibility to climate change, volatile global economic conditions, and other shock events, place the region at risk continually, and are best mitigated by the strength of one cohesive regional body working to strengthen our collective capacity to adapt and build resilience.

In that regard, the introduction of a Regional Growth and Resilience Bond which had been endorsed by the CDF Board of Directors in late 2019 in line with the interest expressed by the Community, holds out the promise of drawing on the

strength of a united CARICOM, competing on a global scale to secure foreign exchange and much needed investment into our Region to help fuel growth, maintain economic stability and build resilience over the medium to long term. Importantly, a draft amendment to the CDF Agreement, which would enable the CDF to raise resources through the issuance of such bonds and through other means, was proposed by the Heads of Government at their intersessional meeting in February 2020, and a directive given for this proposed amendment to be discussed with the CDF Board of Directors. This was subsequently achieved at the 5th Extraordinary Meeting of the Board, which was convened specifically for that purpose.

The threats to the region's growth and stability need to be closely monitored as they influence the prospects for CDF's portfolio investments as well as have implications for the types of development interventions that the CDF should engage in as part of the region's response to external challenges. Equally, with general elections scheduled in many Member States in 2020, the CDF management and the Board maintained vigilance over CDF's Country Assistance Programmes (CAPs) to ensure that political will in favour of existing programmes was maintained as far as possible, subject to any new and emerging national policy directions.



The capacity of the Board of Directors to provide effective guidance on these and other matters of governance was enhanced in 2020 by the appointment of three new Directors. CARICOM Assistant Secretary General Mr. Joseph Cox replaced the Secretariat's previous Director Dr. Richard Brown; Senator Rawdon Adams was appointed by the Government of Barbados to serve as Director for the MDCs; and Mr. Gordon Charles, was appointed as the new representative for the Private Sector, on recommendation by the CARICOM Secretary General, having been nominated by the CARICOM Private Sector Organisation (CPSO).

The Board of Directors is cognisant of the necessity to ensure that the CDF is fully facilitated to play the crucial role of responding to the developmental priorities of disadvantaged Member States, in particular the challenges of remaining competitive regionally and globally. It needed to respond creatively to the present challenges, while ensuring that CDF remain closely aligned to its mandate and core functions. It was equally important to ensure that Board decisions enhanced long-term plans and were supportive of efforts geared at sustainable economic recovery.

Projections for the performance of regional economies, emanating from the World Bank, IMF, IDB and other international agencies, reflected the consensus that all regional economies would be contracting at the end of 2020, save and except for Guyana. Given the adverse global impact of COVID-19, the CDF needed to stand prepared to play a critical role in assisting regional economies with financial and other assistance over the medium to long term, through initiatives such as the proposed Growth and Resilience Bond and the roll out of the CDF's Credit Risk Abatement Facility (CRAF). To enable the formal launch of the CRAF, the Board in early November 2020, approved from the CDF capital fund, US\$ 11.5 m in funding for the CRAF Pilot Phase in 2021. Of which US\$10 m went towards capitalization of the Credit Risk Instrument to underwrite partial guarantees for SMEs

with bankable sustainable energy projects. US\$ 1 m was allocated to a complementary Technical Assistance Programme designed to assure project quality and US\$ 0.5 Million was earmarked for operating expenses.

As a short-term response in the light of current developments, the Board also approved an amendment to the CDF's Emergency Disaster Assistance Facility (EDAF) designed to enhance capacity to provide recovery support to Member States in the aftermath of disasters, now expanded in definition to include pandemics. Given the increased frequency and severity of such shock events, which prompted the establishment of the EDAF in 2011, the annual limit on the facility was increased in 2020, from US\$100,000 for any given subscription cycle to a maximum of US\$500,000. In tandem with the increase in this limit, the Board expanded the authority of the Chief Executive Officer to increase the maximum offer per country per event from US\$20,000 to US\$40,000, in consultation with the Chairman, as a quick response measure. Similarly as a short term facility, the Board approved A Policy for Moratorium and Restructuring of Loans, providing for an Automatic Moratorium for two quarters to all Member States requesting such relief in response to the COVID-19 pandemic. Therefore CDF was responding to the immediate challenges, while taking steps towards resilience building and structuring a mitigation framework.

Beyond these efforts, there is need to continue to focus on new and innovative ways to respond to the evolving needs of Member States. In that regard, the approval by the Heads of Government in early 2020 of the CARICOM Cohesion Policy, on which the CDF is the lead regional agency, will pave the way for establishment of a stronger evidence-based approach to determination of Member States development priorities in the context of the CSME, and by extension a more objective and transparent framework for the design of new CDF country programmes.



The CEO, management and staff of the CDF must be commended for their steadfast commitment to ensuring that the important work of the CDF, which plays a crucial role in supporting the Member States, continued at a steady pace, despite the varying challenges presented by the COVID-19 pandemic. The commitment and dedicated service of Fellow Board members to the CDF during an extremely demanding period must also be recognised. The CDF fully embraced its role in 2020, in seeking to further advance cohesion in the Caribbean community and remains grateful to its Member States and development partners for their continued support.

# CHIEF EXECUTIVE OFFICER'S STATEMENT



**Mr. Rodinald Soomer**

Chief Executive Officer

The operations of the CDF in 2020 were in many ways constrained by and adjusted to account for the emergence of the COVID-19 global pandemic in the Caribbean region towards the end of the first quarter, and the subsequent escalated social, health, economic and fiscal impacts of the pandemic throughout the rest of the year. Against that backdrop, there was a general slowdown in the pace of preparation of new country programmes and in the implementation of ongoing activities in Member States.

As an immediate response to the early economic impacts of the pandemic, the CDF Board of Directors at its 6<sup>th</sup> Extraordinary Meeting in May 2020, approved A Policy for Moratorium and Restructuring of Loans, consequent on a request from the Government of Antigua and Barbuda. As a special case, in response to the sudden and dire social and economic impacts of COVID-19 in Belize, the Board also responded positively to a request from the government of Belize for the reallocation of US\$2.273m of unused grant funds from The Haulover Bridge Replacement Project to support its Unemployment Relief Programme.

At the operational level, the Board approved a budget transfer of US\$40,000 from Overseas Travel, which was significantly curtailed due to travel restrictions imposed as a result of

COVID-19, to Professional Fees to facilitate the execution of a consultancy to develop a programme of support measures for selected industries protected under the provisions of Article 164 of the Revised Treaty of Chaguaramas, in fulfillment of a previous undertaking by the CDF to the COTED. And at the policy level, the Board approved amendments to the CDF's Emergency Disaster Assistance Facility (EDAF) to expand the definition of disasters to include pandemics and to increase the funding limits.

Disbursements on country programmes for 2020 were projected at US\$ 10.3m, whereas actual disbursements totaled US\$6.01m, of which grants accounted for US\$2.74m and loans US\$3.27m. Total disbursements were therefore just under 60 per cent of the estimate, although two and a half times the value recorded in 2019. In addition to factors directly attributable to the impacts of the global pandemic, implementation and therefore calls for disbursement continue to be stymied by capacity constraints mainly at Member State level. These include poor contractor performance; delays in obtaining high-level decisions related to changes in project scope and budget, use of counterpart resources and the establishment of legal or institutional arrangements to facilitate implementation; and procurement capacity constraints. It is expected that conditions will sufficiently improve in 2021 to allow for some of these limitations to be systematically addressed.

Two CDF first cycle projects in Antigua and Barbuda were substantially completed during the reporting period, namely the Redevelopment of the Lower St John Cruise Ship Terminal and the Antigua State College Learning Resource Center. The required environmental and social assessments for the construction on Barbuda of a 719 Kw hybrid diesel/solar power

plant on Barbuda post-Hurricane Irma (the Green Barbuda project) were conducted, reviewed and accepted by the Government and the CDF during the last quarter of 2020. Implementation has commenced and will continue into 2021. Also, within the vein of economic resilience building, the grant-funded consultancy for support to the reorganization of the Antigua and Barbuda Development Bank is progressing satisfactorily.

Many of the elements of the Belize country programme also performed satisfactorily. The second line of credit to the Development Finance Corporation (DFC) to benefit SMEs, became fully operational in 2020, following satisfaction of all conditions precedent in 2019. In tandem, the DFC's medium term operational plan was completed in 2020, with grant support from the CDF. A complementary CDF grant supported intervention, the Belize National Investment Promotion Policy and Strategy, executed by the Belize Trade and Investment Development Service, has advanced to the diagnostic phase, with completion expected in 2021. In contrast, implementation of Belize's agriculture sector projects, Expansion of Honey Production and Expansion of Covered Shelters Production, were significantly impacted by the global pandemic.

Financing agreements were signed remotely for the final elements of the Belize programme, which were approved in late 2019, including for a grant of US\$0.8m for a Rudimentary Water Systems project to support improved supply and quality of water and water management practices in 4 rural communities in Belize, to benefit over 900 households. Another agreement for a grant valued at US\$0.5m was signed for the Establishment of the Gender Inclusive Belize Enterprise Revolving Fund (BERF). The BERF is intended to provide grant funding to viable high potential SMEs, which still lack the business experience, capital or cashflow to attract loans from local development finance or commercial banks. The funding is specifically targeted to SMEs engaged in

innovation/technology adoption, and women- and youth-owned SMEs.

The two remaining elements of the first cycle country programme for Dominica - completion of refurbishments to the National Centre for Testing Excellence and the capacity building grant to the Agriculture and Industrial Development Bank are nearing completion. Progress in formulating a new country programme under the current funding cycle has been slow, but it is expected that this will be addressed in 2021.

Implementation was advanced on most of the elements of the second cycle country programme for Grenada. The pre-shipment inspection of the customs patrol vessel procured under the programme was completed during the reporting period despite COVID-19 related travel restrictions. Completion of this sub-project is expected by the end of 2021. The project to expand the infrastructure of the Grenada Bureau of Standards and to purchase new equipment for testing, was hampered by the extended delay in issuing of the land title by the Government of Grenada, but implementation is expected to accelerate in 2021. Little progress was achieved on the upgrading of the Mirabeau Abattoir to achieve compliance with the Codex food hygiene code of practice for meat and guidelines for the practical application of Hazard Analysis Critical Control Point, due to delays in satisfying conditions precedent to disbursement.

Under Guyana's Rural Agricultural Infrastructure Development project, which focuses on rehabilitation of drainage and irrigation systems and access dams to support small scale farming, the Government of Guyana requested a modification in scope to include the very vulnerable communities of regions 1, 8 and 9 to improve farmers' capacity to generate income and better weather the impacts of the pandemic. This project is now targeted for completion in 2021.

Implementation progress and closure of projects under the St. Kitts and Nevis programme were similarly affected by delays induced mainly by COVID-19 related travel restrictions and executing agency capacity constraints. Under the Indian Castle Water Project in Nevis, aimed at improving irrigation infrastructure at the Indian Castle Estate to boost agricultural production, 50% of the planned drip irrigation has been installed, while work commenced on installing, interconnecting, and commissioning a water treatment plant. Completion has now been pushed back to 2021. Implementation of Phase 1 of the Enhancement of the South Frigate Bay Strip, approved as a CDF cycle one project, and which has suffered extended delays due to numerous changes in project scope and design, as well as procurement challenges, is also now expected to be completed in 2021. Implementation of Phase 2 of this project, part funded under CDF cycle two, is contingent on the completion of Phase 1. Lending activity under the US\$ 3m-dollar line of credit to the Development Bank of St. Kitts and Nevis (DBSKN) to support Small and Medium Sized Enterprises, was delayed until the last quarter of 2020, due to challenges by DBSKN in meeting conditions precedent to disbursement.

Notable progress was achieved on St. Lucia's country programme, with final disbursement of the grant for completion of the institutional framework for the Village Tourism Initiative (VTI). This framework will support the roll out of the VTI in the target communities, for which the CDF has approved additional grant and loan resources. The grant agreement to finance critical tourism infrastructure in the VTI target communities, was signed in September 2020.

Significant strides were also made in finalizing arrangements for the second cycle country programme for St. Vincent and the Grenadines, with the remote signing of agreements for loan financing of US\$5m and grant support of US\$0.7m to expand the accommodation sector. This funding will go towards the construction of a 93-room budget hotel, through a public-private

partnership, to carry the Holiday Inn Express and Suites brand during its operation. This project supports the Government of St. Vincent and the Grenadines' economic diversification efforts, and forms part of the Government's strategic plan to increase the quantity and quality of hotel accommodation needed to meet the current and future demands of the tourism industry, drive growth in the sector and enhance the attractiveness of the destination to international airlines. It is deemed critical to ensuring the viability and sustainability of the Argyle International Airport, towards which the CDF made a substantial investment in its first funding cycle.

During 2020, contributions were received from two Member States for the CDF's second contribution cycle: Barbados (US\$4,200,000) and Trinidad and Tobago (US\$10,000,000). These contributions were made just ahead of the onset of the global pandemic in the Caribbean region.

As at December 31, 2020, the CDF's operations totalled US\$8.37m compared to US\$5.27m in the previous period, all of which continued to be financed from the CDF's core resources. Of these amounts, disbursements to Member States totalled US\$6.02 m in 2020 compared to US\$2.58m in 2019.

The loan portfolio in 2020 remained essentially unchanged from 2019, largely due to near parity between the level of disbursements and principal repayments. Cumulative repayments as at 31 December 2020 were US\$3.294m, relative to US\$4.17m at end of 2019. There were no delinquent or non-performing loans recorded during 2020.

The capital fund was valued at US\$136.3m as at 31 December 2020, a significant increase from US\$116.64m at the end of 2019. The increased value is due to a combination of a net contribution of \$10.9m and investment gains of \$8.8m.



Finally, over the review period, a major milestone was achieved in the formal launch of the CDF's Credit Risk Abatement Facility (CRAF) in late November 2020. The CRAF is designed to catalyze a greater level of domestic investment in sustainable energy by SMEs and foster an increased and more sustained level of participation by local financial institutions in the sustainable energy sector. Two of the CDF's major thematic thrusts - facilitating and mobilizing investment at the regional level, and enabling business development and enterprise competitiveness, will therefore be significantly advanced via the implementation of the CRAF.

The year 2020 has been a challenging one, far beyond all expectations. The COVID-19 pandemic has pervaded every aspect of the lives and livelihoods of the people of the region and left Member States grappling with multiple economic, health, fiscal and social challenges with no clear end in sight. While this dire situation both directly and indirectly affects the implementation performance of CDF's ongoing programmes, it equally requires the CDF to exercise greater creativity and to persevere in its efforts to assist Member States in crafting and implementing adaptive responses to recovery from the dislocative effects of the pandemic on economic and social opportunity. Such responses will necessarily come to full fruition in the design of a new round of country programmes in the CDF's third subscription cycle, but the short-term response effort will commence with the pilot roll-out of the CRAF in 2021, the commencement of implementation of the CARICOM Cohesion Policy in eligible MDC Member States and with appropriate adjustments to LDC second cycle country programmes that have not yet been fully committed. For all of these short-term response options, the CDF remains open to collaborating with other regional agencies and international development partners to coordinate and scale up its interventions for greater impact.

In closing this review on CDF'S performance and accomplishments in 2020, I must express sincere appreciation to the staff of the CDF for their unstinting efforts in continuing to implement the programmes of the CDF even in the face of the escalated fiscal and human capacity constraints in Member States occasioned by the global pandemic. Staff productivity has remained at satisfactory levels, notwithstanding the introduction of remote working arrangements. Likewise, CDF management and staff extend profound gratitude to the Board of Directors for their continued guidance and support and for adjusting so readily to the need to conduct their deliberations virtually. I wish to especially thank former Director for the Private Sector, Ms Kira Thompson-Aird, former Director for the MDCs Ms Debra Roberts, and Director for the OECS, Ms Jacqueline Emmanuel-Flood, for their respective contributions in leading the Board in the absence of a Community-appointed Chairperson. Their unflinching willingness to serve has in no small measure allowed the CDF to competently fulfil its obligations to the Community and Member States in the face of very trying circumstances.

Finally, the CDF places on record its continued appreciation for the unwavering commitment displayed by host Government Barbados, which in large measure made good on its obligations to the CDF capital fund, notwithstanding the increased fiscal pressure facing the country. The full implementation of the CSME, a cause which the Government of Barbados as regional lead in CARICOM continues to advocate for and aggressively pursue, will no doubt contribute to creating the unified platform necessary to launch a consolidated and coordinated response to the evolving impacts of the global pandemic on the economic and social prospects for the region for years to come.

# INTERNATIONAL AND REGIONAL ECONOMIC ENVIRONMENT





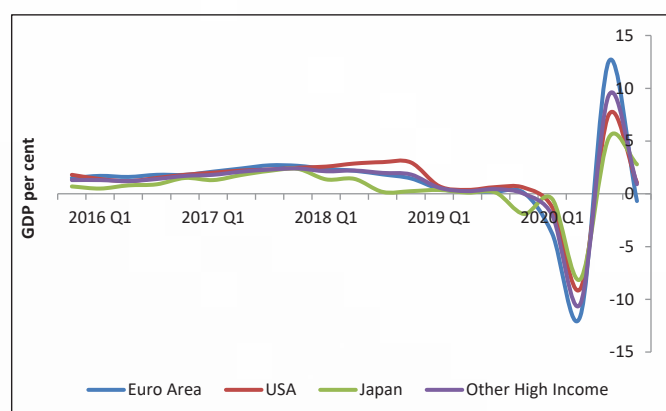
# INTERNATIONAL ECONOMIC ENVIRONMENT

The year 2020 spawned an unprecedented global public health crisis, during which the COVID-19 pandemic disrupted the global economy, governments, and societies in which we live. The pandemic represents the largest economic shock the world economy has witnessed in decades, causing a collapse in global activity. Various mitigation measures such as lockdowns, closure of schools and non-essential businesses, as well as travel restrictions, were imposed by most countries globally, to limit the spread of COVID-19 and ease the strain on health care systems. The pandemic and associated mitigation measures sharply curbed consumption and investments, as well as restricted labour supply and production globally, despite unprecedented policy support. The cross-border spillovers disrupted financial and commodity markets, global trade, supply chains, travel, and tourism.

In 2020, global GDP is estimated to have contracted by 3.3 per cent (see Table 1) most countries were plunged into recession. Advanced economies are estimated to have shrunk by 7.0 per cent on average, as widespread social distancing measures, a sharp tightening of financial conditions and a collapse in external demand depressed activity. As a result, China was the only advanced economy that registered positive GDP outturn, recording an estimated 2.3 per cent growth in 2020, by far the lowest growth it has recorded in more than four decades.

The pandemic has exposed the systemic vulnerability of the world's economies. The short-term economic costs of the 'Great Disruption' do not fully account for its long-term impacts on employment, productivity, and potential output.<sup>1</sup> While large scale fiscal stimulus prevented total economic collapse and supported the incomes of millions of households, there is little sign that these measures will boost long-term investments and create new jobs. Unless investments in physical and human capital accelerates, the global economy will likely adjust to a lower growth trajectory. The fiscal stimulus, however, supported recovery in the major high-income economies (see Figure 1).

**Figure 1. Annual GDP change per quarter\***



\* Data Source: World Bank

**Table 1. Annual Real GDP Growth (per cent)\***

	2016	2017	2018	2019	2020 <sup>e</sup>	2021 <sup>f</sup>
World	2.3	3.0	3.0	2.3	-3.3	6.0
USA	1.6	2.3	2.9	2.2	-3.5	6.4
UK	1.8	1.6	1.3	1.4	-9.9	5.3
Canada	1.4	3.0	2.3	1.7	-5.4	5.0
Euro Area	1.6	2.4	1.9	1.3	-6.6	4.4
China	6.3	6.8	6.5	6.0	2.3	8.4
Japan	1.0	1.7	0.8	0.7	-4.8	3.3

\*Sources: World Bank and IMF. Notes: <sup>e</sup> = estimate; <sup>f</sup> = forecast

## Regional Economic Environment

With large domestic COVID-19 outbreaks and limited health care capacity in a significant number of countries in Latin America and the Caribbean, the region suffered the devastating consequences of the pandemic. Countries deeply integrated in global value chains; that are heavily dependent on foreign financing; and that rely extensively on international trade, commodity exports, and tourism suffered disproportionately during the year. The health crisis was accompanied by an economic downturn of historic proportions, which followed several years of disappointing growth. Real GDP is estimated to have declined by 8.0 per cent in 2020, as prolonged national lockdowns, weaker merchandise exports and a collapse in tourism undermined economic activities. Despite severe fiscal constraints, many of the region's Governments have adopted stimulus packages in response to the pandemic.

Except for Guyana, economies across the Caribbean Community (CARICOM) experienced severe contraction in GDP outturn (see Table 2). With international travel being hit particularly hard by the pandemic, and tourism activity being at a fraction of pre-pandemic levels, most countries in CARICOM were severely hit. The largest negative economic outturn among these countries was recorded in St. Lucia, Barbados and Dominica. The adverse effect of tourism on St. Lucia's economy was exacerbated by significant knock-on effect on aggregate demand resulting in elevated levels of unemployment, reduced spending and increased financial sector pressure as reflected in an increase in non-performing loans. These activities contributed significantly to the 23.8 per cent contraction in St. Lucia's GDP for 2020. Similarly, the domestic economy in Barbados experienced a contraction of 17.6 per cent which resulted from unprecedented disruptions in tourism activity, weak private sector investments and reduced consumer spending. During 2020, Dominica's economy contracted 17.1 per cent resulting from the

adverse impact of COVID-19. Activity in the tourism sector is estimated to decline by 61.1 per cent resulting from a significant fall off in tourist arrivals, both cruise and stay over.

Guyana was the only country in the CARICOM region to record positive economic growth for 2020. The GDP outturn of 43.5 per cent resulted from the positive impact of commodity production and reflected the first full year of oil extraction. Buoyant economic activity was also supported by lower oil prices which offset higher food prices and translated into lower domestic inflation.

**Table 2. CARICOM Member States - Real GDP Growth annual change (per cent)<sup>\*</sup>**

	2017	2018	2019	2020 <sup>e</sup>	2021 <sup>f</sup>
<b>MDCs</b>					
Barbados	1.0	-0.5	-1.3	-17.6	3.3
Jamaica	1.6	1.6	1.0	-10.2	4.6
Suriname	-0.2	0.8	1.1	-13.5	0.7
Trinidad and Tobago	-2.3	1.9	-1.2	-7.8	-1.0
Guyana <sup>g</sup>	2.9	3.4	5.4	43.5	20.4
<b>LDCs</b>					
Antigua & Barbuda	3.2	6.9	4.7	-16.0	1.0
Dominica	-4.2	1.5	7.5	-17.1	3.4
Grenada	3.7	4.8	0.7	-11.7	2.7
St. Kitts & Nevis	1.8	3.0	4.8	-10.7	-1.0
St. Lucia	2.7	0.6	-0.1	-23.8	3.5
St. Vincent & the Grenadines	1.6	3.2	0.5	-2.7	-6.1
Belize	2.5	2.6	1.8	-14.1	8.5
<b>Other<sup>h</sup></b>					
The Bahamas	1.4	2.5	0.7	-16.3	2.0
Haiti	1.1	2.0	-1.7	-3.7	-0.7
Montserrat	0.7	1.6	1.2	-6.5	1.2

<sup>\*</sup>Source: IMF/Eastern Caribbean Central Bank

Notes: <sup>e</sup> = estimate; <sup>f</sup> = forecast. <sup>g</sup>Guyana is treated as a disadvantaged country because of its HIPC status. <sup>h</sup>These countries are not members of the CDF.

### **CDFs Response to Regional Growth and Development**

During 2020, the CDF's operations were severely disrupted by the global pandemic. Nonetheless, country interventions were focused on providing assistance to those most severely impacted by the COVID-19 pandemic; closing out cycle one programmes/projects; and establishing new country assistance programmes for the second funding cycle. The CDF interventions are guided under four broad thematic spheres: business development and enterprise competitiveness; human capacity development; sector-level and national economic infrastructure; and renewable energy/energy efficiency; all strategically enveloped under the CARICOM Cohesion Policy. These broad themes are executed under Country Assistance Programmes (CAPs) which provide financial and technical assistance to CDF Member States (see Chapter 2).

### **Economic Outlook**

Against the backdrop of severely depressed global economies, an economic rebound will be fragile as it will be subject to continued disruptions from the pandemic, such as delays in vaccine deployment or the accumulation of debt incurred by emerging economies. Before the COVID-19 pandemic, there were structural weaknesses in growth and downgrades in economic activities were anticipated. Bilateral tensions that contributed to trade uncertainty appear to have eased in recent years, but the pandemic-induced global trade collapse is expected to result in a further decline in the trade intensity of economic activity. According to the World Bank, the global economy is nonetheless expected to recover at an uneven pace reflecting sharp rebounds in some major economies, notably the United States, owing to substantial fiscal support.

The World Bank also notes that risks that cloud the global economic outlook extend beyond the pandemic and relate to large output losses, increases in inequality, and rapidly rising debt. These activities could result in elevated debt service relief efforts. The major risk, however, is a longer-lasting wave of pandemic infections, which could accelerate the contraction in economic activity around the world. Specifically, the Caribbean is expected to record moderate recovery, but significant long-term damage to potential output looms if the appropriate corrective measures are not taken. Prolonged school closures, challenges related to remote learning activities, and persistently high level of unemployment are expected to have significant adverse effect on human capital and productive output. This could exacerbate skills shortages, a major constraint in most countries in the region. In addition, investments will likely be hampered by heightened uncertainties, sluggish demand and fiscal consolidation which could in turn stifle innovation and productivity growth in the Caribbean.

# COUNTRY ASSISTANCE PROGRAMMES



# Overview

During cycle 1 (2008-2015), CDF had approved a total of US\$50.89 m in financial and technical assistance to the disadvantaged Member States of CARICOM. This comprised US\$33.0m covering 13 concessionary loans and US\$17.6m covering 26 grants. Approvals to date for cycle two (2015-2020) totalled US\$33.83m of which US\$21.38m is in loans (5 loans) and US\$12.44m in grants (17 grants).

The reporting period commenced with an active portfolio of 29 projects representing approved CDF resources of US\$42.8m. This comprised 12 cycle one projects at US\$10.2 m, and 17 cycle two projects at US\$32.6m. Of these, agreements were pending for 8 projects; 1 project was scheduled for cancellation; 1 project was experiencing significant implementation delays and at risk; and 7 projects were near completion, with more than 75% of the approved budget disbursed.

Given the pandemic, the focus in 2020 shifted from developing and securing approval of additional projects to examining how existing projects or loan repayment schedules may be adapted to support Member States' COVID-19 response and recovery efforts. As such, there were no new approvals in 2020 but the CDF worked closely with Member States to increase the availability of funding to women and men-owned SMEs and meet the basic needs of the most vulnerable communities.

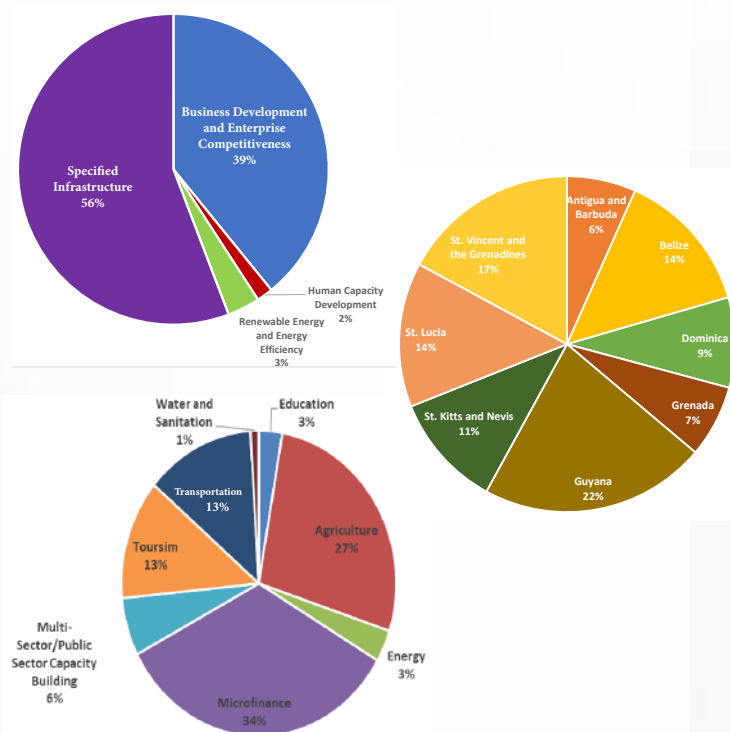
Despite the challenges posed by the pandemic, 2 cycle one projects (US\$4.0m) were completed. At year end, the total CDF portfolio (cycle 1 and 2) stood at US\$84.0m and the active portfolio at US\$38.8m. The

projected disbursement for 2020 was US\$ 10.3m but actual disbursement, influenced by COVID-19 restrictions, was US\$6.0m. The CDF was also able to advance work on improving the quality of its programming through:

- the roll out of the CARICOM Cohesion Policy.
- initiating the development of a programme to improve the performance of industries in the Less Developed Countries (LDCs) that have been given temporary protected status under Article 164 of the Revised Treaty of Chaguaramas.
- furthering the establishment of the Credit Risk Abatement Facility (CRAF), including the approval by the CDF Board of Directors of US\$11.5 m to finance the pilot phase of the Facility.

Further details on the above initiatives are provided in the Institutional Priorities and Governance section of this Report.

**Figure 2: CDF Portfolio as at end of FY 2020**





The CDF portfolio continues to reflect the priorities set out in CDF's Strategic Plans for cycle 1 and cycle 2:

- business development and enterprise competitiveness
- human capacity development
- infrastructure - national and sector-level
- renewable energy and energy efficiency

The portfolio composition as at the end of 2020, according to the above priorities, by sector, and Member State is summarised above. Infrastructure (56%), and Business Development and Enterprise Competitiveness (39%) dominate the portfolio. From a sector perspective, the main beneficiaries are Microfinance (34%), Agriculture (27%), Tourism (13%), and Transportation (13%). The distribution of approved funding by country reflects criteria used by CDF for determining country allocations and the absorptive capacity of the Member States (see Figure 2).

## Portfolio Management 2020

### Establishing Agreements/Project Start-Up

Agreements were established ushering 4 projects representing US\$11.7 m in CDF financing in 3 Member States into implementation:



**Rudimentary Water Systems** (Grant of US\$0.8 m): This project was approved October 8, 2019, and the agreement was established on July 16, 2020. The project supports improved supply and quality of water and water management practices in 4 rural communities in **Belize** and impacts

over 900 households served by the rudimentary water system. The executing agency is the Belize Social Investment Fund. The establishment of the agreement was delayed due to the COVID-19 pandemic.

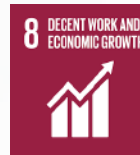
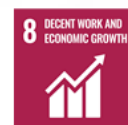
**Village Tourism Initiative** (Loan of US\$3.75m and Grant of US\$0.9m): This project pilots a new community-based tourism model in 3 communities in **St. Lucia**. Approved in December 2019, the establishment of the grant agreement was delayed by the late submission of the final village tourism management framework document following its review and formal approval by the St. Lucia cabinet.

### The Establishment of the Gender Inclusive Belize Enterprise Revolving Fund (BERF)

(Grant of US\$0.5m): Agreement between CDF and was established October 5, 2020. The BERF is intended to provide grant funding to viable high potential SMEs, which still lack the business experience, capital or cashflow to attract loans from local development finance or commercial banks. The funding is specifically targeted to SMEs engaged in innovation/technology adoption, and women- and youth-owned SMEs.

### Supporting Economic Diversification - Expanding the Accommodation Sector

(Loan of US\$5.0 m and Grant of US\$0.7 m): This project supports the Government of **St. Vincent and the Grenadines'** economic diversification efforts, and capacity to attract airlines and visitors, with the construction of a 93-room budget hotel through a public-private partnership. Approved in December 2019, a protracted review of the draft loan and grant agreements delayed agreement signing.





## Project Implementation by Country Antigua and Barbuda



Two cycle 1 projects, **Redevelopment of the Lower St. John's Cruise Ship Terminal** (Loan of US\$1.8m), and **Completion of the Learning Resource Centre, Antigua State College** (Grant of US\$2.2m), which were approved in July 2014 and experienced substantial delays, were completed in the reporting period.

The scope of the project Redevelopment of the Lower St. John's Cruise Ship Terminal included the enhancement of the Cruise Ship Terminal to make it more attractive to tourists and to entice cruise passengers to come onshore. The initial planned completion date was June 2017. Implementation was delayed by revisions in the scope of the project and challenges in project administration. The Antigua State College provides tertiary education and is an important contributor to human resource development on the twin-island state. The College has an enrolment of approximately 900 students and offers over 20 degree and 200 non-degreed courses. Completion of the Learning Resource Centre, Antigua State College involved the testing of the integrity of the pre-project unfinished structure; installation of plumbing, utility conduits, windows, doors, and an elevator; and painting and landscaping of the premises. This project supports the ongoing effort of the Government of Antigua and Barbuda (GOAUB) to upgrade the College

campus to create a safer and more enabling learning environment and expand local access to tertiary education. The planned completion date of June 2017 was exceeded due to procurement-related delays.



Rehabilitation of Booths to Facilitate Operations of Tourism Sector SMEs at the Lower St John's Cruise Ship Terminal

### Development of a roadmap for bilateral co-operation in agriculture with Suriname

(Grant of US\$ 0.31m) was approved in February 2019 and the Grant Agreement was established May 2019. Antigua and Barbuda is water scarce and prone to extreme weather events. In July 2017, the GOAUB and the Government of Suriname had established a Memorandum of Understanding (MOU) on the deepening of relations between the two countries. The Roadmap, which operationalises the MOU, is a strategic response to the threats posed by climate change and supports the GOAUB's efforts at expanding its agricultural sector, diversifying the economy, and enhancing resilience.

Counterparts in Antigua and Barbuda are yet to establish conditions precedent to disbursement and to enable the start of implementation. CDF is liaising with GOAUB to resolve the related bottlenecks and accelerate project start up.

Project	Early Achievements
Redevelopment of the Lower St. John's Cruise Ship Terminal	<ul style="list-style-type: none"> <li>• Completion of the taxi stand and hub</li> <li>• Complete renovation of public conveniences in the shopping area</li> <li>• Restoration of the walkways</li> <li>• Rehabilitation of 12 booths at the Vendors Mall and at 20 booths at Vendors' Square</li> </ul>
Completion of the Learning Resource Centre, Antigua State College	<ul style="list-style-type: none"> <li>• Completion of the physical structure</li> <li>• Relocation of the library and administrative complex</li> </ul>

**Construction of a 719kW hybrid diesel base load power station** (Grant of US\$1.0m) was approved in November 2018 and the grant agreement established in February 2019. Signing of the agreement was delayed by the time taken by the beneficiary to complete its review. The required environmental and social assessments were conducted and accepted by the GOAUB and the CDF during the last quarter of the reporting period. Implementation commenced during the last quarter of 2020 and will accelerate in 2021.

## Construction begins on clean energy power plant in Antigua and Barbuda

Published by Lydia Woellwarth, Editor  
Energy Global, Friday 12 October 2020 14:23

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The UAE-Caribbean Renewable Energy Fund has announced the start of construction for a hurricane-resistant clean energy plant in Antigua and Barbuda to help the twin-island nation recover from the devastating effects of Hurricane Irma in 2017.

The US\$50 million Fund, the largest renewable energy investment of its type in the region, is the result of a partnership between the UAE Ministry of Foreign Affairs and International Cooperation (MoFAIC), the Abu Dhabi Fund for Development (ADFD), and Abu Dhabi Future Energy Company (Masdar).

The Green Barbuda project is being developed with joint funding from the UAE and New Zealand, Antigua and Barbuda and the [CARICOM Development Fund](#), and implemented by Masdar. Site preparation, network impact assessment, and geotechnical studies have been completed for the project, which will support Antigua and Barbuda's efforts to recover sustainably and help create new jobs.

*Sir Robin Yearwood, Minister with Responsibility for the Energy Portfolio in Antigua and Barbuda, said, "This project will provide an opportunity for developing Barbuda's extensive solar energy resource in a manner that supports sustainable socio-economic development. The Green Barbuda project has demonstrated the commitment of the Government and the people of the UAE, Antigua and Barbuda, and New Zealand, as well as the CDF in advancing climate resilient energy initiatives. This innovative project provides a model for other islands and communities as they tackle in an integrated manner the need to develop their renewable energy resources in the context of the global climate crisis."*

Source: <https://www.energyglobal.com/other-renewables/02102020/construction-begins-on-clean-energy-power-plant-in-antigua-and-barbuda/>

**Support for the reorganization of the Antigua and Barbuda Development Bank** (Grant of US\$0.08m) was approved in February 2019 and the agreement was established in February 2020. The project is aimed at strengthening and increasing the sustainability of the Bank as a major source of credit for SMEs that are unlikely to access credit via the commercial banks. A consultant has been engaged, and the reorganization assignment is progressing without significant delay.



## Belize

### Northern Highway Rehabilitation

(Grant of US\$2.3 m), approved in December 2013, is a cycle 1 project (part-financed by CDF) that has been plagued by delays triggered by the need to redesign the Northern Highway bridge based on the results of a soil analysis and the associated cost implications. The Highway is the most heavily trafficked road in Belize, connects Belize City with the northern districts and Mexico,

is a major trading route, and contributes to the country's trade competitiveness. The Government of Belize (GOBZ) Belize resolved the project funding issue during the second quarter of 2021. Another source of funding was found by the Government, and CDF was requested to terminate the project, representing its part-financing, and reallocate the resources to the country's Unemployment Relief Program to assist with its COVID-19 response.

### Support to Small and Medium Sized Enterprises

(Loan of US\$3.0m) was approved in February 2018 and conditions precedent to the disbursement of funds were satisfied during the first quarter of 2019. The time required to satisfy these conditions was prolonged by the time taken by GOBZ to execute an agency agreement between itself and the executing agency, the Development Finance Corporation (DFC); and by COVID-19 restrictions. The line of credit is now operational and gaining momentum. In the reporting period US\$0.1 m in sub-loans was provided to two SMEs.



**DFC Institutional Capacity Building** (Grant of US\$ 0.1 m) was approved in February 2018 and strengthens the capacity of the DFC by supporting the development of a medium-term operational plan and business continuity plan. Implementation was advanced in 2020 with the completion of the medium-term operational plan. The consultancy to develop a business continuity plan is expected to be completed by Q3 of 2021. The DFC is a major source of financing for SMEs in Belize and a strategic partner of the CDF. The CDF has to date provided US\$6.0m for on lending to SMEs in Belize through the DFC and US\$0.2 m for its institutional strengthening.

**Preparation of Belize's National Investment Promotion Policy and Strategy** (Grant of US\$ 0.3 m), approved in February 2018, is executed by the Belize Trade and Investment Development Service. Though impacted by the pandemic and change in personnel post national elections, the firm engaged has completed the inception and diagnostic phases of the assignment and the draft Strategy should be completed within the first quarter of 2021. This project develops a framework for improving Belize's business and investment climate and increasing both domestic and foreign investment.

The agriculture sector projects **Expansion of Honey Production** and **Expansion of Covered Shelters Production**, which require more person-to-person interaction, were significantly

impacted by the pandemic and implementation has essentially ground to a halt. The revitalisation of the honey sub-sector is a priority for the GOBZ. The implementation of a 5-year

expansion plan is in progress including the strengthening of institutional arrangements; increasing beekeepers' access to support services; improving production and post-production practices, including pest and disease management; and improving access to finance and markets. It is estimated that pre-project there



were 125 commercial beekeepers. The project seeks to attract new participants and provide capacity building to the new and existing beekeepers. A national brand, Belize Jewels, and quality management procedures have already been established, through support to the beekeepers from the Ministry of Agriculture, and the Belize Marketing and Development Corporation.

The beneficiaries of the **Expansion of Covered Shelters Production** project are small, disadvantaged farmers. The project supports the construction of at least 30 greenhouses for vegetable production and the training of approximately 50 farmers.

## Dominica

The support provided to the Government of the Commonwealth of Dominica to establish the **National Centre for Testing Excellence, Dominica Bureau of Standards** (Loan of US\$0.95m) was approved in September 2012, during cycle 1.

This project provides resources for equipping and strengthening the capacity of the Microbiology and Chemistry laboratories testing services, which are critical to Dominica's agro-processing, water bottling, agriculture, aquaculture, and organic farming sectors. The project also financed remedial works to bring the physical structure of the Centre in compliance with the ISO 17025 standards. Implementation was delayed by hurricane Maria in 2017 which inflicted structural damage to the Centre and displaced staff for almost two years. Completion is projected for December 31, 2021.

**Technical Assistance Grant to the Dominica Aid Bank for Capacity Building** (Grant of US\$0.15 m), is also a cycle 1 project, approved in September 2012. The project is aimed at strengthening the Dominica Agricultural Industrial and Development Bank and increasing the sustainability of the CDF lines of credit for onlending to women and men-owned SMEs. Implementation was deferred as the Bank had to focus on recovery post Hurricane Maria and changes in the senior management of the Bank. Implementation recommenced with procurement activities in late 2019, continued into





the first quarter of 2020, but was then impacted by the pandemic and contract management issues. These challenges were addressed by the end of the reporting period and the pace of implementation should accelerate in 2021.

## Grenada

### **Institutional support for the modernisation of the Customs and Excise Department**

(Grant of US\$0.5m) contributes to the ongoing modernization of the Customs and Excise Division and complements support provided by other development partners, including the United Nations Conference on Trade and Development, Caribbean Regional Technical Assistance Centre, and Compete Caribbean Partnership Facility, Inter-American Development Bank. CDF is supporting staff training in the areas of Fraud Prevention & Investigation, Customs Act, Supervisory Management and ASYCUDA; establishment of an internal Audit Unit; upgrade of the Customs and Excise Operational Manual; and establishing of a Customs Boarding Station one mile away from shore, including the acquisition of a boat and construction of a docking facility. The Customs Boarding Station would allow the provision of services before arrival at an appointed port and therefore reduce clearance times and create a more enabling trade environment. The pre-shipment inspection of the boat procured under the project was completed during the reporting period despite COVID-19 related travel restrictions.

This project approved July 2015, and originally scheduled to be completed by December 2018, was delayed due to procurement issues related to the higher-than-expected price of the boat quoted by the winning tenderer and the challenge of conducting sea worthiness trials amid COVID-19 restrictions. With the progress made during this period, the project is expected to be completed by the third quarter of 2021.



### **Creation of management information system public sector database**

(Grant of US\$0.25m), approved July 2015, experienced extended delays due to personnel changes among key local counterparts and procurement related challenges. CDF is providing guidance to the executing agency to ensure that procurement procedures are adhered to and a contract is established that represents good value for money. Delay in the responses to CDF communications is prolonging the procurement process and CDF will be escalating efforts to expedite implementation.

This a strategically important project that is aimed at strengthening the capacity of the Technical Cooperation Unit, Ministry of Economic Development to coordinate public sector investment projects funded by the government, loans, or grants. It will, therefore, contribute to improved monitoring of Grenada's public sector investment programme, donor/development partner coordination, and public sector decision making relating to the mobilisation and management of resources.

### **Strengthening of the Grenada Bureau of Standards**

(Grant of US\$0.7m), was approved March 14, 2019. This project supports the expansion of the Bureau's laboratory infrastructure; acquisition of laboratory equipment and consumables; and improved laboratory processes and will contribute to increasing the private sector's access to reliable testing services. The issuing of the land title by the Government of Grenada prior to the start of construction and decisions related to the governance of the project delayed implementation but were eventually resolved during the 3rd quarter of 2020. Implementation of the project is expected to accelerate in 2021, subject to COVID-19 related challenges. Completion is projected for November 2021.

### Upgrading the Mirabeau Abattoir

(Grant of US\$0.2 m) was approved on July 18, 2019. It is aimed at upgrading the Abattoir to achieve compliance with the Codex food hygiene code of practice for meat and guidelines for the practical application of Hazard Analysis Critical Control



The Mirabeau Abattoir

Point; improving butchering skills, and customers' access to quality cuts of meat; reducing backyard slaughtering and the associated environmental contamination; and contributing to a more enabling environment for the expansion of livestock production. Establishing the grant agreement was delayed by COVID-19 related restrictions. Completion is projected for December 2021.

### Guyana

#### Rehabilitation of Drainage and Irrigation Systems and Access Dams

(Loan of US\$6.6 m, Grant of US\$3.8 m) was approved in July 2016. The project aims to improve irrigation and drainage, clearing and preparation of farmlands, and construction of farm roads in Guyana's major farming communities, providing year-round access to over 1,440 farming households.

Project implementation was delayed due to the political uncertainties surrounding the 2020 national elections. Consistent with its COVID-19 response, GOGUY has also revisited the communities targeted under the project and requested a modification in design to include the very vulnerable communities of regions 1, 8 and 9 to improve residents' capacity to generate income and better weather the impacts of the pandemic. Implementation will resume and the project should be concluded in 2021. Early results from this project include the preparation of 450 acres of farmland, the installation of a pump station as well as the construction of 31 irrigation structures. Photos showing implementation progress are provided below.



Rehabilitation of Drainage and Irrigation Systems and Access Dam In Progress



## Saint Kitts and Nevis

**Irrigation at Indian Castle (Grant of US\$ 0.5m)**, approved in May 2016 during cycle 1, implementation was delayed prior to 2020 due to challenges with a prior water exploration and delivery project, not funded by the CDF. This project is aimed at improving irrigation infrastructure on 40 acres of land at the Indian Castle Estate and creating a more affordable and reliable water supply for irrigation purposes thereby extending the growing season to increase agricultural production.

For 2020, the major focus was on installing, interconnecting, and commissioning a water treatment plant. COVID-19 related travel restrictions delayed the arrival of the experts to do the installation, which only commenced in the last quarter. This project, subject to COVID-19 related delays, should be completed by January 2021. Approximately 50% of the planned drip irrigation at Indian Castle is already installed.

**Enhancement of the South Frigate Bay, Phase 1** (Grant of US\$0.5 m), is a cycle 1 project that was approved in October 2016. This project is the first phase of the development plan for the Enhancement of the South Frigate Bay (De Strip), an important component of the country's tourism product, and a facility that allows participation by locally owned

SMEs in the tourism industry. The project comprises the construction of a paved access road and raised entry boardwalk on the land side, provision of solar lighting of the entrances, and marsh enhancement.

The planned completion date was August 2019, but the project was delayed due to numerous changes in project scope and design. Initially procurement issues and insufficient national co-ordination and co-operation among key stakeholders also contributed to implementation delays. The project is now substantially complete with a few activities outstanding, but completion is complicated by poor coordination among the local utility companies. The project is now expected to be completed by December 2021.

8 DECENT WORK AND ECONOMIC GROWTH



### Enhancement of the South Frigate Bay, Phase 2



Frigate Bay ("De Strip") – Celebrations in Action

(Grant of US\$1.3 m) was approved May 2018. The second phase comprises the construction of a parking area for approximately 180 cars, a jogging trail, public bathrooms to international

standards, repairs of the jetty, construction of four gazebos, landscaping, beach sideboard walk, management / maintenance offices, and utility storage; and creation of an entry gateway.



9 INDUSTRY, INNOVATION AND INFRASTRUCTURE



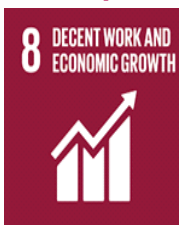
Enhancement of "De Strip" In Progress



The start of implementation is dependent on the close of Phase 1.

### Support to Small and Medium Sized Enterprises

(Loan of US\$3.0 m), was approved in February 2018. This line of credit is for on lending to women and men-owned SMEs and brings the total funding aimed at improving SMEs' access to credit in St. Kitts and Nevis to US\$6.0m. Implementation was delayed until the last quarter of 2020, as the Development Bank of Saint Kitts and Nevis, the executing agency, was required to demonstrate the impact of the prior line of credit that it administered and adequate monitoring capacity, as a condition precedent to disbursement. Implementation will essentially commence in 2021.



## Saint Lucia

### Institutional Framework for the Village Tourism Initiative

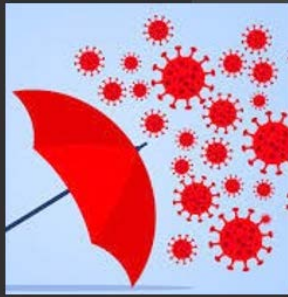
(Grant of US\$0.1m), approved in November 2017. The final disbursement was issued during the 4<sup>th</sup> quarter of the reporting period, and the framework developed, including a strengthened tourism sector innovation ecosystem, which is being applied in the roll out of the Village Tourism Initiative. CDF has approved additional resources to support the roll out (see details under the section Establishing Agreements/Project Start-Up).



## COVID-19 Pandemic – Impact, CDF’s Response, and Implications for Future Support

Project implementation in Member States was severely impacted, and brought to a near halt, by COVID-19 restrictions and the need to reprioritise financial and human resources to respond to

- US\$2.2m was provided to the Government of Belize to provide income support to 6,000 beneficiaries who were economically displaced due to the pandemic.
- CDF has to date provided US\$26.5m via 8 lines of credit to financial intermediaries in 6 Member States.
- In 2020, to improve access to finance amid the pandemic, CDF disbursed US\$3.0m to Fis in Belize and St. Kitts Nevis for unlending to SMEs.



the related social and economic challenges. CDF’s public sector counterparts were also not adequately equipped with information technology to work remotely, exacerbating the impact on project implementation.

To position the CDF to respond to the needs of Member States, the CDF Board of Directors approved a general policy for Moratorium and Restructuring of Loans; and an amendment that makes the CDF’s Emergency Disaster Assistance Facility more responsive to current needs. Based on its request, a moratorium on repayment was approved for the GOAUB.

On request of the GOBZ, the CDF redirected US\$2.3 m from the terminated Northern Highway Rehabilitation project to boost the country’s Unemployment Relief Programme and provide urgent financial assistance to workers who were laid off, and self-employed persons who have lost incomes, as a result of COVID-19.

The GOGUY also revisited the communities targeted under the US\$10.4m CDF-supported project to improve drainage and irrigation, clearing of farmlands, and productivity in rural agricultural communities. The very vulnerable communities of regions 1, 8 and 9 were added to the project as beneficiaries to improve residents’ capacity to generate income and better weather the impacts of the pandemic.

For all Member States, and particularly those that are disadvantaged, the pandemic paralysed the delivery of critical public services and collection by government of much needed revenue; and laid bare weak business continuity management capacity. For the private sector, from the large to the micro enterprise, use of ICT to improve customer management was elevated from a “nice to have” to a determinant of business survival. Both the public and private sectors accelerated efforts to develop short term ICT solutions and accelerate the pace of ICT adoption.

COVID-19 highlighted the digital divide between developing and developed countries; the larger and smaller countries of the region; and the interplay between levels of digitisation, technological innovation, structural change, disadvantage, and resilience. CDF as a major source of financing for women and men-owned SMEs in the disadvantaged Member States has to date provided US\$26.5m to 6 countries for on-lending and US\$1.4 m for the institutional strengthening of financial intermediaries. Moving forward to recovery, the lessons learned from the pandemic should not be wasted. The challenge for CDF is to work with governments, financial intermediaries, and SMEs to promote a more intentional approach to digitization, business continuity planning, and increased resilience.

## Other Factors Impacting Implementation

The implementation deficit challenge that has plagued the region is well documented and is reflected in the above analysis of implementation progress for 2020. Though made worse by the pandemic, the baseline project execution capacity remains underdeveloped and dictates the pace of reforms. Factors, other than the pandemic, which continued to impede project implementation during 2020 included:

- Time taken to establish grant agreements and

meet conditions precedent to first disbursement due to capacity challenges.

- Poor performance of construction contractors.
- Unavailability of materials for construction locally and delays during import.
- Poor coordination of utility companies/service suppliers on construction projects.
- Delay in supplying counterpart contributions and completing activities funded by counterpart resources.
- Pre- and post-election period distractions; and changes in priorities and project personnel.
- Time taken to obtain high-level decisions (e.g., related to change of project scope and budget, use of state resources, and establishing legal or institutional arrangements).
- Lean structure/limited staffing and lack of capacity to focus on multiple priorities.
- Procurement and contract management skills deficiencies, leading to a longer time to procure goods and services, and for the review of outputs.

As noted in the 2019 Annual Report, to improve the implementation performance of CDF-supported projects, CDF needs to strengthen its internal capacity and that of the local execution teams in results-focused project management, including in the areas of risk management, procurement management, and monitoring and evaluation. The pandemic would have prevented any capacity building efforts in 2020 but these will be pursued as soon as conditions permit.

## Lessons Learned and Outlook 2021

### Lessons Learned

The devastating impact of the pandemic in 2020 highlighted the need to accelerate the pace of reforms across the region, and even more critically for the disadvantaged countries. For the CDF, it has strongly reaffirmed the need to:

- improve the disadvantaged countries' project cycle management capacity and by extension the capacity to implement reforms that address structural constraints.
- work collaboratively with lending agencies and other agencies within the innovation ecosystem to more actively promote the use of CDF resources provided for on-lending to women and men-owned SMEs, for technological innovation, including the digitization of SMEs' business processes, and for more robust continuity planning.
- include in efforts aimed at enhancing competitiveness and business development, support to governments to improve ICT infrastructure, including in disadvantaged regions and communities; and digitize the delivery of public services critical to making it easier and cheaper for SMEs to do business, even within a crisis.

## Outlook for 2021

The multilateral development banks are projecting that Caribbean economies will begin to rebound in 2021; the recovery will be modest and slow; GDP will be lower in 2021 than in 2019; and the recovery will be more difficult for tourism-dependent economies as compared to the commodity exporters.

CDF will continue efforts to support Member States' response and recovery efforts. Data on the impact of the pandemic suggests that job loss was more severe for women, youth, and informal and low-income workers. In some CDF Member States, unemployment was higher among the youth population, even before the pandemic.

In 2021, CDF will give priority to support Member States' efforts to train female and male youth and provide them with skills necessary to provide skilled labour and contribute to the expansion of high potential sectors. CDF will also support the strengthening of ecosystems to provide those youth with an entrepreneurial mindset, with increased access to finance and business development support services. CDF's support will be through its investments via loans and grants, and by mobilising additional resources.

CDF will also complete ongoing efforts to develop a programme to improve the performance of industries given temporary protected status under Article 164 of the Revised Treaty of Chaguaramas. This programme will integrate the CRAF as an instrument for reducing operating cost and improving competitiveness; will directly contribute to reducing constraints to competitiveness in disadvantaged sectors; and will make a significant contribution to COVID-19 recovery efforts.



# INSTITUTIONAL PRIORITIES AND GOVERNANCE



# INSTITUTIONAL PRIORITIES

## Work Programme

Consistent with 2019, the planned CDF work programme in 2020 was guided by seven key areas in which it must consistently perform well to effectively achieve its mandate. These areas include:

- Design programmes that respond to the needs of Member States and reposition the disadvantaged countries, regions and sectors to maximise the benefits of the CSME;
- Adopt appropriate systems and procedures to enable the CDF to be flexible, responsive and effective;
- Swiftly disburse resources once requests are received;
- Minimise operational costs;
- Mobilise resources effectively and efficiently for financing operations;
- Utilise employees strategically;
- Maintain a close relationship with stakeholders and partners.

The CDF operates under five Institutional Priorities (IPs), with IP 1 – Country Assistance Programmes (CAPs) and IP 3 – Cohesion Policy being the core of the organisation's work. These priority areas are enabled by the work of IP 2 – Capital Fund Management, Resource Utilisation and Financial Management, IP 4 – Resource Mobilisation, and IP 5 – Corporate Governance. This section reports key accomplishments under each priority with details of implementation described under the individual sections of this report. The major targets and outputs are summarized below (see Table 3).

Due to the pandemic, implementation for 2020 diverged significantly from the planned as the organization had to adjust its normal mode of operations (i.e., supervision of projects under implementation; and monitoring and reporting). The focus shifted to maintaining remote/home based operations and responding to the urgent support needs of Member States arising from the immediate impacts of the pandemic. As requested by Member States, and approved by the CDF Board of Directors, modifications were made to project design and loan repayment schedules to align with the Member States' COVID-19 response efforts.

**Table 3: Targets and Outputs for 2020**
**IP 1 – COUNTRY ASSISTANCE PROGRAMMES (CAPs)**

Target	Output
CAPs for all (8) Member States implemented	<p>No new approvals.</p> <p>Agreements were established for 4 approved projects approved in prior reporting periods, and representing US\$11.7m in financing in 3 Member States.</p> <p>2 cycle one projects representing CDF resources of US\$4.0 m were completed:</p> <ul style="list-style-type: none"> <li>• <i>Redevelopment of the Lower St. John's Cruise Ship Terminal</i></li> <li>• <i>Completion of the Learning Resource Centre, Antigua State College</i></li> </ul> <p>COVID-19 response:</p> <ul style="list-style-type: none"> <li>• US\$2.3m diverted from the delayed Northern Highway Rehabilitation project, Belize to assist with the country's COVID Relief Program.</li> <li>• For the ongoing Guyana project, that is upgrading farm access roads, the scope of the project was modified to include communities heavily impacted by the pandemic.</li> <li>• GOAUB was granted a moratorium on it loan repayments.</li> </ul>
Increase disbursements for approved CAPs	The projected disbursement for 2020 was US\$ 10.3 m; actual disbursement was US\$6.02m, compared to US\$2.58m in 2019.
CDF resources used to leverage and/or supplement resources from other International Development Institutions.	The US\$5.4m Green Barbuda Project, the construction of a hurricane-resilient clean energy plant in Antigua and Barbuda, is the result of a collaborative effort in which CDF financing of US\$1.0m supplemented resources provided by the United Arab Emirates-Caribbean Renewable Energy Fund (US\$3.0), the Government of New Zealand (US\$0.5m), and the GOAUB (US\$0.5m).
Enhanced Competitiveness through a programme of assistance to Private Sector.	Maintaining SMEs access to credit was critical to their survival during the pandemic. CDF disbursed US\$3.0m for on-lending to women and men-owned SMEs; 1.5m each to Belize and St. Kitts and Nevis.
Leading the development of new products/instruments to expand the range and quality of assistance provided by the CDF	Work commenced to develop a 5-year programme of support for industries protected under Article 164 of the Revised Treaty of Chaguaramas (see additional details below).

## IP 2 - Capital Fund Management, Resource Utilisation and Financial Management

Target	Output
Timely production of Biennium capital and Operating Budgets	2020-2021 Biennium Budgets finalized and presented to Board in December 2019
Timely annual financial statements with unqualified audit opinions.	2019 Financial Statements and audit reports approved by Board in April 2020. The CDF received its eleventh unqualified opinion. Arrangements for the twelfth audit were commissioned in November 2020.
Timely and accurate in-house financial information to assist in decision making.	Reports submitted to the Board in a timely manner
Timely disbursements of approved loans and grants.	All requests for disbursements met within 3-5 working days, once conditions precedent were met.
Positive returns on capital fund with minimal risks.	The capital fund recorded a gross return of 2.53% per cent and was valued at US\$137.3m at the end of 2020.
Leading the development of new products/instruments to expand the range and quality of assistance provided by the CDF	Developed proposal and obtained approval from the CDF Board of Directors of US\$11.5m to finance the pilot phase of the CRAF.  Completed the build out of the institutional framework for the administration of CRAF (see CRAF Update below).

## IP 3 - Promotion of Cohesion

Target	Output
Development of Cohesion Policy and operational indicators for disadvantaged regions and sectors.	The CARICOM Cohesion Policy received approval by the CARICOM Heads of Government at the 31 <sup>st</sup> Intersessional Meeting of the Conference of Heads of Government held February 18-19, 2020 in Barbados. A summary of the approved CARICOM Cohesion Policy Statement is presented below.  Implementation of the Cohesion Policy was hampered by the onset of the global COVID-19 Pandemic.



### IP 4 - Resource Mobilisation

Target	Output
Capital Fund fully replenished.	During 2020, contributions were received from two Member States towards their Second Cycle contributions; US\$4.2M from the Government of Barbados, and US\$10.0M from the Government of Trinidad and Tobago.
Mobilise Resources from Development Partners.	Due to the global pandemic, this activity was largely placed on hold for the year. Initial discussions were held with some partners, and it is anticipated that these would be furthered in 2021.

### IP 5 - Corporate Governance

Target	Output
Transparent and accountable corporate policies approved by the Board	A total of 6 meetings, Regular and Extraordinary, were convened. Of these, 5 were convened virtually.
Response to COVID	Decisions were taken by the Board of Directors to position CDF to respond, in a timely manner, to requests from Member States for assistance in responding to the impacts of the pandemic. For further details, see section on Governance.
CDF Strategic Plan 2015-2020 approved and implemented.	The CDF Strategic Plan 2015-2020 guided implementation during 2019 with strategic objectives operationalised via the biannual work programme, which is monitored on a quarterly basis.
Platform for delivery of quality and reliable information technology services enhanced.	CDF IT strategy implementation continued in 2020.
Contribution to programme to catalyse growth and development in Member States through the implementation of the CARICOM Community Regional Strategic Plan.	CDF provided quarterly inputs, on a timely basis, for the quarterly monitoring of the implementation of the CARICOM Strategic Plan.
Stewardship to Contributors and Development Partners re the use of resources.	The 9 <sup>th</sup> Meeting of Contributors and Development Partners was postponed to 2021.
Implementation of Community Governance Obligations.	Reports made to the COTED and Conference of Heads of Government in 2020.
Improved communication between CDF and its Stakeholders.	Managing communications is currently led by the Office of the CEO. Given recent policy commitments, communication priorities and resources for more effective implementation must be reviewed and an updated and comprehensive strategy developed that is aligned with the next Strategic Plan.

## Improving the Competitiveness of Article 164 Industries

### Revised Treaty of Chaguaramas Establishing the Caribbean Community Including the CARICOM Single Market and Economy

#### Article 164: Promotion of Industrial Development

1. Upon application made in that behalf by the less developed countries, COTED may, if necessary, as a temporary measure in order to promote the development of an industry in any of these States, authorise such States to suspend Community origin treatment to any description of imports eligible therefor on grounds of production in one or more less developed countries.
2. COTED may, in taking decisions pursuant to paragraph 1 of this Article, establish terms and conditions including a phasing-out period during which Member States and the Community shall provide support measures and the industry implement the necessary programmes for achieving competitiveness.
3. The grant of authorisation pursuant to paragraph 1 of this Article shall be by means of a decision supported by the affirmative votes of all the less developed countries and at least two of the more developed countries

The list of protected industries under Article 164 includes curry powder; pasta; flour; aerated waters; malt; beer; stout; animal feed, oxygen and carbon dioxide; acetylene; candles of paraffin wax; solar water heaters for domestic use; and paint and varnishes (including enamels and lacquers).

In the last quarter of 2020, CDF, compliant with the undertaking provided to the 49<sup>th</sup> Regular Meeting of the COTED Ministers held in Guyana on 18-19<sup>th</sup> November 2019, contracted a consulting firm to:

- (a) Design a detailed 5-year work programme and budget for support measures intended to improve the performance of a prioritized

list of the selected industries as well as the participating firms.

- (b) Assist with the identification, prioritisation, and coordination of financing for the support measures under Chapter 7 of the Revised Treaty of Chaguaramas, which would include support to Article 164 industries.

The outputs of this assignment will contribute to the strengthening of protected industries so that they become economically viable, efficient, and competitive within a liberalised environment.

The timetable for completion of planned outputs is as follows:

Deliverable	Completion Date
Inception Report	October 2020
Draft Industrial Development Strategic Plan	May 2021
Finalised Industrial Development Strategic Plan	September 2021

## UPDATE

### DEVELOPMENT OF THE CREDIT RISK ABATEMENT FACILITY

#### CRAF has been launched!

CRAF is an initiative being developed by the CARICOM Development Fund (CDF) in collaboration with the CARICOM Secretariat, the Deutsche Gesellschaft für Internationale Zusammenarbeit GmbH (GIZ), and other key implementing and strategic partners. The primary objective of CRAF is to provide an incentive for additional lending to SMEs for renewable energy and energy efficiency projects in the CDF Member States. The development of the CRAF is led by the CDF Finance Department.

Despite a temporary setback due to the COVID-19 pandemic, Phase 2 of the CRAF development process was completed with the implementation of the following activities:

- Defining a detailed institutional design, including a corporate structure and governance framework for the CRAF.
- Compiling a complete set of plans, policies and procedures necessary for the full operation of the Facility, in accordance with regulatory requirements.
- Building out detailed portfolio and risk models.
- Completion of the design of core business processes and definition of requirements for the supporting IT systems and software.
- Development of legal agreement templates for CRAF with partners, countries and relevant entities.
- Creation of a pipeline of CRAF partners and viable transactions.
- Development of a Marketing Strategy and Implementation Plan.
- Development of a Resource Mobilisation Strategy.

The foregoing now means that detailed build-out of the three main pillars of CRAF: the Credit Risk Instrument, the Technical Assistance Program, and Monitoring & Evaluation Framework is complete.

The completion of Phase 2 was marked by the official launch of CRAF on November 25, 2020. The Pilot Rollout of CRAF will begin on January 3, 2021 and will end on December 31, 2021. The CDF Board of Directors has approved US\$11.5 m as initial capital for the Facility.

Keep updated and follow the CRAF development journey at <https://www.camco.energy/credit-risk-abatement-facility-craf/>.

## SUMMARY OF THE CARICOM COHESION POLICY

### Policy Statement on a Cohesion Policy for CARICOM

#### Vision and Mission

The vision of the CARICOM Cohesion Policy is to be one of the main instruments for fostering economic efficiency and social equity in the Caribbean Community.

The primary mission of the CARICOM Cohesion Policy is to reduce the CSME-related gaps in the development of Member States, regions, and sectors, in order to strengthen economic and social cohesion and, in so doing, support the CARICOM Strategic Goal of 'Building Economic Resilience – Stabilisation and Sustainable Economic Growth and Development'.

#### Aims and Objectives

The overall objective of CARICOM's Cohesion Policy is to promote balanced economic and social development within and across Member States. An important part of this overall objective is an explicit focus on providing a response to any dislocative effects (effects that might otherwise increase socio-economic disparities) that may arise from the implementation of the CSME.

The policy aims to promote three dimensions of cohesion:

- first, economic efficiency, by helping all regions and social groups to achieve their full potential and so contribute to the development of not only the Member State concerned but also the Community as a whole;
- second, political stability, by helping to limit the potential for economic and social inequality to threaten the political direction of the Community and its Member States; and
- third, social equity, by helping to ensure that all citizens are given the opportunity to enjoy certain living standards or opportunities, regardless of where they live.

## Strategic Directions

- Analysis of territorial development needs and challenges. This will require working with each Member State to develop comparable, country-specific Development Assessments of internal disparities and development needs, challenges and opportunities for sub-national economic and social development, and the current and projected impacts of the CSME on regions, communities, and sectors.
- Definition of eligibility indicators and conditionalities. Member States and CARICOM Statistics will collaborate to define, for the post-2020 funding cycle: (a) agreed criteria and thresholds for assistance from the CDF; and (b) any required policy and institutional prerequisites to accompany Cohesion Policy assistance.
- Development of National Cohesion Programmes. The CDF will take the lead in working with Member States to develop National Programmes for Cohesion, setting out strategic objectives that address the development needs, challenges and opportunities set out in the Development Assessments and that take account of: (a) the national policy framework; (b) the contributions of national and international donor funding; and (c) the specific role of the Cohesion Policy support (objectives, actions, targets). Also, in consultation with Member States, a series of Community Initiatives will be developed to address disadvantaged sectors that are undergoing structural adjustments.
- Implementation of pilot projects in disadvantaged countries, regions and sectors. The aim is to implement a limited number of pilot projects within each Member State during the current funding cycle that are specifically designed to establish capacities to prepare, implement and monitor cohesion related projects.

## Expected Outputs

- Database on progress towards CSME and dislocative/negative consequences identified.

- Development Assessment of internal disparities and development needs and challenges in each Member State.
- Targeted interventions to reduce disparities in disadvantaged countries, regions and sectors, encapsulated in national cohesion programmes.

## Indicative Example of Criteria for Identifying Disadvantaged Regions, Communities, Sectors

### Disadvantaged Regions

Category 1: regions in which GDP is below and/or unemployment above the national average.

Category 2: regions in which GDP is below and/or unemployment above both the national and Community average.

### Disadvantaged Communities

- Local areas (e.g. towns, parishes) with significant social problems on the basis of national indicators such as long-term unemployment, youth unemployment, poverty, social deprivations

### Disadvantaged Sectors

- Types of regional/national economic activity that are undergoing structural adjustment based on a percentage decline in employment/output over a three-year period.



## Operations of the Board of Directors

The COVID-19 pandemic forced a change in the operations of the CDF Board of Directors in 2020. The first Board Meeting of the year, the 45<sup>th</sup> Regular Meeting convened in Georgetown, Guyana proved to be the only 'in person' Board Meeting for 2020. With the onset of pandemic related restrictions in March 2020, the Board transitioned seamlessly to virtual meetings. As early as March 2, 2020 the Board convened an Extraordinary Meeting by video conference to deal with the urgent matter of a proposed amendment to the Agreement Relating to the Operation of the CARICOM Development fund *'to authorise the CDF to raise resources through the issuance of bonds singularly or collectively and through other means approved by the Board'*. The Board thereafter convened three additional Regular Meetings and one Extraordinary Meeting virtually, closing off the year with a total of six Board Meetings.

The decisions of the 6<sup>th</sup> Extraordinary Meeting convened virtually in May 2020, set the stage for CDF's strategic response to the unfolding COVID-19 pandemic and the related social and economic impacts on CDF Member States. The Board's consensus was that CDF would adapt its assistance in response to the new demands from Member States. The Board acknowledged that decisions being taken at this meeting would set precedents, informed by a need to respond to the present challenges faced by Member States and it was important that at all stages, the CDF remained aligned to its mandate and functions. The Board also indicated that it was equally important to ensure that all decisions taken, and the resulting assistance provided by CDF, are consistent and integrated with Member States' plans for sustainable economic recovery.

The Board's principal decisions for 2020 were all related to alleviating the hardships occasioned by the COVID-19 pandemic. In one

of its earliest decisions at the 6<sup>th</sup> Extraordinary Meeting, the Board approved a general policy for Moratorium and Restructuring of Loans as well as specific relief consequent to a request from the GOAUB. The Board's approval specifically detailed:

- (i) An Automatic Moratorium - for two (2) quarters (6 months) granted to all Member States requesting such relief in response to the COVID-19 pandemic.
- (ii) An exception for the GOAUB of a moratorium for three quarters, from January 2020 to September 2020.
- (iii) A Report to the Board of Directors be submitted by the borrowing Member State, along with Management's recommendations for further action.

Additionally, the Board considered and approved requests from the Governments of Belize and the Republic of Guyana to reallocate previously approved project funds to address the socio-economic impacts of COVID-19. The Board also approved an amendment to the CDF's EDAF. Amendment No 1 to the EDAF was of major significance because it, inter alia, expanded the Scope of the definition of 'disaster' in the Policy document as well as increased the authority of the Chief Executive Officer without the prior approval of the Board, to disburse up to a value of US\$40,000 per event subject to an annual aggregate of US\$100,000 per eligible country and an annual maximum value of US\$500,000. The Board noted with significance that *"The widening of the operational definition of 'disaster' was consistent with the undertaking by the CDF as stated in the CARICOM Regional Protocol for the Management of COVID-19 (April 17, 2020) to consider altering the definition of disaster under its EDAF facility to include the determination or classification of a public health emergency/pandemic as a 'disaster'. It*

*consequently expanded the range of events which may induce the CDF to initiate its rapid response mechanisms under the EDAF, while being mindful of the need to preserve the focus on the success and sustainability of the CSME and the implications of its response(s) for the CDF's own sustainability."*

The Board maintained a quorum for the six meetings convened for 2020 with the benefit of the appointment of three new Directors to the Board. The CARICOM Assistant Secretary General, Joseph Cox, was the first new appointment at the 6<sup>th</sup> Extraordinary Meeting (May 2020) replacing outgoing CARICOM Director Richard Brown. The appointment of the second MDC Director to the Board was fulfilled with Senator Rawdon's attendance at the 46<sup>th</sup> Regular Meeting (August 2020) in that capacity. The private sector vacancy on the Board was filled with the appointment of Gordon

Charles who attended the 47<sup>th</sup> Regular meeting (October 2020) in that capacity replacing ex-Director Kira Thompson-Aird. The functions of Deputy Chairperson were carried out by three different Directors appointed to that position, in the course of the year. Director Kira Thompson-Aird presided over three meetings in 2020 prior to the end of her tenure in May 2020. Director Debra Roberts was next appointed to the position of Deputy Chairperson and presided over the 46<sup>th</sup> & 47<sup>th</sup> Regular meetings prior to demitting the Board in November 2020. The Representative of the OECS Commission, Jacqueline Emmanuel-Flood, was appointed to the Deputy Chairperson position in December 2020 and presided over the final meeting for the year, the 48<sup>th</sup> Regular Meeting.

# PARTNERSHIPS



# RELATIONS WITH THE CARIBBEAN COMMUNITY

The very active schedule of Community meetings continued in 2020, dominated for the most part by the need on an ongoing basis to consider and plan coordinated responses to the impact of the COVID-19 pandemic on lives and livelihoods in the region. The CDF participated actively in the various virtual meetings of the Conference of Heads of Government of CARICOM and other organs, to ensure that its ongoing and future programmes were properly contextualized. Relatedly, the CEO attended a Special Emergency Meeting of the CARICOM Secretariat and Heads of Community Institutions in April 2020, to agree steps to mitigate effects of the COVID-19 epidemic on staff and arrange for the continued delivery of services to the Community.

The CEO attended the 31st Intersessional Meeting of the Conference of Heads of Government of CARICOM, hosted by Barbados on February 18th and 19th, 2020, at which there were several matters pertaining to the operations of the CDF. Among these was the CARICOM Cohesion Policy, which was referred to the Heads of Government for approval and adoption, pursuant to the decision taken by the Community Council of Ministers at its 45th Meeting in early December 2019. In that regard, the Heads of Government adopted the Policy Statement for the CARICOM Cohesion Policy, which will become one of the main instruments for fostering economic efficiency and social equity in the Caribbean Community. The approval of this policy by the Heads of Government is a major milestone for the CDF since it *inter alia* constitutes a regional framework for the design of country programmes that target disadvantaged regions and sectors in CARICOM MDCs, which did not previously exist.

The Heads of Government also approved a one-year extension to the CDF's second contribution and subvention cycle to 30th June 2021. This was in furtherance of the decision taken by the CDF Board at its 44th Regular Meeting, to seek to extend the CDF's second cycle by a year. This approval affords some additional preparation time to the CDF and those Member States that do not yet have approved country programmes under the second funding cycle. In hindsight, the onset of the COVID-19 pandemic in the wider Caribbean region in March 2020 provided further justification for this extension.

Under the agenda item on the CSME, the Status of Funding of the Second Cycle of the CDF was further considered. It was indicated that the appointment of a new Chairperson of the CDF Board of Directors would have once again been placed on the agenda of the Heads of Government and taken in the margins of a previously planned CARICOM-Mexico Summit that was slated for March 11th, 2020. That event was subsequently cancelled on account of the then recent incidence of COVID-19 in Mexico City and the expectation of its imminent emergence in the wider Caribbean. Also at the 31st Intersessional meeting of Heads, the issuance of a Regional Growth and Resilience Bond was taken up as an item in the report of the Chairman of the CARICOM Commission on the Economy. The CDF is expected to play a role in the design and launch of this new instrument.

The CEO attended a series of Special Emergency (Virtual) Meetings of Heads of Government convened in the wake of the emergence of the COVID-19 global pandemic. At the 9th and 10th Emergency Meetings, discussions were advanced on adoption of coordinated regional approaches to managing the challenges associated with Health, Food Security, Intra-Regional Transport, Reopening of Tourism, and a Unified approach to International Financial Institutions on debt relief and grant support to the Community. The Eleventh and Twelfth Special Emergency Meetings held 17th August & 2nd September 2020 focused on recommendations for common requirements to be met by participating Member States in a 'CARICOM Travel Bubble', including standardization of testing requirements geared towards managing the risks of the spread of the COVID-19 virus while allowing for a coordinated phased partial reopening of intra-regional travel and tourism.

Progress was made towards arrival at a common regional policy position on travel and tourism at the 41st Meeting of the Conference of Heads held virtually at the end of October 2020, where health and regional financial and economic developments associated with COVID-19 and its impact on the region were discussed, in addition to a Joint Tourism Policy for CARICOM. The Heads of Government recognized that in the absence of a vaccine, COVID-19 will continue to be a grave public health, security and economic threat, and



that reopening and recovery require a careful balance between reducing restrictive measures and ensuring adequate actions to reduce importation and spread of new cases. The Conference recognized that with the reduction in tourism-related tax revenues and the implementation of needed COVID-19 containment, economic and social support mechanisms had placed unparalleled financial demands on Governments across the Community, and welcomed a proposal by the Government of Saint Lucia for the preparation of a Joint Tourism Policy. They agreed to a Working Group to formulate the policy and report to the Conference by December 31, 2020. Given the urgency, the Heads also agreed that a Prime Ministerial Sub-Committee on Tourism be established to provide political oversight for the preparation of the Joint Tourism Policy and other related issues.



The Honourable Allen M. Chastanet, Prime Minister of St. Lucia (L) and the CDF CEO Mr. Rodinald Soomer (R) at signing of grant agreement for the Village Tourism Initiative (VTI)

Issues related to the CARICOM Private Sector Organisation (CPSO) were also discussed at the 41<sup>st</sup> Meeting of the Conference. The CPSO was designated as an Associate Institution of CARICOM, and an MOU concluded between CARICOM and the CPSO Inc., for cooperation towards the further implementation of the CSME. This MOU was subsequently executed in early December 2020. The CPSO had earlier submitted to the Heads of Government at their 31<sup>st</sup> intersessional Meeting held in Barbados in February 2020, a proposal geared towards reducing CARICOM's extra-regional food import bill by 25% before 2025. This is under active consideration by the Community, with the CDF identified as a potential collaborating institution.

In this regard, a formal introductory meeting between the CPSO and the CDF was held in mid-December 2020, to discuss the scope for collaboration. It was agreed that the CDF would draw on the business cases being prepared by the CPSO for the seven (7) priority agri-food interventions geared towards reducing the region's extra-regional food imports [Poultry Meat; Hatching Eggs; Corn & Rice (Feed Production); Meat (Beef, Pork, Mutton); Niche Vegetables; Cassava; and Coconut Products] to explore practical opportunities for partnering in the implementation of programmes to develop production and export capacity in those areas. The proposed approach to achieve this is through the allocation of uncommitted resources under CDF country programmes, provided Member States in question have or are prepared to place sufficiently high priority on the identified commodities.

The CDF attended the 50<sup>th</sup> and 51<sup>st</sup> Regular Meetings of COTED, in May and November 2020 respectively, where the main follow up action for the CDF was to launch and manage the consultancy on Support Measures for Article 164 Industries under Chapter 7 of the Revised Treaty, in collaboration with the CARICOM Secretariat, OECS Commission and Belize. At the 51<sup>st</sup> Meeting, it was indicated that this Consultancy was projected to end in January 2021, following which a meeting of stakeholders would be convened in February 2021 to address the Consultant's recommendations, to include regional agencies, government officials and private sector representatives. The final outcome would then be presented to the 52<sup>nd</sup> meeting of the COTED in May 2021. This would enable the CDF to consider the allocation of initial technical and financial support towards targeted firms, before the closure of the current funding cycle.

The CDF's management team attended the 82<sup>nd</sup> Special Meeting of the Council for Trade and Economic Development (COTED) Energy in late September, which considered both strategic and operational matters related to the Caribbean Centre for Renewable Energy and Energy Efficiency (CCREEE) as well as wider planning and programming matters relevant to the Caribbean Sustainable Energy Road Map and Strategy. Insights gained will better enable the CDF to properly contextualize its formal partnership with CCREEE, in support of the coordinated implementation of the CDF's sustainable energy mandate.

## Relations with Member States

The CEO was unable to undertake the customary official visits to member countries to advance policy dialogue, programming and other priority matters, but was nonetheless able to advance the process of commitment of funds for implementation of new CDF cycle 2 programmes.

In the margins of the 31<sup>st</sup> Intersessional Meeting of the Heads of Government, the CEO signed a grant agreement for technical assistance in the amount of US\$80,000, with Prime Minister of Antigua and Barbuda, Honourable Gaston Browne, for the reorganization and institutional strengthening of the Antigua and Barbuda Development Bank.



The Honourable Gaston A. Browne, Prime Minister of Antigua and Barbuda (R) and the CDF CEO Mr. Rodinald Soomer (L) signing the agreement for institutional strengthening of the Antigua and Barbuda Development Bank

In early September 2020, the CEO signed a Grant Agreement with Prime Minister of Saint Lucia, Honourable Allen M. Chastanet, to provide a sum of US\$935,663 or approximately EC\$2.5m to finance critical tourism infrastructure in communities in St. Lucia that have been earmarked to benefit from the Government of St. Lucia's Village Tourism Initiative (VTI). The VTI forms the second component of the Country Assistance Programme (CAP) for St. Lucia under the CDF's second funding Cycle. An agreement for loan financing of US\$3.75m to provide concessional financing to micro, small, and medium sized enterprises participating in the VTI, to improve the volume and quality of services provided, was subsequently signed remotely in the last quarter of 2020.

The objective of the VTI is the diversification and enhancement of Saint Lucia's community tourism product and the consequential broadening of opportunities for small and medium sized tourism-related businesses to contribute to the growth and participate in the benefits of a more vibrant and inclusive tourism industry. The programme is designed to foster more balanced socio-economic development, by supporting enterprise development in village communities, while offering authentic visitor experiences, resulting in increased local value added and visitor expenditure, increased rural employment opportunities, and contributing to poverty reduction.

No other official calls were made by the CEO over the period, partly on account of COVID-19 related travel restrictions. However, the CEO signed remotely with the Minister of Finance of St. Vincent and the Grenadines, two financing agreements - a grant of US\$690,986 (EC\$1.86m) and a loan of US\$5,009,014 (EC\$13.52m) towards the construction of a 93-room budget hotel which is expected to carry the Holiday Inn Express and Suites brand during its operation. The hotel plant will be sited at Diamond on the south-western side of mainland St. Vincent. This forms part of the Government's targeted strategic intervention to increase the quantity and quality of hotel accommodation needed to meet the current and future demands of the tourism industry, drive growth in the sector and enhance the attractiveness of the destination to international airlines; and is deemed critical to ensuring the viability and sustainability of the Argyle International Airport. The investment is expected to be a significant boon for the local economy.

Following the approval of the CARICOM Cohesion Policy by the 31<sup>st</sup> Intersessional Meeting of the Conference of Heads of Government in February 2020, preparatory work has commenced towards the launching of consultancies to undertake Development Assessments and prepare National Cohesion



Programmes in all Member States, beginning with Barbados. It is expected that the Development Assessment and Cohesion Programme for Barbados will form the basis for formulation of a Barbados Country Assistance Programme (CAP) for approval during the current funding cycle, targeting disadvantaged regions/communities and sectors. Efforts will be made to pursue the same approach with Suriname, subject to full payment of their assessed contribution. The preparatory work for other Member States, including the other MDCs and all LDCs, will lay the foundation for the programming of development interventions under the CDF's 3rd funding cycle.

While the three Pillars of the CRAF (Credit Risk Instrument, Technical Assistance Program and M&E Framework) were being steadily built out over the first three quarters of 2020, a no-cost three-month extension to the EU/GIZ technical assistance project to the end of November 2020 was required to facilitate completion of the design of the facility, as a result of the disruptive impact of the global pandemic. A comprehensive suite of Policies and Procedures has been completed and approved by the Project Management

team, including an Environmental & Social Policy; Safeguarding Policy; Data Protection Policy; Anti-Corruption and Integrity Policy; Procurement policy; Risk Management Policy and Framework; and an M&E Plan. Additionally, a number of operational elements have been reviewed and are awaiting Board approval, including: Marketing & Training Strategy and Implementation Plan; Portfolio Model; Project Model; and Structure and Organisational Chart. The following legal documents are also to be reviewed: Credit Risk Instrument Master Agreement; Technical Assistance Agreement; Service Provider Agreement; and Funding and Management Agreements. The design of an IT Web Portal, which is being developed with the support of the Government of India, would facilitate hassle-free online applications for guarantees and is also well advanced.

Further to the approval by the Board of CRAF's policies, procedures and model agreements, and the allocation of resources from the CDF capital fund to capitalize the CRAF and to cover operating expenses for implementation of the pilot phase, the CRAF was successfully launched in Barbados on November 25th, 2020, utilizing a hybrid in-person/virtual format. The



## Launch of CDF's CRAF and CCREEE's PPF

November 25, 2020

launch, which was done jointly with the launch of the CCREEE's Project Preparation Facility (PPF) was keynote-addressed by Honourable Mia Amor Mottley, Prime Minister of Barbados. Remarks were also delivered by Honourable Kerrie Symmonds, Minister of Energy, Small Business and Entrepreneurship of Barbados.

Stakeholder feedback on the launch was overwhelmingly positive, and the CDF team is confident about the prospects for successful roll out of the pilot phase in Belize and St. Lucia in the first instance, and subsequently Guyana and Suriname. Institutional arrangements are in train to allow for an early start to practical implementation in January 2021, with the build out of project pipelines and engagement of financial intermediaries and energy service providers to service SME investments in the pilot countries.

In the first quarter of 2020, ahead of the onset of COVID-19 in the region, some Member States were able to make good on some of their outstanding commitments to the CDF capital fund. Significant contributions of US\$ 4.2m and US\$10m were received from the Governments of Barbados, and Trinidad and Tobago respectively.

## Collaboration with Regional and International Development Agencies

The CDF continued its efforts in 2020, to expand and consolidate formal relations with regional and international agencies with mutual or complementary development interests.

The CEO of the CDF and the Director General of the International Renewable Energy Agency (IRENA) signed an MOU to support a transition from fossil-fuel dependency to a more resilient and sustainable low carbon economic development model in Caribbean Small Island Developing States Caribbean Small Island Developing States.

CDF and IRENA have agreed to collaborate in the following areas:



Francesco La Camera, Director General of IRENA (R) and Rodinald Soomer CDF's CEO (L) signing MOU

- (i) Promoting accelerated adoption of renewable energy and energy efficiency technologies in CARICOM, particularly in support of the successful implementation of the CARICOM Single Market and Economy (CSME).
- (ii) Facilitating project development to create a pipeline of investment ready project proposals.
- (iii) Providing technical support to improve project bankability and supporting transactions between projects and investors.
- (iv) Supporting the enhancement and implementation of climate action plans in the Caribbean region to reduce intra-regional disparities, address local and sector-level economic disadvantages, tackle poverty as well as strengthen social and environmental sustainability.
- (v) Enhance the decision-making process across key stakeholders working towards a more renewables-based and resilient energy system in the Caribbean.

The CDF and the Inter-American Institute for Cooperation on Agriculture (IICA), also executed remotely a General Agreement for Technical Cooperation, which will establish a broad framework for collaboration on



initiatives geared towards the advancement of agriculture development in the Caribbean region.

The Cooperation Agreement covers some strategic areas of cooperation including:

- (i) Productivity and competitiveness of the agri-food and agro-tourism sectors.
- (ii) Territorial development and rural well-being.
- (iii) Agriculture, climate change, and natural resource management.
- (iv) Food and nutrition security.
- (v) Youth and Women's use and control of agricultural assets.
- (vi) Technological innovation in agriculture.



Mr. Manuel Otero, Director General of IICA (R) and Mr. Rodinald Soomer, the CDF CEO (L) at remote signing of the CDF-IICA Technical Cooperation Agreement

The CDF signed a financing agreement with the Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) under the auspices of the Technical Assistance Programme for Sustainable Energy in the Caribbean, to pay for and manage two internships each over a six-month period, under the Regional Energy Apprenticeship Programme. The interns will assist with the build out of policies and procedures to enhance the sustainable energy components of CDF's Country Assistance Programmes, as well as provide hands on support to the implementation of CDF's Credit Risk Abatement Facility (CRAF) during the inception phase. These internships commenced in the middle of October 2020.

In further support of the advancement of the CDF's Sustainable Energy mandate, the CEO of the CDF and the Executive Director of the CCREEE signed a Cooperation Agreement in the margins of the joint launch of the CRAF and CCREEE'S PPF on November 25th, 2020.

CDF and CCREEE have agreed to collaborate in the following areas, among others:



Dr Gary Jackson, Executive Director of CCREEE (L); and Mr. Rodinald Soomer, Chief Executive Officer of CDF (R) sign Cooperation Agreement

- (i) Provision of support between the CCREEE PPF and CRAF to facilitate the work of both facilities with the end goal of supporting sectoral development and implementation of sustainable energy projects.
- (ii) Technical assistance of the CCREEE, at the invitation of the CDF, to support execution of projects undertaken by CDF, to provide financial management, project management and technical infrastructure support in order to produce the most effective outcomes for beneficiary member countries.
- (iii) Promotion of the adoption of tried and tested technologies that provide clean energy on a cost-effective basis to SMEs, disadvantaged communities and public-sector entities where appropriate.

- (iv) Analysis of the performance and development potential of energy systems in the recipient countries and assessment with a view to identifying investment and technical assistance projects of potential interest to both Parties.

## Staff Relations

The CDF team recognises and congratulates team members reaching their 5-year and 10-year milestones in 2020.



**Mr. Rodinald Soomer**

Chief Executive Officer

5 Years



**Kyron Barker**

Programme Specialist

10 Years



**Mrs. Nicole Cumberbatch**

Accountant

10 Years

# FINANCE



# FINANCIAL PERFORMANCE FOR FINANCIAL YEAR 2020

## Overview

The CDF realized a significant profit in 2020. Though lower than the previous financial year, this performance amid the downturn caused by the pandemic is evidence of the institution's overall strength and resilience. The comparatively lower performance resulted largely from lower investment returns and contributions. Detailed information and analysis on the Audited Financial results of the Fund are presented later in this report.

The Audited Financial Statements are prepared in accordance with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board. Reporting is done on a historical basis except for investments which are recorded at fair value. The statements also comply with the requirements of the Agreement Relating to the Operation of the CARICOM Development Fund.

Several new and amended financial reporting standards are introduced periodically. The nature and impact of those standards effective January 1, 2020, are described in detail in the notes accompanying the financial statements. None of the above-referenced standards had a significant impact on the Fund's financial position in 2020.

Table 4 below, provides highlights of the CDF's financial performance for the last five years of operations and shows continued growth in CDF's activities. Growth in total assets over the last 5 years (2016-2020) was recorded at 34% or US\$8.3m, closing at US\$162.31m in 2020. That compares favourably to the \$5.7m or 25% growth over the 5-year period ending in 2019.

Comparatively, the loan portfolio in 2020 remained materially unchanged from 2019. Average growth in loans over the 5-year period was 1.85 percent, largely due to near parity between the level of disbursements

and principal repayments. In keeping with the requirements of IFRS 9, the impairment assessment conducted on the CDF's loan portfolio resulted in no loan provision recorded in 2020 in expected credit losses.

During 2020, two Member States made contributions to their Second Cycle financial obligations to the CDF, Barbados contributed US\$4,200,000 and Trinidad and Tobago contributed US\$10,000,000.



As at December 31, 2020, the CDF's operations totalled US\$8.37m compared to US\$5.27m in the previous period all of which continued to be financed from the CDF's core resources. Of these amounts, disbursements to Member States totalled US\$6.02 million in 2020 compared to US\$2.58m in 2019.

At the end of the reporting period, the Fund's financial position is deemed to be sustainable in the medium and long terms and several new initiatives are expected to contribute to increased growth over the long term.

In terms of these new initiatives, the Finance Department continued to lead the roll out of the CRAF as a part of wider efforts to improve current and introduce new instruments, which allow CDF to lead in increasing the level of cohesion within and among CARICOM Member States (for an update on the CRAF, see the section on Institutional Priorities and Governance).



**Table 4: Selected Financial Metrics 2016 - 2020 (US\$'000)**

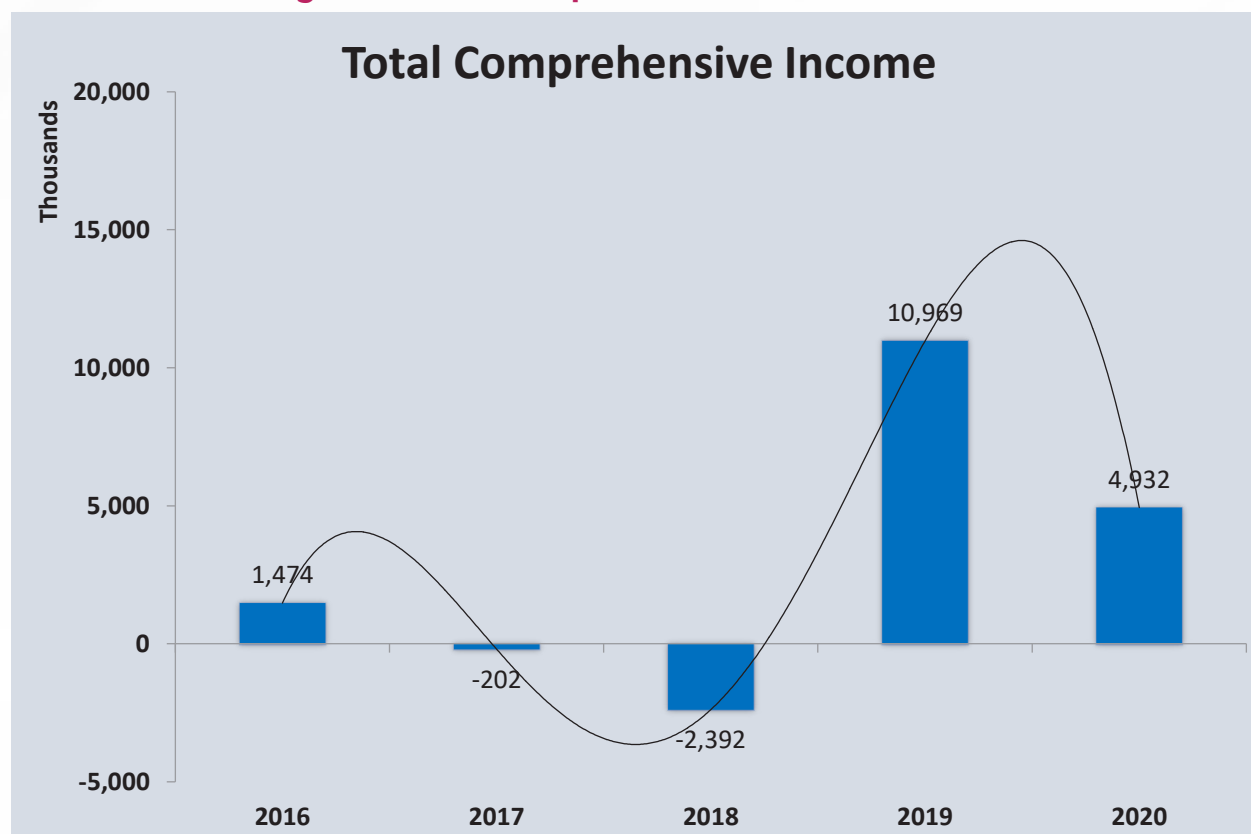
<b>SUMMARY</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>
Total Assets	162,305	142,568	123,057	123,386	120,711
Current Assets	43,264	39,613	28,283	31,153	48,844
Long-term Assets	119,041	102,955	94,774	92,233	71,867
Gross Loan Portfolio	24,302	24,322	28,501	25,705	23,859
Total Liabilities	1,350	746	895	971	866
Current Liabilities	1,350	746	895	971	866
Long-term Liabilities	0	0	0	0	0
Member's Contribution	134,454	120,254	111,563	109,424	106,651
Assessed Contribution	163,841	163,841	163,841	163,841	163,841
Net Contribution Outstanding	29,387	43,587	52,278	54,417	57,189
Accumulated Comprehensive Income	26,500	21,568	10,599	12,992	13,193
Investment Income	2,708	2,911	2,788	2,647	2,522
Fair Value Gain/(Loss)	6,511	10,968	-2,741	3,906	2,018
Other Income	128	1,559	390	16	13
Total Income	10,053	16,263	1,250	7,552	6,291
Staff Costs	1,341	1,351	1,319	1,360	1,385
Grant Expenses	2,744	2,578	99 4	5,014	2,230
Other Expenses	1,037	1,366	1,329	1,381	1,203
Net Income	4,932	10,969	-2,392	-202	1,473

CDF Operations = Loan Disbursements + Staff Costs + Grant Expenses + Other Expenses

## Detailed Analysis of Financial Performance

### Income and Expenditure

Figure 3: Total Comprehensive Income 2016-2020



Despite the ongoing pandemic, implementation of the CAPs continued and the Fund easily met demand for disbursements of resources fulfilling 11 requests for grant disbursements totalling US\$2.74m.

The CDF's Total Comprehensive Income (or Net Income) decreased to US\$4.93m in 2020, from US\$10.97m in 2019, driven mainly by lower investment returns and development partners' contributions. This was a reasonable performance considering the predictable decrease in income due to the social and economic impact of COVID-19 and the normal operating expenditure incurred by the CDF as it kept its operations going to service the needs of Member States. Figure 3 shows the

Total Comprehensive Income/Net Income for the five-year period 2016 to 2020.

### Total Income

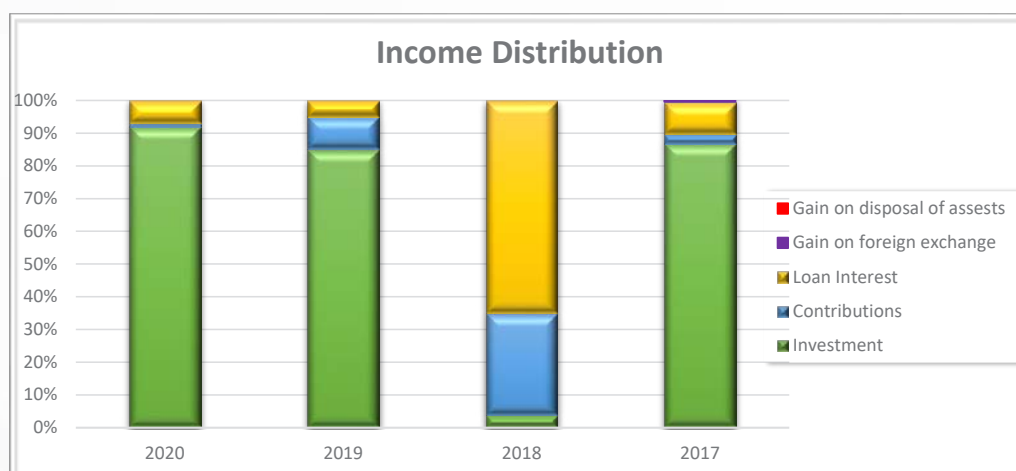
The Fund's revenue (or Total Income) for 2020 recorded a decrease of US\$6.2m over the previous year to end at US\$10.05m (see Figure 4). All income lines reported decreases with the most material being returns on investments and contributions from development partners. Both recorded decreases of 34 and 91 per cent respectively. This was a period of significant market volatility that negatively impacted performance despite a rally of the market in the latter half of the year.

The composition of CDF's Income remains highly sensitive to market conditions. As depicted in Figure 4, Investment Revenue (comprising income and price returns) continues to be the largest component of total revenue.

Loan interest dwindled slightly recording a 12 percent decrease over the previous year's results.

**Figure 4. Income Distribution, 2017-2020**

Income Sources	Year ended 31/12/2020		Year ended 31/12/2019		Year ended 31/12/2018		Year ended 31/12/2017	
	\$'000	%	\$'000	%	\$'000	%	\$'000	%
Investment	9,219	92%	13,878	85%	47	4%	6,554	87%
Contributions	128	1%	1,559	10%	390	31%	216	3%
Loan Interest	706	7%	799	5%	812	65%	746	10%
Gain on foreign exchange	-	0%	-	0%	-	0%	36	0%
Gain on disposal of assets	-	0%	25	0%	-	0%	-	0%
						0%		
<b>Total Income</b>	<b>10,053</b>	<b>100%</b>	<b>16,261</b>	<b>100%</b>	<b>1,249</b>	<b>100%</b>	<b>7,552</b>	<b>100%</b>

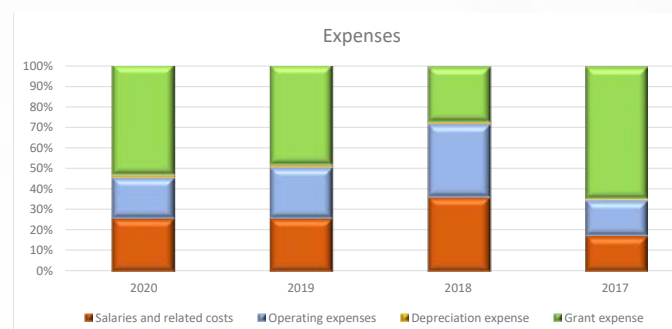


## Expenditure

The Fund's total expenses decreased by 3.0 per cent, from US\$5.294m in 2019 to US\$5.121m in 2020, due primarily to reduced travel and postponement of a few consultancies related to the institutional strengthening of CDF, due to the pandemic. This decrease, however, was offset by an increase in Grant Expenses which moved from US\$2.58m in 2019 to US\$2.74m in 2020.

In terms of composition, the proportion of each expense category against total expenses, is depicted in Figure 5, for the period 2017-2021.

**Figure 5: Expenditure Results**



The ongoing management of expenditure is in keeping with CDF's sustainability strategy. CDF continues to accord a high priority to budget discipline, effective cost controls and pro-active cost-recovery in the management of its administrative and capital expenses.

## Performance of the Investment Portfolio

The year began with optimism over a reacceleration of global

growth after a tariff-induced slowdown in 2019. However, the macroeconomic environment swiftly changed towards the end of February as the COVID-19 outbreak became a global pandemic. The fear of the health impacts of the virus was compounded by expectations of a severe economic contraction and potential corporate and consumer defaults as lockdowns came into effect, leading to a steeper fall in risk markets than even during the financial crash in 2008/09 in late February

and into March. As equities dropped, all risk assets followed. Credit spreads to government debt (i.e., yields relative to government bonds) widened to 2-year highs, and prices fell. In the first quarter of the year, the performance of the investment portfolio was negatively impacted by the downturn in the financial markets and macroeconomic indicators, following the unprecedented measures taken by governments across the world to tackle the pandemic. The lockdowns to limit the spread of COVID-19 brought key parts of the global economy to a standstill, as borne out by economic indicators that registered record low levels of activity.

The outlook turned positive as we approached April, after tensions eased, and official support measures such as stimulus packages and interest rate cuts improved market liquidity. Risk markets continued to rally through most of the year whilst government bond yields held relatively steady, especially at the shorter end of the curve. Corporate earnings for the second half of the year were relatively upbeat, generally beating analysts' revenue expectations.

In early November, good news fuelled a new burst of enthusiasm for the markets, with the early release of a vaccine that claimed a high level of efficacy, and hopes of further stimulus to rekindle consumer demand in the United States of America. Thus, while 2020 was a year of unprecedented dislocation and disruption, it was also a successful year in terms of the performance of the Fund's investment portfolio.

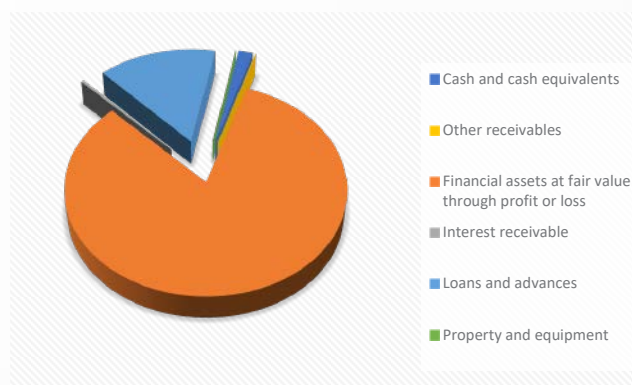
Despite risks from rising infection rates and a new variant of the COVID-19 virus emerging, the Fund's portfolio performed well gaining 7.5%, although this return lagged the blended benchmark return of 11.3%. The portfolio's value as at 31 December 2020 totalled US\$136.3m, a marked increase from US\$116.6m at the end of the previous period. The increased value is due to a combination of a net contribution of \$10.9m and investment gains of \$8.8m.

Net investment returns for 2020 amounted to US\$8.8m or 7.5%, compared to net investment returns of US\$13.41m or 14.4% reported in 2019. Both equities and fixed income contributed significantly to the net returns with the smaller equity portfolio (about 26% of assets as of 31st December 2020) gaining 13.1% to contribute \$3.7m to the net return while the fixed income portfolio gained 5.8% to contribute \$5.1m to the net return.

## Assets

The CDF is the custodian of the Caribbean Community's assets, which totalled US\$162.31 million in 2020, and increasing slightly over the previous reporting period. The composition of assets at balance sheet is shown in Figure 6.

**Figure 6: Total Assets**



## Outstanding Loans and Disbursements

Net outstanding loans as of 31 December 2020 decreased marginally to US\$24,301 million from US\$24.322m (Table 4). The key driver of this decrease is the negative net loan disbursements of US\$0.021m for the period.

**Table 5: Lending Status, 2016 – 2020 (US\$ '000)**

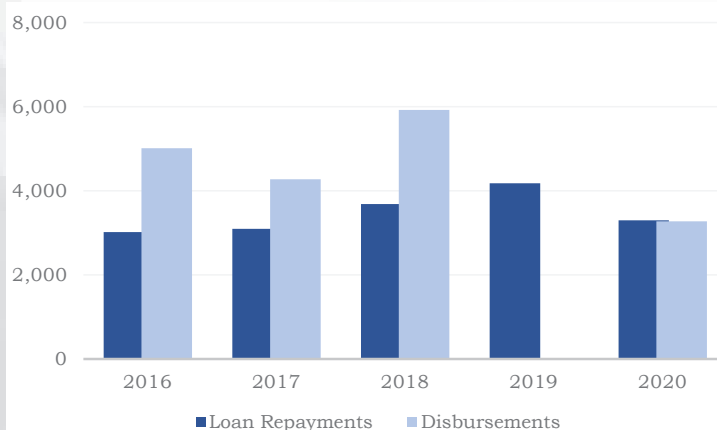
	2020	2019	2018	2017	2016
Loans Approved	16,028	2,902	NIL	NIL	7,375
Disbursements	3,274	NIL	5,922	4,274	5,013
Undisbursed Balances	12,754	4,269	1,367	7,289	11,562



During the reporting period, the CDF disbursed grants totalling US\$2.74m to the following Member States: Belize (\$1,522,237), St. Lucia (\$54,350), St. Vincent and the Grenadines (US\$72,500), Antigua & Barbuda (US\$957,445), and Grenada (US\$137,000). Loan funding totalling US\$3.27m was disbursed to the Governments of St. Lucia (\$1,500,000), St. Kitts and Nevis (\$1,490,000), and Dominica (\$284,294) in the same period. Total disbursements were 133% higher than the 2019 financial year. The Lending Status is detailed at Table 5.

Reflows to the Capital Fund from principal loan repayments amounted to US\$4.20m in 2019, 45% more than the US\$2.90m reported in 2018. Cumulative repayments as at 31 December 2020 were US\$3.294m, relative to US\$4.17m at end of 2019. There were no delinquent or non-performing loans recorded during 2020, however two Member states were granted a moratorium on their loan payments due to the effects of the pandemic. As such, cumulative repayments for 2020 were lower than for the last financial year. Figure 7 details the latest 5-year trend in disbursements and repayments.

Figure 7: Loan Disbursements and Repayments 2016-2020 (US\$ '000)



## Debt and Other Liabilities

In 2020, debt and other liabilities increased relative to the previous reporting period. Deferred income continues to recognize a readiness grant from the Green Climate Fund, however the main change in this area was the financial obligations owed to creditors of US\$1,049,162.

## Fund Balances

As at December 31, 2020, total fund balances were recorded at US\$160.95m, or 13 per cent above that reported for 2020. This reflected payments from two Member States which brought the net contributions to US\$134.45m at the end of 2020 coupled with the increased in accumulated comprehensive income of US\$4.93m. Table 6 summarises the analysis covered in the above sections.

## Management of Risk

Despite the challenges posed by the COVID-19 pandemic, the Fund's risk profile remained unchanged. As previously noted, the CDF's development operations continue to be undertaken within an Enterprise Risk Management framework with a clearly defined risk appetite statement, management governance framework, a credit policy with guidelines, and a comprehensive Investment Policy Statement.

The Board of Directors continues to be actively involved in providing oversight of the risk function through its Finance and Investment Committee. Credit risk, liquidity risk, and market risk continue to be managed by the Fund's Investment Managers and overseen by CDF's Finance Department. The investment portfolio is managed against a comprehensive Investment Policy Statement that sets specific guidelines for acceptable levels of risk and action to be taken if conditions breach agreed thresholds. In the IPS, risk is defined as moderate to moderately balanced. The

Investment Managers are also required to employ industry 'best practice' techniques to manage risks.

The Fund continues to be adequately capitalized and able to withstand several adverse conditions in the medium term. The risks to the Fund's balance sheet are actively

monitored and the CDF continues to explore ways of strengthening its balance sheet for long term sustainability. The Fund's policies, guidelines and practices over the years continue to be considerably enhanced to ensure that its risk management functions remain robust.

**Table 6: Financial Highlights for 2016- 2020 (US\$'000)**

	2020	2019	2018	2017	2016
	2020	2019	2018	2017	2016
<b>Balance Sheet</b>					
Total Assets	162,305	142,568	123,056	123,386	120,711
Loan and Advances	24,302	24,322	28,501	25,705	23,860
Total Liabilities	1,350	746	895	971	866
Members' Contribution	134,454	120,254	111,563	109,424	106,651
<b>Revenue and Expenditure</b>					
Investment Income	2,708	2,911	2,788	2,647	2,521
Loan Interest Income	706	800	812	746	714
Other Income	128	559	390	16	14
Donors' Contribution	0	1,000	0	200	1,000
Actual Income	10,053	16,263	1,250	7,552	6,291
Actual Expenses	5,121	5,294	3,642	7,754	4,817
Budgeted Income	3,706	3,862	3,706	4,122	3,406
Budgeted Expenditure	5,229	9,239	3,779	8,654	5,777
Actual Income to Budgeted Income	2.71:1	4.21:1	0.33:1	1.83:1	1.85:1
Actual Expenses to Budgeted Expenses	0.98:1	0.58:1	0.96:1	0.90:1	0.83:1
<b>Working Capital</b>					
Current Ratio	32.05	53.10	31.60	32.08	56.40
Current Assets	43,264	39,613	28,283	31,153	48,844
Current Liabilities	1,350	746	895	971	866
<b>Other Ratios</b>					
Current Assets to Loans and Advances	1.78:1	1.63:1	0.99:1	1.21:1	2.05:1
Expenses to Loans and Advances	0.21:1	0.22:1	0.12:1	0.30:1	0.20:1
Expenses to Total Assets	0.03:1	0.04:1	0.02:1	0.06:1	0.04:1
<b>Staff Analysis</b>					
Personnel Expenses to Income	0.13:1	0.09:1	1.05:1	0.18:1	0.22:1
Personnel Expenses to Loans and Advances	0.06:1	0.06:1	0.04:1	0.05:1	0.06:1
Number of Staff	13	13	13	13	13

# AUDITED FINANCIAL STATEMENTS



# CARICOM Development Fund

## Financial Statements

Year ended 31 December 2020

(Amounts Expressed in United States Dollars)



## **CARICOM DEVELOPMENT FUND**

Index to the Financial Statements  
Year ended 31 December 2020

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## INDEPENDENT AUDITOR'S REPORT

### TO THE BOARD OF DIRECTORS OF CARICOM DEVELOPMENT FUND

#### **Report on the Audit of the Financial Statements**

##### **Opinion**

We have audited the financial statements of CARICOM Development Fund ("the Fund"), which comprise the statement of financial position as at 31 December 2020, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Fund as at 31 December 2020 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs").

##### **Basis for Opinion**

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Fund in accordance with the International Ethics Standards Board of Accountants' (IESBA) International Code of Ethics for Professional Accountants (including International Independence Standards) ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

##### **Responsibilities of Management and the Board of Directors for the Financial Statements**

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRSs, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Fund or to cease operations, or has no realistic alternative but to do so.

The Board of Directors is responsible for overseeing the Fund's financial reporting process.

## INDEPENDENT AUDITOR'S REPORT

### TO THE BOARD OF DIRECTORS OF CARICOM DEVELOPMENT FUND

#### **Report on the Audit of the Financial Statements** (Continued)

##### **Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Fund to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.



## INDEPENDENT AUDITOR'S REPORT

TO THE BOARD OF DIRECTORS OF CARICOM DEVELOPMENT FUND

### **Report on the Audit of the Financial Statements** (Continued)

### **Auditor's Responsibilities for the Audit of the Financial Statements** (Continued)

We communicate with the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

### **Other Matter**

This report is made solely to the Fund's Directors, as a body, in accordance with Section 20 of the Agreement relating to the Operations of the CARICOM Development Fund. Our audit work has been undertaken so that we might state to the Fund's Directors those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Fund and the Fund's Directors as a body, for our audit work, for this report, or for the opinion we have formed.

*Ernst & Young Ltd*  
BARBADOS  
29 July 2021



## CARICOM DEVELOPMENT FUND

### Statement of Comprehensive Income

Year ended 31 December 2020

(Expressed in United States Dollars)

	Notes	2020 \$	2019 \$
<b>Income</b>			
Investment income	12	2,707,835	2,910,711
Contributions	13	127,558	1,558,951
Loan interest income		706,296	799,797
Gain on disposal of assets		-	25,437
Realized gains on financial assets at fair value through profit or loss	4	2,541,150	2,141,475
Unrealized gains on financial assets at fair value through profit or loss	4	3,970,313	8,826,829
<b>Total Income</b>		<u>10,053,152</u>	<u>16,263,200</u>
<b>Expenses</b>			
Salaries and related costs	14	(1,340,594)	(1,350,590)
Operating expenses	15	(1,013,096)	(1,338,823)
Depreciation expense	9	(23,878)	(26,639)
Grant expense	16	<u>(2,743,532)</u>	<u>(2,578,103)</u>
<b>Total expenses</b>		<u>(5,121,100)</u>	<u>(5,294,155)</u>
<b>Net income being total comprehensive income for the year</b>		<u><u>4,932,052</u></u>	<u><u>10,969,045</u></u>

The accompanying notes form an integral part of these financial statements.

## CARICOM DEVELOPMENT FUND

### Statement of Financial Position

As at 31 December 2020

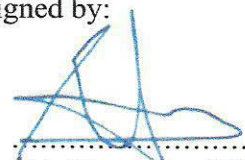
(Expressed in United States Dollars)

	Notes	2020 \$	2019 \$
<b>Assets</b>			
Cash and cash equivalents	3	2,941,097	12,718,189
Financial assets at fair value through profit or loss	4	134,154,756	104,535,895
Interest receivable	5	635,575	713,465
Other receivables	6	159,416	145,040
Loans and advances	7	24,301,893	24,322,137
Property and equipment	9	112,303	133,391
<b>Total assets</b>		<b>162,305,040</b>	<b>142,568,117</b>
<b>Liabilities</b>			
Accounts payable and accruals	10	1,316,263	645,578
Deferred income	11	34,186	100,000
<b>Total liabilities</b>		<b>1,350,449</b>	<b>745,578</b>
<b>Funds</b>			
Members' assessed contributions	8	163,841,020	163,841,020
Members' net contributions outstanding	8	(29,386,783)	(43,586,783)
<b>Members' contributions</b>		<b>134,454,237</b>	<b>120,254,237</b>
Accumulated comprehensive income		26,500,354	21,568,302
<b>Total fund balance</b>		<b>160,954,591</b>	<b>141,822,539</b>
<b>Total liabilities and funds</b>		<b>162,305,040</b>	<b>142,568,117</b>

The accompanying notes form an integral part of these financial statements.

Approved by the Board of Directors on 29 July 2021 and signed by:

  
.....  
Chairman

  
.....  
Chief Executive Officer

## CARICOM DEVELOPMENT FUND

### Statement of Changes in Fund Balances

Year ended 31 December 2020

(Expressed in United States Dollars)

	Members' Assessed Contributions (Note 8) \$	Members' net Contributions Outstanding (Note 8) \$	Accumulated Comprehensive Income \$	Total \$
<b>Balance as at 31 December 2018</b>	163,841,020	(52,277,939)	10,599,257	122,162,338
Net income being total comprehensive income for the year	-	-	10,969,045	10,969,045
Contributions received from Member States	-	8,691,156	-	8,691,156
<b>Balance as at 31 December 2019</b>	163,841,020	(43,586,783)	21,568,302	141,822,539
Net income being total comprehensive income for the year	-	-	4,932,052	4,932,052
Contributions received from Member States	-	14,200,000	-	14,200,000
<b>Balance as at 31 December 2020</b>	163,841,020	(29,386,783)	26,500,354	160,954,591

The accompanying notes form an integral part of these financial statements.

## CARICOM DEVELOPMENT FUND

### Statement of Cash Flows

Year ended 31 December 2020

(Expressed in United States Dollars)

	Notes	2020 \$	2019 \$
<b>Cash flows from operating activities</b>			
Net and total comprehensive income for the year		4,932,052	10,969,045
<b>Adjustments:</b>			
Depreciation	9	23,878	26,639
Interest income		(2,930,748)	(2,366,588)
Dividend income	12	(483,383)	(544,123)
Unrealized gains on financial assets at fair value through profit or loss	4	(3,970,313)	(8,826,829)
Increase in other receivables		(14,376)	(28,061)
Decrease in loans and advances		20,244	4,178,977
Decrease in deferred income		(65,814)	(332,295)
Increase in accounts payable and accruals		670,684	183,237
Interest income received		3,008,638	2,392,264
Dividend income received		483,383	544,123
Gain on disposal of plant and equipment		-	(25,437)
<b>Net cash from operations</b>		<u>1,674,245</u>	<u>6,170,952</u>
<b>Cash flows from investing activities</b>			
Acquisition of property and equipment	9	(2,790)	(33,733)
Proceeds from sale of plant and equipment		-	37,436
Purchase of financial assets at fair value through profit or loss		(80,286,393)	(60,471,016)
Proceeds from sale of financial assets at fair value through profit or loss		<u>54,637,846</u>	<u>52,679,466</u>
<b>Net cash used in investing activities</b>		<u>(25,651,337)</u>	<u>(7,787,847)</u>
<b>Cash flows from financing activities</b>			
Contributions from Member States	8	<u>14,200,000</u>	<u>8,691,156</u>
<b>Net cash from financing activities</b>		<u>14,200,000</u>	<u>8,691,156</u>
Net (decrease) increase in cash and cash equivalents		(9,777,092)	7,074,261
Cash and cash equivalents at the beginning of the year		<u>12,718,189</u>	<u>5,643,928</u>
Cash and cash equivalents at the end of the year		<u><u>2,941,097</u></u>	<u><u>12,718,189</u></u>

The accompanying notes form an integral part of these financial statements.



## **CARICOM DEVELOPMENT FUND**

Notes to the Financial Statements

Year ended 31 December 2020

(Expressed in United States Dollars)

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### **1. Establishment, principal activity and registered office**

The CARICOM Development Fund (“CDF” or the “Fund”) was established under the provisions of Article 158 of the Revised Treaty of Chaguaramas for the purpose of providing technical and financial resources to disadvantaged countries, regions and sectors. The governance architecture of the CDF was set out in the Inter-Government Agreement entitled “the Agreement relating to the Operations of the CARICOM Development Fund” signed by the Heads of Government of CARICOM on 4 July 2008. The membership of the Fund comprised of 12 regional states and territories and Trinidad and Tobago Petroleum Fund as shown in Note 8.

The Fund finances its ordinary operations through interest, fees and charges on loans and income from investments. However, at the start of operations, the Board approved an amount of \$2,000,000 which was transferred from members’ contributions to finance the establishment of the Fund.

The CDF seeks to:

- (a) Address-
  - a. Economic dislocation and other adverse economic impact arising from the operations of Caribbean Single Market Economy (“CSME”)
  - b. Adverse social impact arising from the operations of CSME; and
  - c. Structural diversification and infrastructural development needs; and
- (b) Facilitate-
  - a. Regional investment promotion and mobilisation; and
  - b. Business development and enterprise competitiveness

The CDF commenced operations on 3 November 2008. The CDF’s current address is 1<sup>st</sup> Floor East, Sky Mall, Haggatt Hall, St. Michael, Barbados.

### **2. Summary of significant accounting policies**

#### **Basis of preparation**

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), as issued by the International Accounting Standards Board (IASB) as at 31 December 2020 (the reporting date). These separate financial statements have been prepared as the only financial statements of the Fund. The financial statements have been prepared under the historical convention except for the measurement at fair value of its financial assets through profit or loss.

## CARICOM DEVELOPMENT FUND

Notes to the Financial Statements

Year ended 31 December 2020

(Expressed in United States Dollars)

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### 2. Summary of significant accounting policies (cont'd)

#### **Adoption of new accounting policies**

The accounting policies adopted in the preparation of the financial statements of the Fund are consistent with those followed in the preparation of the Fund's annual financial statements for the previous financial year except for the new interpretations or standards which became effective in the current year.

#### **Standards effective 1 January 2020**

Several amendments and interpretations apply for the first time in 2020 but do not have an impact on the financial statements of the Fund. The Fund has not early adopted any standards, interpretations or amendments that have been issued but are not yet effective.

#### ***Amendments to IFRS 3: Definition of a Business***

The amendment to IFRS 3 Business Combinations clarifies that it be considered a business, an integrated set of activities and assets must include, at a minimum, an input and a substantive process that, together significant contribute to the ability to create output. Furthermore, it clarifies that a business can exist without including all the inputs and processes needed to create outputs. These amendments had no impact on the financial statements of the Fund.

#### ***Amendment to IFRS 7, IFRS 9, IAS 39 Interest Rate Benchmark Reform***

The amendments to IFRS 9 and IAS 39 Financial Instruments: Recognition and Measurement provide a number of reliefs, which apply to all hedging relationships that are directly affected by interest rate benchmark reform. A hedging relationship is affected if the reform gives rise to uncertainty about the timing and/or amount benchmark-based cash flow of the hedged item or the hedging instrument. These amendments had no impact on the financial statements of the Fund.

#### ***Amendments to IAS 1 and IAS 8 Definition of Material***

The amendments provide a new definition of material that states, "information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity." The amendments clarify that materiality will depend on the nature or magnitude of information, either individually or in combination with other information, in the context of the financial statements. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users. These amendments had no impact on the financial statements of the Fund.

## CARICOM DEVELOPMENT FUND

Notes to the Financial Statements  
Year ended 31 December 2020  
(Expressed in United States Dollars)

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### 2. Summary of significant accounting policies (cont'd)

#### Standards effective 1 January 2020 (cont'd)

##### ***Conceptual Framework for Financial Reporting issued on 29 March 2018***

The Conceptual Framework is not a standard and none of the concepts contained therein override the concepts or requirements in any standard. The purpose of the Conceptual Framework is to assist the IASB in developing standards, to help preparers develop consistent accounting policies where there is no applicable standard in place and to assist all parties to understand and interpret the standards. This will affect those entities which developed their accounting policies based on the Conceptual Framework. The revised Conceptual Framework included some new concepts, undated definitions and recognition criteria for assets and liabilities and clarifies some important concepts. These amendments had no impact on the financial statements of the Fund.

##### ***Amendments to IFRS 16 Covid -19 Related Rent Concessions***

On 28 May 2020, the IASB issues Covid-19 Related Rent Concessions- amendment to IFRS 16 Leases. The amendment provide relief to lessees from applying IFRS 16 guidance on lease modifications accounting for rent concessions arising as a direct consequence of the Covid-19 pandemic. As a practical expedient, a lessee may elect not to assess whether a Covid-19 related rent concession from a lessor is a lease modification. A lessee that makes this election accounts for any change under IFRS 16, if the change were not a lease modification. The amendment applies to annual

#### **Standards issued but not yet effective**

The new and amended standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Fund's financial statements are disclosed below. The Fund is evaluating the impact of the standards on its operations and financial statements. The standards will be adopted, if applicable, when they become effective.

##### ***IFRS 17 Insurance Contracts***

In May 2017, the IASB issued IFRS 17 Insurance Contracts (IFRS 17), a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, IFRS will replace IFRS 4 *Insurance Contracts* that was issued in 2005. IFRS 17 applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the types of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. A few scope exceptions will apply. The overall objective of IFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurer. In contrast to the requirements in IFRS 4, which are largely based on grandfathering previous local accounting policies, IFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. The core of IFRS 17 is the general model, supplemented by:

## CARICOM DEVELOPMENT FUND

Notes to the Financial Statements

Year ended 31 December 2020

(Expressed in United States Dollars)

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### 2. Summary of significant accounting policies (cont'd)

#### Standards issued but not yet effective (cont'd)

##### *IFRS 17 Insurance Contracts (cont'd)*

- A specific adaptation for contracts with direct participation features (the variable fee approach)
- A simplified approach (the premium allocation approach) mainly for short duration contracts

IFRS 17 is effective for reporting periods beginning on or after 1 January 2023, with comparative figures required. Early adoption is permitted, provided the entity also applies IFRS 9 and IFRS 15 on or before the date it first applies IFRS 17. This standard is not applicable to the Fund.

##### *Amendment to IAS 1: Classification of Liabilities as Current or Non-current*

In January 2020, IASB issued amendments to paragraph 69 and 76 of IAS1 to specify the requirements for classifying liabilities as current or non-current. The amendment classifies:

- What is meant by a right to defer settlement
- That a right to defer must exist at the end of the reporting period
- That classification is unaffected by the likelihood that an entity will exercise its deferral right
- That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification

The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and must be applied retrospectively. The Fund is currently assessing the impact the amendment will have on current practice and whether existing loan agreements may require renegotiation.

##### *Reference to the Conceptual Framework- Amendment to IFRS 3*

In May 2020, the IASB issued Amendments to IFRS 3 Business Combinations- Reference to the Conceptual Framework. The amendments are intended to replace a reference to the Framework for Preparation and Presentation of Financial Statements, issued in 1989, with a reference to the *Conceptual Framework for Financial Reporting* issued in March 2018 without significantly changing its requirements.

The Board also added an exception to the recognition principle of IFRS 3 to avoid the issue of potential 'day 2' gains or losses arising for liabilities and contingent liabilities that would be within the scope of IAS 37 or IFRIC 21 Levies, if incurred separately.



## CARICOM DEVELOPMENT FUND

Notes to the Financial Statements  
Year ended 31 December 2020  
(Expressed in United States Dollars)

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### 2. Summary of significant accounting policies (cont'd)

#### Standards issued but not yet effective (cont'd)

##### *Reference to the Conceptual Framework- Amendment to IFRS 3 (cont'd)*

At the same time, the Board decided to clarify existing guidance in IFRS 3 for contingent assets that would not be affected by replacing the reference to the Framework for the Presentation of Financial Statements.

The amendments are effective for annual reporting periods beginning on or after 1 January 2022 and apply prospectively.

##### *Property, Plant and Equipment: Proceed before Intended Use- Amendment to IAS 16*

In May 2020, IASB issued Property, Plant and Equipment- Proceed before Intended Use, which prohibits entities deducting from cost of an item of property, plant and equipment, any proceed from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognizes the proceed from selling such items, and the costs of producing those items, in profit or loss.

The amendment is effective for annual reporting periods beginning on or after 1 January 2022 and must be applied retrospectively to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented when the entity first applies the amendment.

The amendments are not expected to have a material impact of the Fund.

##### *Onerous Contracts- Cost of Fulfilling a Contract- Amendment to IAS 37*

In May 2020, the IASB issued amendments to IAS 37 to specify which costs an entity need to include when assessing whether a contract is onerous or loss- making.

The amendments apply a “directly related cost approach”. The costs that relate directly to a contract to provide goods or services include both incremental costs and an allocation of costs directly related to contract activities. General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract.

The amendments are effective for annual reporting periods beginning on or after 1 January 2022.

## CARICOM DEVELOPMENT FUND

Notes to the Financial Statements

Year ended 31 December 2020

(Expressed in United States Dollars)

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### 2. Summary of significant accounting policies (cont'd)

#### Standards issued but not yet effective (cont'd)

##### ***IFRS 1 First-time Adoption of International Financial Reporting Standards- Subsidiary as a first-time adopter***

As part of its 2018-2020 annual improvements to IFRS standards process, IASB issued an amendment IFRS 1 *First-time Adoption of International Financial Reporting Standards*. The amendment permits a subsidiary that elects to apply paragraph D16(a) of IFRS 1 to measure cumulative translation differences using the amounts reported by the parent, based on the parent's date of transition to IFRS. The amendment is also applied to an associate or joint venture that elects to apply paragraph D16(a) of IFRS 1.

The amendment is effective for annual reporting periods beginning on or after 1 January 2022 with earlier adoption permitted.

##### ***IFRS 9 Financial Instruments- Fees in the 10 per cent test for derecognition of financial liabilities***

As part of its 2018-2020 annual improvements to IFRS standards process the IASB issued amendment to IFRS 9. The amendment clarifies the fees that an entity included when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment.

The amendment is effective for annual reporting periods beginning on or after 1 January 2022 with earlier adoption permitted. The Fund will apply the amendments to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment.

The amendments are not expected to have a material impact on the Fund.

##### ***IAS 41 Agriculture- Taxation in fair value measurements***

As part of its 2018-2020 annual improvements to IFRS standards process the IASB issued amendments to IAS 41 Agriculture. The amendment removed the requirement in paragraph 22 of IAS 41 that entities exclude cash flows for taxation when measuring the fair value of assets within the scope of IAS 41.

An entity applies the amendment prospectively to the fair value measurement on or after the beginning of the first annual reporting period beginning on or after 1 January 2022 with earlier adoption permitted. The amendments are not expected to have a material impact on the Fund.

## CARICOM DEVELOPMENT FUND

Notes to the Financial Statements

Year ended 31 December 2020

(Expressed in United States Dollars)

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### 2. Summary of significant accounting policies (cont'd)

#### **Foreign currency translation**

The financial statements are presented in United States Dollars, which is the Fund's functional and presentation currency.

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the date of the transactions. Foreign currency gains and losses resulting from the settlement of such transactions and from the translation at year – end exchange rates for monetary assets and liabilities denominated in foreign currencies are recognised in the statement of comprehensive income.

#### **Financial Instruments**

In accordance with IFRS 9, the Fund classifies its financial assets and financial liabilities into the categories of financial assets and financial liabilities discussed below. In applying that classification, a financial asset or financial liability is considered to be held for trading if:

- (a) It is acquired or incurred principally for the purpose of selling or repurchasing it in the near term  
Or
- (b) On initial recognition, it is part of a portfolio of identified financial instruments that are managed together and for which, there is evidence of a recent actual pattern of short-term profit-taking  
Or
- (c) It is a derivative (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument)

#### **Financial assets**

The Fund classifies its financial assets as subsequently measured at amortised cost or measured at fair value through profit or loss on the basis of both:

- The entity's business model for managing the financial assets
- The contractual cash flow characteristics of the financial asset

## CARICOM DEVELOPMENT FUND

Notes to the Financial Statements  
Year ended 31 December 2020  
(Expressed in United States Dollars)

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### 2. Summary of significant accounting policies (cont'd)

#### Financial instruments (cont'd)

##### *Financial assets measured at amortised cost*

A debt instrument is measured at amortised cost if it is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows and its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. The Fund includes in this category short-term non-financing receivables including cash collateral posted on derivative contracts, accrued income and other receivables.

##### *Financial assets measured at fair value through profit or loss (FVPL)*

A financial asset is measured at fair value through profit or loss if:

- (a) Its contractual terms do not give rise to cash flows on specified dates that are solely payments of principal and interest (SPPI) on the principal amount outstanding  
Or
- (b) It is not held within a business model whose objective is either to collect contractual cash flows, or to both collect contractual cash flows and sell  
Or
- (c) At initial recognition, it is irrevocably designated as measured at FVPL when doing so eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise from measuring assets or liabilities or recognising the gains and losses on them on different bases.

##### *Recognition*

The Fund recognises a financial asset or a financial liability when it becomes a party to the contractual provisions of the instrument.

Purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the marketplace (regular way trades) are recognised on the trade date, i.e., the date that the Fund commits to purchase or sell the asset.

##### *Initial measurement*

Financial assets and financial liabilities at FVPL are recorded in the statement of financial position at fair value. All transaction costs for such instruments are recognised directly in profit or loss.



## CARICOM DEVELOPMENT FUND

Notes to the Financial Statements

Year ended 31 December 2020

(Expressed in United States Dollars)

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### 2. Summary of significant accounting policies (cont'd)

#### Financial instruments (cont'd)

##### *Subsequent measurement*

After initial measurement, the Fund measures financial instruments which are classified as at FVPL, at fair value. Subsequent changes in the fair value of those financial instruments are recorded in net gain or loss on financial assets and liabilities at FVPL in the statement of comprehensive income. Interest and dividends earned or paid on these instruments are recorded in investment income in the statement of comprehensive income.

##### **Impairment of financial assets**

The Fund's approach to ECLs reflects a probability-weighted outcome for Loans and Advances and reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

The Fund uses the provision matrix as a practical expedient to measuring ECLs based on days past due for groupings of receivables with similar loss patterns. Receivables are grouped based on their nature. The provision matrix is based on historical observed loss rates over the expected life of the receivables and is adjusted for forward-looking estimates.

IFRS 9 requires the Fund to record expected credit losses (ECLs) on all its debt securities, loans and advances, and other receivables. All other financial assets continue to be classified as FVPL and all financial assets classified as loans and receivables continue to be measured at amortised cost. An ECL allowance of \$6,865 has been calculated as at 31 December 2020 (2019: \$6,871). These amounts were considered immaterial and therefore not recorded against the Fund's Loans and Advances.

##### **Taxation**

CDF is a multilateral development financial institution and is not subject to income tax.

##### **Significant accounting judgments and estimates**

The preparation of the Fund's financial statements requires management to make judgments, estimates and assumptions that affect the amounts recognized on the financial statements. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in the future. In the process of applying the Fund's accounting policies, management has made judgements which have the most significant effect on the amounts recorded for fair value of financial assets through profit and loss as detailed in Note 20.

## **CARICOM DEVELOPMENT FUND**

Notes to the Financial Statements

Year ended 31 December 2020

(Expressed in United States Dollars)

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### **2. Summary of significant accounting policies (cont'd)**

#### **Going concern**

The Fund's management has made an assessment of the Fund's ability to continue as a going concern and is satisfied that the Fund has the resources to continue in business for the foreseeable future. Furthermore, the management is not aware of any material uncertainties that may cast significant doubt upon the Fund's ability to continue as a going concern. Therefore, the financial statements continue to be prepared on the going concern basis.

#### **Deferred income**

Deferred income is recognized at the reporting date. Operating deferred revenue is recognized in the statement of comprehensive income when it is realized or realizable and earned. During this reporting period, the Fund recorded deferred income in relation to furniture and office machinery received from the European Development Fund and a readiness grant for conduct of studies from the Green Climate Fund. The details are outlined in Notes 11 and 13.

#### **Dividend revenue and expense**

Dividend revenue is recognised when the Fund's right to receive the payment is established. Dividend revenue is presented gross of any non-recoverable withholding taxes, which are disclosed in investment income in the statement of comprehensive income.

#### **Interest income**

Interest income is recognized in the statement of comprehensive income for all interest-bearing instruments using the effective interest method based on the actual purchase price. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument.

Once a financial asset or a group of financial assets has been written down as a result of an impairment loss, interest income is recognized using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The estimated future cash flows projected in the effective yield method consider all contractual terms but do not consider future credit losses. This however has no impact of the Fund's financial statements for this period.

## CARICOM DEVELOPMENT FUND

Notes to the Financial Statements

Year ended 31 December 2020

(Expressed in United States Dollars)

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### 2. Summary of significant accounting policies (cont'd)

#### Property and equipment

Property and equipment is stated at historical cost less accumulated depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or are recognized as separate assets, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Fund and the cost of the item can be reliably measured. All repairs and maintenance are charged to operating expenses during the financial period in which they are incurred.

Depreciation is computed using the straight-line method at rates adequate to write off the cost of depreciable assets, less salvage value, over their useful lives, which is as follows:

Asset	Years
Motor vehicles	3
Furniture and fittings	4 - 8
Computer equipment	4
Office machinery and equipment	4 - 8

The assets' residual value and useful lives are reviewed and adjusted if appropriate at each statement of financial position date. Assets that are subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount. The asset's recoverable amount is the higher of the impaired asset's fair value less costs to sell and the value in use.

Gains or losses on disposals are determined by comparing proceeds with the carrying amount. These are included in the other operating income or expenses in the statement of comprehensive income.

## **CARICOM DEVELOPMENT FUND**

Notes to the Financial Statements

Year ended 31 December 2020

(Expressed in United States Dollars)

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### **2. Summary of significant accounting policies (cont'd)**

#### **Government grants**

Grants from the Government are recognized at their fair value where there is a reasonable assurance that the grant will be received. Grants relating to property and equipment are included as deferred income and are credited to the statement of comprehensive income on a straight-line basis over the expected life of the related asset. Grants relating to financial support are included as deferred income and are credited to the statement of income in the same period as the relevant expenses are incurred.

#### **Cash and cash equivalents**

Cash represents cash in hand and at bank. The company classifies all highly liquid instruments purchased with a maturity date of 3 months or less at the date of acquisition as cash equivalents.

#### **Provisions**

A provision is recognized if, as a result of past events, the Fund has a present or constructive obligation that can be estimated reliably, and it is probable that an out flow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects the current market assessments of the time value of money and where appropriate the risks specific to the liability.

#### **Members' contributions**

Members' contributions are recognized as equity (Note 8).

#### **Donors' contributions**

Contributions from donors are included in income from the date of the contribution agreement, if there are no unfulfilled conditions stipulated in the agreement. If unfulfilled conditions are stipulated in the agreement, contributions from donors are included in deferred income and are credited to the statement of comprehensive income in the same period as the relevant conditions are met.

#### **Grant expense**

Grants for capital projects to Member States are provided either from grants received from donors or from other resources specifically allocated for this purpose. Grant expense is recognized when the project is approved and becomes effective.



## CARICOM DEVELOPMENT FUND

Notes to the Financial Statements  
Year ended 31 December 2020  
(Expressed in United States Dollars)

### 3. Cash and cash equivalents

	2020 \$	2019 \$
Cash at hand	34	59
Cash at banks	2,941,063	12,718,130
	<u>2,941,097</u>	<u>12,718,189</u>

### 4. Financial assets at fair value through profit or loss

The Fund's investments comprise publicly quoted corporate bonds and equity securities. The bonds' yields ranged from 0.15% to 126.60% (2019: 0.78% to 6.75%) per annum.

	Cost or amortized cost \$	Gross unrealized gains \$	Gross unrealized losses \$	Market value \$	Net realized gains/ (losses) \$
<b>31 December 2020</b>					
Listed debt securities	95,404,718	3,574,549	(114,139)	98,865,128	610,036
Forward currency contracts	-	-	-	-	667,352
Options	-	-	-	-	(307,468)
Listed equity securities	29,115,253	6,613,678	(439,303)	35,289,628	1,571,230
	<u>124,519,971</u>	<u>10,188,227</u>	<u>(553,442)</u>	<u>134,154,756</u>	<u>2,541,150</u>

## CARICOM DEVELOPMENT FUND

Notes to the Financial Statements

Year ended 31 December 2020

(Expressed in United States Dollars)

### 4. Financial assets at fair value through profit or loss (cont'd)

	Cost or amortized cost \$	Gross unrealized gains \$	Gross unrealized losses \$	Market value \$	Net realized gains/ (losses) \$
<b>31 December 2019</b>					
Listed debt securities	78,073,904	1,464,883	(285,634)	79,253,153	752,647
Forward currency contracts	-	-	(46,180)	(46,180)	(47,730)
Options					
Listed equity securities	20,797,520	4,542,069	(10,666)	25,328,922	1,436,558
	<u>98,871,424</u>	<u>6,006,952</u>	<u>(342,480)</u>	<u>104,535,895</u>	<u>2,141,475</u>

Reconciliation of unrealized gains/(losses) to statement of comprehensive income:

	2020 \$	2019 \$
Opening unrealized gains/ (losses)	5,664,472	(3,162,357)
Net unrealized gains during the year	<u>3,970,313</u>	<u>8,826,829</u>
Closing unrealized gains	<u><u>9,634,785</u></u>	<u><u>5,664,472</u></u>

The terms to maturity of the bond portfolio are as follows:

	2020 \$	2019 \$
Due within 1 year	4,238,678	3,499,230
1 to 5 years	56,159,806	54,517,181
Over 5 years	<u>38,466,644</u>	<u>21,236,742</u>
	<u><u>98,865,128</u></u>	<u><u>79,253,153</u></u>

## CARICOM DEVELOPMENT FUND

Notes to the Financial Statements

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### 4. Financial assets at fair value through profit or loss (cont'd)

#### **Derivative contracts**

Typically, derivative contracts serve as components of the Fund's investment strategy and are utilized primarily to structure and hedge investments, to enhance performance and reduce risk to the Fund (the Fund does not designate any derivative as a hedging instrument for hedge accounting purposes). The derivative contracts that the Fund holds comprise of forward currency contracts and options.

The Fund uses derivative financial instruments to economically hedge its risks associated primarily with interest rate and foreign currency fluctuations. Derivative financial instruments may also be used for trading purposes where the Investment Manager believes this would be more effective than investing directly in the underlying financial instruments.

Derivatives often reflect at their inception only a mutual exchange of promises with little or no transfer of tangible consideration. However, these instruments frequently involve a high degree of leverage and are very volatile. A relatively small movement in the underlying of a derivative contract may have a significant impact on the profit or loss of the Fund.

The Fund's constitution sets limits on investments in derivatives with high risk profile. The Investment Manager is instructed to closely monitor the Fund's exposure under derivative contracts as part of the overall management of the Fund's market risk.

At the reporting date, the Fund has positions in the following type of derivatives:

#### **Forwards**

Forward contracts are contractual agreements to buy or sell a specified financial instrument at a specific price and date in the future. Forwards are customized contracts transacted in the over the counter (OTC) market. The Fund has credit exposure to the counterparties of forward contracts since forward contracts are settled gross and, therefore considered to bear a high liquidity risk. The notional amount, recorded gross, is the amount of a derivative's underlying asset, reference rate or index and is the basis upon which changes in the value of derivatives are measured.

## CARICOM DEVELOPMENT FUND

Notes to the Financial Statements

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### 4. Financial assets at fair value through profit or loss (cont'd)

#### Options

Options are contractual agreements that convey the right, but not the obligation, for the purchaser either to buy or sell a specific amount of a financial instrument at a fixed price, either at a fixed future date or at any time within a specified period.

The Fund purchases and sells put and call options through regulated exchanges and OTC markets. Options purchased by the Fund provide the Fund with the opportunity to purchase (call options) or sell (put options) the underlying asset at an agreed-upon value either on or before the expiration of the option. The Fund is exposed to credit risk on purchased options only to the extent of their carrying amount, which is their fair value. No options are written by the Fund.

The following table shows the fair values of derivative financial instruments, recorded as assets or liabilities, together with their notional amounts. The notional amount, recorded gross, is the amount of a derivative's underlying asset, reference rate or index and is the basis upon which changes in the value of derivatives are measured. The notional amounts indicate the volume of transactions outstanding at the reporting dates and are indicative of neither the market risk nor the credit risk.

Derivatives primarily held for risk management purposes	2020			2019		
	Assets	Liabilities	Notional amount	Assets	Liabilities	Notional amount
Forward currency contracts	-	-	-	12,734,546	(12,780,726)	(46,180)

The notional amount on the forward contracts represents the unrealized loss on forward contracts as at the year end.



## CARICOM DEVELOPMENT FUND

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### 5. Interest receivable

Interest receivable is represented as follows:

	2020 \$	2019 \$
Loans and advances	52,506	2,660
Financial assets at fair value through profit and loss	583,069	710,805
	<u>635,575</u>	<u>713,465</u>

### 6. Other receivables

Other receivables are represented by the following:

	2020 \$	2019 \$
Advance on property and equipment	9,726	9,726
Value added tax	149,690	132,577
Travel advances	-	2,737
	<u>159,416</u>	<u>145,040</u>

### 7. Loans and advances

Loans and advances comprise of term loans to related parties with the following conditions:

	2020 \$	2019 \$
Due from the Government of St. Lucia	1,709,110	2,039,062
Due from the Government of Belize	1,500,000	443,734
Due from the Government of St. Vincent & the Grenadines	2,770,802	3,337,545
Due from the Government of St. Kitts & Nevis	2,353,451	1,337,050
Due from the Government of the Commonwealth of Dominica	3,033,697	3,328,558
Due from the Government of Grenada	1,800,030	1,949,527
Due from the Government of Guyana	9,849,697	10,553,159
Due from the Government of Antigua & Barbuda	1,285,106	1,333,502
	<u>24,301,893</u>	<u>24,322,137</u>

## CARICOM DEVELOPMENT FUND

Notes to the Financial Statements

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### 7. Loans and advances (cont'd)

The loan to the Government of St. Lucia is denominated in United States Dollars. The loan bears interest at 3% per annum, is unsecured and repayable in 48 equal and consecutive quarterly payments, commencing on the first due date after two years following the date of first disbursement. The loan matures on 30 September 2025.

The first loan to the Government of Belize matured on 31 December 2020 and the outstanding loan balance of \$443,734 at the end of 2019 was repaid in full. The loan was denominated in United States dollars. The loan bore interest at 3% per annum, was unsecured and repayable in 30 equal and consecutive quarterly payments, commencing on the first due date after two years following the date of first disbursement.

The second loan to the Government of Belize amounting to \$1,500,000 as at 31 December 2020 (2019 - \$nil) is denominated in United States dollars. The loan bears interest at 3% per annum, is unsecured and repayable in 36 equal and consecutive quarterly payments, commencing on the first due date after two years following the date of first disbursement. The loan matured on 30 June 2032.

The loan to the Government of St. Vincent and the Grenadines is denominated in United States dollars. The loan bears interest at 3% per annum, is unsecured and repayable in 40 equal and consecutive quarterly payments, commencing on the first due date after three years following the date of first disbursement. The loan matures on 30 June 2025.

In the prior year, there was a second loan with the Government of St. Vincent and the Grenadines. The loan was denominated in United States dollars. Effective 4 October 2019 the loan was converted to a grant in the amount of \$659,540 (Note 17).

The first loan to the Government of St. Kitts and Nevis amounting to \$863,451 as at 31 December 2020 (2019 - \$1,337,050) is denominated in United States dollars. The loan bears interest at 3% per annum, is unsecured and repayable in 32 equal and consecutive quarterly payments, commencing on the first due date after two years following the date of first disbursement. The loan matures on 30 September 2022.

The second loan to the Government of St. Kitts and Nevis amounting to \$1,490,000 as at 31 December 2020 (2019 - \$nil) is denominated in United States dollars. The loan bears interest at 3% per annum, is unsecured and repayable in 32 equal and consecutive quarterly payments, commencing on the first due date after two years following the date of first disbursement. The loan matures on 30 September 2030.

## CARICOM DEVELOPMENT FUND

Notes to the Financial Statements

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### 7. Loans and advances (cont'd)

The first loan to the Government of the Commonwealth of Dominica amounting to \$2,068,060 as at 31 December 2020 (2019 - \$2,467,273) is denominated in United States dollars. The loan bears interest at 3% per annum, is unsecured and repayable in 40 equal and consecutive quarterly payments, commencing on the first due date after two years following the date of first disbursement. The loan matures on 30 September 2025.

The second loan to the Government of the Commonwealth of Dominica amounting to \$333,224 as at 31 December 2020 (2019 - \$423,455) is denominated in United States dollars. The loan bears interest at 3% per annum, is unsecured and repayable in 32 equal and consecutive quarterly payments, commencing on the first due date after two years following the date of first disbursement. The loan matures on 31 December 2023.

The third loan to the Government of the Commonwealth of Dominica amounting to \$632,413 as at 31 December 2020 (2019 - \$437,830) is denominated in United States dollars. The loan bears interest at 3% per annum, is unsecured and repayable in 36 equal and consecutive quarterly payments, commencing on the first due date after two years following the date of first disbursement. The loan matures on 31 March 2025.

The loan to the Government of the Grenada is denominated in United States dollars. The loan bears interest at 3% per annum, is unsecured and repayable in 40 equal and consecutive quarterly payments, commencing on the first due date after two years following the date of first disbursement. The loan matures on 31 December 2025.

The first loan to the Government of the Guyana amounting to \$4,453,175 as at 31 December 2020 (2019 - \$4,829,601) is denominated in United States dollars. The loan bears interest at 3% per annum, is unsecured and repayable in 60 equal and consecutive quarterly payments, commencing on the first due date after two years following the date of first disbursement. The loan matures on 30 December 2030.

The second loan to the Government of the Guyana amounting to \$5,396,522 as at 31 December 2020 (2019 - \$5,723,558) is denominated in United States dollars. The loan bears interest at 3% per annum, is unsecured and repayable in 60 equal and consecutive quarterly payments, commencing on the first due date after two years following the date of first disbursement. The loan matures on 31 March 2034.

The loan to the Government of the Antigua & Barbuda is denominated in United States dollars. The loan bears interest at 3% per annum, is unsecured and repayable in 40 equal and consecutive quarterly payments, commencing on the first due date after two years following the date of first disbursement. The loan matures on 30 December 2026.

## CARICOM DEVELOPMENT FUND

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### 8. Members' contributions

Each member state is required to contribute to the Fund in accordance with the "Agreement relating to the operations of the CARICOM Development Fund" signed by the Heads of Government of CARICOM on 4 July 2008. The table below details the assessed contributions from the Member States:

2020 Member States	Assessed Contributions	Net Contributions Outstanding	Contributions Received
Antigua and Barbuda	3,655,986	-	3,655,986
Barbados	18,926,690	(442,311)	18,484,379
Belize	5,278,104	-	5,278,104
Dominica	2,182,312	-	2,182,312
Grenada	3,185,986	(20)	3,185,966
Guyana	7,307,262	-	7,307,262
Jamaica	19,690,000	-	19,690,000
St. Kitts and Nevis	3,035,986	-	3,035,986
St. Lucia	3,795,986	2,431	3,798,417
St. Vincent and the Grenadines	3,065,986	(161)	3,065,825
Suriname	8,986,722	(3,946,722)	5,040,000
Trinidad and Tobago	77,070,000	(25,000,000)	52,070,000
Trinidad and Tobago Petroleum Fund	9,660,000	-	9,660,000
	165,841,020	(29,386,783)	136,454,237
Less: amount appropriated to fund operations	(2,000,000)	-	(2,000,000)
	163,841,020	(29,386,783)	134,454,237



## CARICOM DEVELOPMENT FUND

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### 8. Members' contributions (cont'd)

2019 Member States	Assessed Contributions	Net Contributions Outstanding	Contributions Received
Antigua and Barbuda	3,655,986	-	3,655,986
Barbados	18,926,690	(4,642,311)	14,284,379
Belize	5,278,104	-	5,278,104
Dominica	2,182,312	-	2,182,312
Grenada	3,185,986	(20)	3,185,966
Guyana	7,307,262	-	7,307,262
Jamaica	19,690,000	-	19,690,000
St. Kitts and Nevis	3,035,986	-	3,035,986
St. Lucia	3,795,986	2,431	3,798,417
St. Vincent and the Grenadines	3,065,986	(161)	3,065,825
Suriname	8,986,722	(3,946,722)	5,040,000
Trinidad and Tobago	77,070,000	(35,000,000)	42,070,000
Trinidad and Tobago Petroleum Fund	9,660,000	-	9,660,000
	165,841,020	(43,586,783)	122,254,237
Less: amount appropriated to fund operations	(2,000,000)	-	(2,000,000)
	163,841,020	(43,586,783)	120,254,237

## CARICOM DEVELOPMENT FUND

Notes to the Financial Statements

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### 8. Members' contributions (cont'd)

Reconciliation of members' contributions receivable:

	2020 \$	2019 \$
Opening balance	43,586,783	52,277,939
Less: Contributions received during the year		
Barbados	4,200,000	2,800,000
Trinidad & Tobago	10,000,000	5,000,000
Dominica	-	391,156
Suriname	-	500,000
Total contributions received	14,200,000	8,691,156
Closing balance	29,386,783	43,586,783

The "Agreement relating to the Operations of the CARICOM Development Fund" allows for a Member State to withdraw from the Fund at which time, the Fund is required to transfer that portion of the former member's contribution that is not required for the settlement of obligations. No member has ever indicated to the Fund that it intends to withdraw its membership from the organization. The stability in the membership reflects the fact that the purpose of the Fund is to contribute ultimately to the sustainable economic development and social progress of its Member States individually and jointly.

Moreover, there is a significant financial disincentive to withdrawing membership. A member that withdraws remains liable for direct obligations and contingent liabilities to the Fund for so long as any part of the loans or guarantees contracted before the date of withdrawal are outstanding. The Fund may fully offset amounts due for contributions withdrawn against the member's liabilities on loans and guarantees due to the Fund. Were a member to withdraw, the Fund may exercise its discretion in respect of returning contributions. If, for example, returning a former member's contribution would have adverse consequences for the Fund's financial position, the Fund could defer payment until the risk had passed.

Additionally, the Fund has been established under the Treaty of Chaguaramas which has been introduced into domestic law of all contributing Member States. This also makes withdrawal from the Fund unlikely. Management has determined that members' contributions are deemed to be a permanent investment in the Fund and are appropriately classified as equity.

## CARICOM DEVELOPMENT FUND

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### 9. Property and equipment

The carrying value of property and equipment as at 31 December 2020 were as follows:

	<b>Motor vehicles \$</b>	<b>Computer equipment \$</b>	<b>Furniture and fittings \$</b>	<b>Office machinery and equipment \$</b>	<b>Total \$</b>
<b>2020</b>					
Opening net book value	30,693	32,555	68,560	1,583	133,391
Additions	-	2,790	-	-	2,790
Accumulated depreciation on disposals	-	-	-	-	-
Depreciation charge	(7,009)	(16,449)	(384)	(36)	(23,878)
Closing net book amount	23,684	18,896	68,176	1,547	112,303
At 31 December 2020					
Cost	33,030	151,560	110,700	4,817	300,107
Accumulated depreciation	(9,346)	(132,664)	(42,524)	(3,270)	(187,804)
Net book value	23,684	18,896	68,176	1,547	112,303

The carrying value of property and equipment as at 31 December 2019 were as follows:

	<b>Motor vehicles \$</b>	<b>Computer equipment \$</b>	<b>Furniture and fittings \$</b>	<b>Office machinery and equipment \$</b>	<b>Total \$</b>
<b>2019</b>					
Opening net book value	11,999	51,719	72,852	1,726	138,296
Additions	33,030	703	-	-	33,733
Disposal	(29,507)	-	-	-	(29,507)
Accumulated depreciation on disposals	17,508	-	-	-	17,508
Depreciation charge	(2,337)	(19,867)	(4,292)	(143)	(26,639)
Closing net book amount	30,693	32,555	68,560	1,583	133,391
At 31 December 2019					
Cost	33,030	148,770	110,700	4,817	297,317
Accumulated depreciation	(2,337)	(116,215)	(42,140)	(3,234)	(163,926)
Net book value	30,693	32,555	68,560	1,583	133,391

## CARICOM DEVELOPMENT FUND

Notes to the Financial Statements  
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### 10. Accounts payable and accruals

	2020 \$	2019 \$
Accrued gratuity	267,101	257,376
Other payables	1,049,162	388,202
	<u>1,316,263</u>	<u>645,578</u>

Gratuity is paid to employees at the end of the contractual period or on termination of services by the Fund or the employee.

### 11. Deferred income

	2020 \$	2019 \$
Deferred income for special projects	34,186	100,000
	<u>34,186</u>	<u>100,000</u>

During 2019, the CDF was a recipient of a Readiness Grant of US\$100,000 from the Green Climate Fund (GCF) to undertake preparatory studies in five (5) pilot countries in CARICOM towards the development of a full funding proposal for the Credit Risk Abatement Facility (CRAF) application to the GCF. During 2020, three consultancies were completed utilizing funds from the Readiness Grant.

### 12. Investment income

	2020 \$	2019 \$
Interest income	2,224,452	2,366,588
Dividend income	483,383	544,123
	<u>2,707,835</u>	<u>2,910,711</u>

## CARICOM DEVELOPMENT FUND

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### 13. Contributions

No donor contributions were received during 2020. The Government of India contributed US\$1,000,010 in 2019 to the Fund to support programme activities in various Member States.

Other contribution is represented by:

	2020 \$	2019 \$
Amortized Income from GCF Readiness Grant	75,000	-
Commission Interest	52,558	126,646
Amortized Income from Government of Finland	-	429,195
Amortized Furniture Grant from European Development Fund	-	3,100
	<u>127,558</u>	<u>558,941</u>

### 14. Salaries and related costs

Salaries and related costs are represented by the following:

	2020 \$	2019 \$
Salaries and allowances	1,144,603	1,140,695
Health and accident insurance	10,692	10,354
Staff gratuities	154,879	152,476
Leave grant	4,000	-
Employer's contribution to NIS	18,048	19,036
Staff development	3,236	28,029
Recruitment expenses - first appointments/repatriation	5,136	-
	<u>1,340,594</u>	<u>1,350,590</u>



## CARICOM DEVELOPMENT FUND

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### 15. Operating expenses

The operating expenses are represented by the following:

	2020 \$	2019 \$
Professional fees	237,481	145,360
Investment management fees	584,077	616,989
Overseas travel	9,196	257,635
Meeting and conferences	14,529	108,163
Ancillary services	24,646	39,452
Communication	53,287	65,785
Office maintenance and supplies	17,905	21,367
General insurance	513	2,021
Vehicle expenses	4,123	5,758
Subscriptions and publications	1,728	10,630
Marketing/advertising	21,129	15,135
Corporate entertainment	391	4,818
Bank charges	1,981	1,822
Foreign exchange loss	-	1,866
Utilities	42,110	42,022
	<u>1,013,096</u>	<u>1,338,823</u>

### 16. Grant expense

Grants disbursed during the year are as follows:

	2020 \$	2019 \$
Government of St. Lucia	54,350	315,513
Government of Belize	1,522,237	237,362
Government of Antigua and Barbuda	957,445	506,405
Government of St. Kitts and Nevis	-	687,417
Government of Grenada	137,000	123,000
Government of St. Vincent & the Grenadines	72,500	659,540
Government of the Commonwealth of Dominica	-	48,866
	<u>2,743,532</u>	<u>2,578,103</u>

# CARICOM DEVELOPMENT FUND

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## 17. Capital commitment and contingent liabilities

Member State	Balance brought forward/new approvals		Disbursed	
	Loans	Grants	Loan	Grants
2020	\$	\$	\$	\$
St. Vincent and the Grenadines	5,078,948	798,486	-	72,500
Belize	3,000,000	6,722,072	1,500,000	1,522,237
St. Lucia	3,750,000	1,142,147	-	54,350
Belize (TA)	-	148,344	-	-
St. Kitts and Nevis	3,000,000	168,672	1,490,000	-
Dominica	357,757	186,979	284,294	-
Guyana	662,500	557,263	-	-
Grenada	-	1,540,815	-	137,000
Antigua & Barbuda	179,270	1,249,445	-	957,445
	16,028,475	12,514,223	3,274,294	2,743,532
<b>2019</b>				
St. Vincent and the Grenadines	69,934	767,040	-	659,540
Belize	3,000,000	3,386,444	-	237,362
St. Lucia	-	521,997	-	315,513
Belize (TA)	-	148,344	-	-
St. Kitts and Nevis	-	856,089	-	687,417
Dominica	357,757	235,845	-	48,866
Guyana	662,500	557,263	-	-
Grenada	-	1,663,815	-	123,000
Antigua & Barbuda	179,270	1,755,850	-	506,405
	4,269,461	9,892,687	-	2,578,103

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### 17. Capital commitment and contingent liabilities (cont'd)

In 2010, the Board of Directors agreed to provide financial support of \$4,210,000 to the Government of St. Vincent and the Grenadines to be issued in the form of a loan and a grant amounting to \$2,570,000 and \$1,640,000 respectively. In 2012, a new loan facility was granted to the Government of St. Vincent & the Grenadines in the amount of \$3,262,000. Additionally, in 2016, the Board approved a loan amounting to US\$750,000. The loan was subsequently converted into a grant in 2019 (Note 7). During 2020, the Board approved a loan and grant amounting to \$5,009,014 and \$690,986 respectively. Additionally in 2020, \$72,500 was disbursed in grants. As at 31 December 2020, \$5,078,948 and \$725,986 remained undisbursed in loans and grants respectively (2019: \$69,934 and \$107,500).

In 2010, the Board approved a loan and a grant amounting to \$3,000,000 and \$275,000 respectively, to be issued to the Government of Belize. Further in 2015, an amendment was made to grant in the amount of an additional \$163,260. Additionally, in 2015, the Board approved two grants amounting to \$2,611,740. In 2018, the Board approved two grants amounting to \$581,959. In 2019, the Board approved two grants and one loan amounting to \$298,495 and \$3,000,000 respectively. In 2020, the Board approved three grants amounting to \$3,572,990. Additionally in 2020, \$1,500,000 and \$1,522,237 was disbursed in loans and grants respectively. As at 31 December 2020, \$1,500,000 and \$5,199,835, remained undisbursed in loans and grants respectively (2019: \$3,000,000 and \$3,149,082).

In 2010, the Board of Directors approved financial support for a total of \$6,227,000 to the Government of St. Lucia comprising loans and grants amounting to \$3,732,000 and \$2,495,000 respectively. In addition, a grant of \$80,597 (Euro 71,749) was approved in by the Board 2015, financed with funds received from the Government of Finland, for sponsored Green Projects. In 2018, two grants amounting to \$452,800 were approved by the Board. In 2020, the Board approved a loan and grants amounting to \$3,750,000 and \$935,663 respectively. Additionally in 2020, \$54,350 was disbursed in grants. As at 31 December 2020, \$3,750,000 and \$1,087,797 in loan and grants remained undisbursed (2019: \$206,484 in grants)

In 2012, the Board approved a loan and a grant amounting to \$3,000,000 and \$987,261 respectively, to be issued to the Government of St. Kitts and Nevis. Additionally, three grants of \$622,739 in total were approved in 2015. A disbursement of \$1,490,000 in loan were made to the Government of St. Kitts and Nevis in 2020. As at 31 December 2020, \$1,510,000 and \$168,672 remained undisbursed in loan and grants (2019: \$nil, \$168,672).

In 2012 the Board approved loans and grants amounting to \$5,730,940 and \$1,400,000 respectively, to be issued to the Government of the Commonwealth of Dominica. In 2019 \$284,294 was disbursed in loans. As at 31 December 2020, \$73,463 and \$186,979 (2019: \$357,757 and \$186,979) remained undisbursed in loans and grants respectively.

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### 17. Capital commitment and contingent liabilities (cont'd)

In 2012, the Board of Directors approved financial support for a total of \$7,317,996 to the Government of Guyana comprising a loan and a grant amounting to \$4,660,007 and \$2,657,989 respectively. Further in 2015, an amendment was made to the loan and grant in the amount of an additional \$1,564,088 and \$842,000 respectively. Moreover in 2016, the Board approved additional financial support comprising of a loan and grant amounting to \$6,625,000 and \$3,807,263 respectively. No loans or grants were disbursed in 2020. As at 31 December 2020, \$662,500 and \$557,263 (2019: \$662,500 and \$557,263) remained undisbursed in loans and grants respectively.

In 2013, the Board of Directors agreed to provide financial support of \$3,758,407 to the Government of Grenada to be issued in the form of a loan and grants amounting to \$3,000,000 and \$758,407 respectively. Further in 2017, two additional grants were approved amounting to \$758,000. In 2019, two additional grants were approved amounting to \$905,815. In 2020, \$137,000 was disbursed in grants. As at 31 December 2020, \$1,403,815 remained undisbursed grants (2019: \$1,540,815).

In 2014, Board approved a loan and a grant amounting to \$1,792,678 and \$2,230,000 respectively, to be issued to the Government of Antigua & Barbuda. In 2019, \$506,405 in grant funds was disbursed. Further in 2019, two additional grants were approved amounting to \$1,310,000. In 2020, \$957,445 was disbursed in grants. As at 31 December 2020, \$179,270 and \$292,000 (2019: \$179,270 and \$1,249,445) remained undisbursed in loans and grants respectively.

#### Contingent Liability

The Fund reports no contingent liabilities for the years ended 31 December 2020 and 2019.

### 18. Capital management

The Fund's objectives when managing capital, which is a broader concept than "fund balances" on the face of the statement of financial position, are to:

- Safeguard the Fund's ability to continue as a going concern; and
- Maintain a strong capital base to support its development activities.

As a result, the Board routinely monitors its capital adequacy to ensure a reliable framework and methodology to determine the appropriate levels of economic capital that the Fund should carry for prudential purposes and to determine from time to time the appropriate change in the level of capital that the Fund must have, based on changes in the risk profile of its credit exposure.

## **CARICOM DEVELOPMENT FUND**

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### **19. Financial risk management**

#### **Overview**

The Fund has exposure to the following risks from use of financial instruments:

- a) Credit risk
- b) Liquidity risk
- c) Market risk
- d) Interest rate risk
- e) Foreign exchange risk
- f) Price risk

#### **Risk management framework**

The Board of Directors has the overall responsibility for the establishment and oversight of the Fund's risk management framework. The Fund's risk management policies are established to identify and analyze the risks faced by the Fund, to set appropriate limits and controls, and to monitor risks and adherence to limits.

Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Fund's activities. The Fund, through training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

#### **Credit risk**

The major risk to the Fund is its exposure to country credit risk arising principally from loans to member states and investments. Credit risk is the possibility that counter parties are unable or unwilling to meet their obligation to the Fund. The Fund manages its country credit risk through its financial policies and lending strategies, including country allocation limits and credit analyses. These include ongoing assessments of the member states' macroeconomic performance, as well as its socio-political conditions and future growth prospects. The amount of the Fund's maximum exposure to credit risk is indicated by the carrying amount of its financial assets. For debt securities external ratings such as Fitch's rating, Moody or their equivalents are used by management for managing the credit risk exposures.



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### 19. Financial risk management (cont'd)

#### Credit risk (cont'd)

The table below presents an analysis of the Fund's Portfolio of debt securities, by rating agency category at reporting date:

Investment securities

	2020 \$	2019 \$
AA- to AAA	28,382,540	18,087,572
A-to A+	31,955,469	15,151,030
Lower than A-	35,398,199	36,476,236
Unrated	3,128,920	9,538,315
	<u>98,865,128</u>	<u>79,253,153</u>

The following table analyses the concentration of credit risk in the Fund's debt portfolio by geographical distribution:

	2020 % of debt s securities	2019 % of debt securities
United States	59	49
Asia	6	7
European Union	25	34
Other	10	10
	<u>100</u>	<u>100</u>

The following table analyses the concentration of credit risk in the Fund's debt portfolio by industrial distribution.

	2020 % of debt securities	2019 % of debt securities
Financial	21	23
Retail	53	38
Telecommunications	10	15
Energy	5	5
Government	4	6
Utilities	7	13
	<u>100</u>	<u>100</u>

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### 19. Financial risk management (cont'd)

#### Credit risk (cont'd)

##### Exposure to Credit Risk

	2020 \$	2019 \$
Cash and cash equivalents	2,941,097	12,718,189
Debt security at fair value through profit or loss	98,865,128	79,253,153
Interest receivable	635,575	713,465
Loans and advances	24,301,893	24,322,137
Other receivables	159,416	145,040
	<u>126,903,109</u>	<u>117,151,984</u>
Undrawn commitments to lend	<u>12,754,181</u>	<u>4,269,461</u>
	<u>139,657,290</u>	<u>121,421,445</u>

#### Collateral

The CARICOM Development Fund does not require collateral on its loans to member countries. The Fund's policy has been to require member countries to provide evidence that the proper authority has been obtained in accordance with appropriate legislation in the member countries, prior to disbursing any loan to a member country. This includes authority to raise loans from the CDF and provide for repayment of any loan made to the government or any Executing Agency to be paid out of the Fund.

#### Liquidity risk

Liquidity risk is the risk that the Fund is unable to meet the obligations associated with its financial liabilities when they fall due. The consequence may be the failure to meet obligations to disburse on its commitments.

#### *Financial liabilities*

The maturity grouping is based on the remaining period from the end of the reporting period to the contractual maturity date. When a counterparty has a choice of when the amount is paid, the liability is allocated to the earliest period in which the Fund can be required to pay.

#### *Financial assets*

Analysis of equity and debt securities at fair value through profit or loss into maturity groupings is based on the expected date on which these assets will be realised. For other assets, the analysis into maturity groupings is based on the remaining period from the end of the reporting period to the contractual maturity date or, if earlier, the expected date on which the assets will be realised.

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### 19. Financial risk management (cont'd)

#### Liquidity risk (cont'd)

The table below summarizes the maturity profile of the Fund's financial assets and liabilities based on contractual undiscounted receipts and payment:

	On Demand \$	1 – 12 Months \$	1 – 15 Years \$	No Fixed Maturity \$	Total \$
<b>2020</b>					
Loans and advances	-	-	24,301,893	-	24,301,893
Interest receivable	-	596,586	38,989	-	635,575
Other receivables	-	159,416	-	-	159,416
Financial assets at fair value through profit or loss (Equity)	35,289,628	-	-	-	35,289,628
Financial assets at fair value through profit or loss (FI Securities)	-	4,238,678	83,762,131	10,864,319	98,865,128
Cash and cash equivalents	2,941,097	-	-	-	2,941,097
<b>Total financial assets</b>	<b>38,230,725</b>	<b>4,994,680</b>	<b>108,103,013</b>	<b>10,864,319</b>	<b>162,192,737</b>
Accruals and payables	-	1,316,263	-	-	1,316,263
<b>Total financial liabilities</b>	<b>-</b>	<b>1,316,263</b>	<b>-</b>	<b>-</b>	<b>1,316,263</b>

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### 19. Financial risk management (cont'd)

#### Liquidity risk (cont'd)

	On Demand \$	1 – 12 Months \$	1 – 15 Years \$	No Fixed Maturity \$	Total \$
<b>2019</b>					
Loans and advances	-	443,734	23,878,403	-	24,322,137
Interest receivable	-	713,465	-	-	713,465
Other receivables	-	145,040	-	-	145,040
Financial assets at fair value through profit or loss (Equity)	25,328,922	-	-	-	25,328,922
Financial assets at fair value through profit or loss (FI Securities)	-	707,105	60,072,754	18,427,114	79,206,973
Cash and cash equivalents	12,718,189	-	-	-	12,718,189
<b>Total financial assets</b>	<b>38,047,111</b>	<b>2,009,344</b>	<b>83,951,157</b>	<b>18,427,114</b>	<b>142,434,726</b>
Accruals and payables	-	645,578	-	-	645,578
<b>Total financial liabilities</b>	<b>-</b>	<b>645,578</b>	<b>-</b>	<b>-</b>	<b>645,578</b>

## CARICOM DEVELOPMENT FUND

Notes to the Financial Statements

Year ended 31 December 2020

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### 19. Financial risk management (cont'd)

#### Market risk

The Fund takes on exposure to market risks, which is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risks arise from open positions in interest rate and equity products, all of which are exposed to general and specific market movements and changes in the level of volatility of market rates or prices such as interest rates, credit spreads, foreign exchange rates and equity prices.

#### Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of financial instruments will fluctuate because of changes in market interest rates. It is affected when there is a mis-match between interest-earning assets and interest-bearing liabilities which are subject to interest rate adjustments within a specific period. Management believes that this risk is significantly managed through effective matching of portfolio investments with liability attributes. The Fund monitors the sensitivity of interest rate movements by analyzing investment returns on a monthly basis and at least twice a year discussing market trends with the investment managers. As of 31 December 2020, a 1% increase or decrease in interest rates would increase or decrease capital value on the US dollar portfolio by \$3.73 million (2019: \$2.69 million).

	0 - 6 Months \$	6 - 12 Months \$	1 - 15 Years \$	Over 15 Years \$	Total \$
<b>2020</b>					
<i>Variable rate assets</i>					
Financial assets at fair value through profit or loss (FI Securities)	-	-	11,526,420	-	11,526,420
<i>Fixed rate assets</i>					
Loans and advances	-	-	24,301,893	-	24,301,893
Financial assets at fair value through profit or loss (FI Securities)	-	4,238,678	81,231,290	1,868,740	87,338,708
Receivables	635,575	159,416	-	-	794,991
<b>Total interest-bearing Assets</b>	<b>635,575</b>	<b>4,398,094</b>	<b>117,059,603</b>	<b>1,868,740</b>	<b>123,962,012</b>
<i>Fixed rate liabilities</i>					
Accruals and Payables	-	1,316,263	-	-	1,316,263
<b>Total interest-bearing liabilities</b>	<b>-</b>	<b>1,316,263</b>	<b>-</b>	<b>-</b>	<b>1,316,263</b>



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### 19. Financial risk management (cont'd)

#### Interest rate risk (cont'd)

	0 - 6 Months \$	6 - 12 Months \$	1 - 15 Years \$	Over 15 Years \$	Total \$
<b>2019</b>					
<i>Variable rate assets</i>					
Financial assets at fair value through profit or loss (FI Securities)	-	753,285	13,850,027	-	14,603,312
<i>Fixed rate assets</i>					
Loans and advances	-	-	24,322,137	-	24,322,137
Financial assets at fair value through profit or loss (FI Securities)	(46,180)	-	59,058,703	5,591,137	64,603,660
Receivables	713,465	145,040	-	-	858,505
<b>Total interest-bearing Assets</b>	<b>667,285</b>	<b>898,325</b>	<b>97,230,867</b>	<b>5,591,137</b>	<b>104,387,614</b>
<i>Fixed rate liabilities</i>					
Accruals and Payables	-	645,578	-	-	645,578
<b>Total interest-bearing liabilities</b>	<b>-</b>	<b>645,578</b>	<b>-</b>	<b>-</b>	<b>645,578</b>

#### Foreign exchange risk

Foreign exchange risk is the possibility that foreign exchange rates will affect the value of financial assets and liabilities. The Fund is exposed to foreign exchange risk on its cash and investment portfolio mainly related assets being denominated in Euro totaling €4,800,000 (2019 - €7,300,000) and GBP totaling £545,000 (2019 - £3,450,000). In order to minimize the foreign exchange risk in the portfolio, the Fund enters into forward exchange contracts with the result that almost all of the foreign exchange exposure is hedged back to US dollars. Therefore, the foreign exchange risk in the portfolio is minimal and immaterial. From time to time however, the Fund does hold a small open exposure to selective currencies where the value is judged to outperform the US\$ over a projected holding period.

#### Price risk

Price risk is the risk that the fair value of a financial instrument will fluctuate because of changes in market prices. As of 31 December 2020 and 2019, any reasonably possible change in market prices would not have had a material effect on the Company's financial position.

## CARICOM DEVELOPMENT FUND

Notes to the Financial Statements

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### 19. Financial risk management (cont'd)

#### Price risk (cont'd)

Financial instruments refer both to instruments appearing in the statement of financial position and those which do not appear and may be assets or liabilities. These assets or liabilities are contracts that ultimately give rise to a right for one party to receive an asset and an obligation for another party to deliver an asset. Fair values are management's best estimates of the amounts at which instruments could be exchanged in a current transaction between willing parties and are generally calculated based on the characteristics of the instrument and the current economic and competitive environment. These calculations are subjective in nature, involve uncertainties and matters of significant judgment and do not include any tax impact.

### 20. Fair value measurement

The Fund measures its investments in financial instruments, such as equities, and other interest-bearing investments, at fair value at each reporting date. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability or, in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible to the Fund. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

The fair value for financial instruments traded in active markets at the reporting date is based on their quoted price or binding dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs. Securities defined in these accounts as 'listed' are traded in an active market.

For all other financial instruments not traded in an active market, the fair value is determined by using valuation techniques deemed to be appropriate in the circumstances. Valuation techniques include the market approach (i.e., using recent arm's length market transactions adjusted as necessary and reference to the current market value of another instrument that is substantially the same) and the income approach (i.e., discounted cash flow analysis and option pricing models making as much use of available and supportable market data as possible).

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

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### 20. Fair value measurement (cont'd)

The Fund has determined that investments are categorized within the fair value hierarchy as follows:

	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
<b>2020</b>				
<b>Financial assets at fair value through profit or loss</b>				
Listed debt securities	-	98,865,128	-	98,865,128
Forward currency contracts	-	-	-	-
Listed equity securities	35,289,628	-	-	35,289,628
	<u>35,289,628</u>	<u>98,865,128</u>	<u>-</u>	<u>134,154,756</u>
<b>2019</b>				
<b>Financial assets at fair value through profit or loss</b>				
Listed debt securities	-	79,253,153	-	79,253,153
Forward currency contracts	-	(46,480)	-	(46,180)
Listed equity securities	25,328,922	-	-	25,328,922
	<u>25,328,922</u>	<u>79,206,973</u>	<u>-</u>	<u>104,535,895</u>

There are no investments categorized as level 3 for FY 2020 or 2019.

### 21. Related party transactions

During the year, the following transactions were carried out with related parties.

Key management compensation	2020 \$	2019 \$
Salaries and allowances	329,643	329,643
Termination benefits	39,694	39,694



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