



2019

Annual  
Report



**CARICOM**  
DEVELOPMENT FUND







# CARICOM

## DEVELOPMENT FUND

### ANNUAL REPORT 2019

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.



**CARICOM**  
DEVELOPMENT FUND

## CORPORATE DATA

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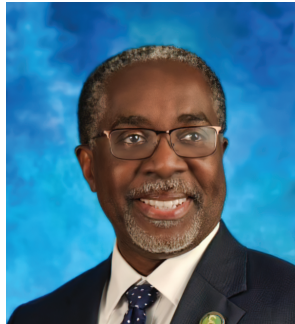
# LIST OF ACRONYMS

<b>ASC</b>	Antigua State College
<b>AIA</b>	Argyle International Airport
<b>ABDB</b>	Antigua and Barbuda Development Bank
<b>CAP</b>	Country Assistance Programme
<b>CARDI</b>	Caribbean Agricultural Research and Development Institute
<b>CARICOM</b>	Caribbean Community
<b>CCCCC</b>	Caribbean Community Climate Change Centre
<b>CDB</b>	Caribbean Development Bank
<b>CDF</b>	CARICOM Development Fund
<b>COTED</b>	Council for Trade and Economic Development
<b>CRAF</b>	Credit Risk Abatement Facility
<b>CRI</b>	Credit Risk Instrument, CRAF
<b>CSME</b>	CARICOM Single Market and Economy
<b>DFC</b>	Development Finance Corporation, Belize
<b>DAIDB</b>	Dominica Agricultural and Industrial Development Bank
<b>DBSKN</b>	Development Bank of St Kitts and Nevis
<b>ECCB</b>	Eastern Caribbean Central Bank
<b>Fed</b>	The Federal Reserve System, United States of America
<b>FIC</b>	Finance and Investment Committee, CDF Board of Directors
<b>FIs</b>	Financial Institutions
<b>GCF</b>	Green Climate Fund
<b>GDP</b>	Gross Domestic Product
<b>GIZ</b>	Deutsche Gesellschaft für Internationale Zusammenarbeit GmbH
<b>GOAUB</b>	Government of Antigua and Barbuda



<b>GOCR</b>	Government of Grenada
<b>GOSVG</b>	Government of St. Vincent and the Grenadines
<b>GOSU</b>	Government of Suriname
<b>HIPC</b>	Highly Indebted Poor Country
<b>HOG</b>	The Conference of the Heads of Government of the Caribbean Community
<b>IDP</b>	International Development Partner
<b>IPs</b>	CDF's Institutional Priorities
<b>IFRS</b>	International Financial Reporting Standards
<b>IMF</b>	International Monetary Fund
<b>IPS</b>	Investment Policy Statement
<b>IRENA</b>	International Renewable Energy Agency
<b>KOICA</b>	Korea International Cooperation Agency
<b>LAC</b>	Latin American and Caribbean Region
<b>LDC</b>	Less Developed Country
<b>M&amp;E</b>	Monitoring and Evaluation
<b>MDC</b>	More Developed Country
<b>MOU</b>	Memorandum of Understanding
<b>SBA</b>	IMF's Stand-By Arrangement
<b>SLDB</b>	St. Lucia Development Bank
<b>SME</b>	Small and Medium-Sized Enterprise
<b>TAP</b>	Technical Assistance Programme, CRAF
<b>VTI</b>	St. Lucia's Village Tourism Initiative

# BOARD OF DIRECTORS



**Dr. Sherwyn Williams**  
Chairman of the Board  
(Term completed July 2019)



**Dr. Richard Brown**  
Representative of the CARICOM  
Secretariat/Deputy Chairman  
(Term completed December 2019)



**Mr. Bernard Lord**  
Representative of the MDCs  
(Term completed July 2019)



**Ms. Yvette Alvarez**  
Representative of the LDCs  
(Term completed January 2019)



**Ms. Francisca Pascal**  
Representative of the LDCs  
(Term completed January 2019)



**Ambassador Daven Joseph**  
Representative of the LDCs



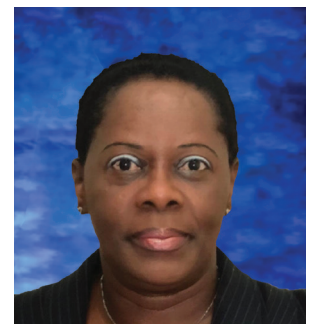
**Mr. Recardo Frederick**  
Alternative Representative  
of the LDCs



**Ms. Beverly Best**  
Alternate Representative  
of the OECS Commission  
(Term completed January 2019)



**Ms. Kira Thompson-Aird**  
Private Sector Representative



**Ms. Debra Roberts**  
Representative of the MDCs



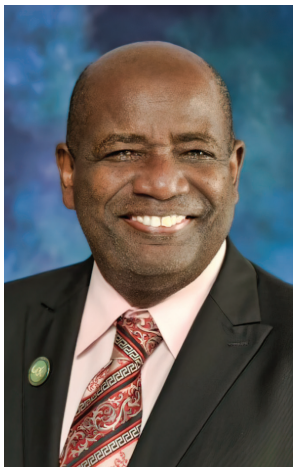
# CDF EXECUTIVE AND MANAGEMENT STAFF



**Mr. Rodinald Soomer**  
Chief Executive Officer



**Mr. Arden Warner**  
Legal Counsel



**Mr. Lenox Forte**  
Director of Regional Development



**Mr. Wayne Vitalis**  
Financial Controller

# CHAIRMAN'S STATEMENT

Growth in major markets slowed in 2019, affected by the increasing uncertainty in global political affairs, creating an increasingly unstable global climate that would pose some challenges for the socio-economic situation in CARICOM Member States. The ongoing trade impasse between the USA and China, with projected increased tariffs on Chinese goods, was expected to send further destabilizing shocks throughout the global financial markets with possible adverse implications for some of CDF's portfolio investments. On the positive side, there were potential opportunities for growth arising from developments in the regional economy, for example the growth of the Guyana economy and the performance of the Jamaica Stock exchange.

These developments unfolded against the backdrop of the several perennial structural, natural, and external challenges and constraints being faced by the region, including issues such as the de-risking/withdrawal of correspondent banking services by international banks, which have had a significant impact on the region's trade and development prospects, and to which we have been forced to adapt, in order to survive. One aspect of this adaptation, which is an integral element of our long-term strategic response to such external threats, is to strengthen internal economic and functional cooperation ties within CARICOM.

The CDF is well positioned, as a treaty-based institution of the Community, to play a pivotal role in this regard, through the support that



**Dr. Richard Brown**  
Acting Chairperson

the Fund provides to disadvantaged countries, regions, and sectors. With the full engagement of our Member State Contributors and the support of Development Partners, that role can be significantly enhanced and expanded. The CDF Board of Directors recognizes the need to continue to be vigilant in identifying and effectively responding to developments within the regional and global arenas, to ensure the continued resilience and relevance of the Fund so that it may continue to provide the necessary support to all our beneficiary countries. We also recognize that all CARICOM Member States are faced with resource challenges, which in our contemplation, suggests a need to diversify and expand our base of financial support. This can be done using innovative funding mechanisms and instruments, as well as through the pursuit of greater coordination on programmes of mutual interest, with other partner agencies and institutions, in line with the CDF's own mandate and *raison d'être*. Therefore, we will increasingly have to explore ways of engaging our International



Development Partners (IDPs) in order to jointly offer financial and technical assistance as well as employ collaborative solutions in response to the challenges facing our Member Countries, as part of the CDF's overall package of support.

One thematic area in which partnerships remain underexploited is that of Renewable Energy and Energy Efficiency. This is one of the factors that has driven the CDF to take the initiative to develop an innovative financial product, the Credit Risk Abatement Facility (CRAF), which would seek to encourage a greater level of lending from the commercial and development banking sectors to small businesses with viable sustainable energy projects and good prospects for success. This would be achieved by, amongst other things, providing partial guarantee cover to loans, on behalf of qualified women and men-owned small and medium-sized enterprises (SMEs), in order to directly reduce credit risk. The CRAF is expected to result in significant economic benefits to Member States, by way of reducing operating costs in women and men owned SMEs, while contributing to regional carbon emission reduction targets.

On behalf of the CDF Board of Directors, I take this opportunity to thank the GIZ and the European Union for the technical assistance support provided to the CDF in the development of this facility, under the auspices of the CARICOM Energy Programme and through the Technical Assistance Programme for Sustainable Energy in the Caribbean (TAPSEC). The CRAF entered its detailed design phase in 2019, with a view to being rolled out in the second half of 2020 in a few pilot countries. In parallel with the Phase 2 Design consultancy, efforts will continue to firm up a partnership with the Caribbean Development Bank (CDB) in launching the CRAF and in hopefully facilitating access, through CDB in the first instance, to funding from the Green Climate Fund (GCF).

The CDF's ongoing efforts are aimed at developing programmes and products of interest to both the Least Developed Countries (LDCs) and the More Developed Countries (MDCs) of the Region. These include Cohesion Programmes for Disadvantaged Regions and Sectors, which will be delivered within the remit of the CARICOM Cohesion Policy on which the CDF has taken the lead, with work currently ongoing towards its finalization. One of the benefits of this policy, when it is formally adopted by the Community,

is that it will provide for region-wide agreement on the evidence base and operational framework required to enable MDCs to qualify for direct financial and technical assistance support from the CDF.

The vision of the CARICOM Cohesion Policy is to be the main instrument for fostering economic efficiency and social equity within the Caribbean Community. The primary mission of the Policy is to reduce the 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 through Stabilization and Sustainable Economic Growth and Development'. The implementation of this Policy will be instrumental to the improved targeting and enhanced effectiveness of the interventions of the CDF in the various disadvantaged countries, regions, and sectors throughout the CSME, and will lay the foundation for more cohesive growth and development within the Region.

We are, therefore, encouraged that in 2019 all Member States completed their consultations on the Draft Cohesion Policy, which sets the stage for the Community to finalize and approve this policy through the Council for Trade and Economic Development (COTED) so that the expected development support can be delivered effectively, and in a timely manner, in pursuit of the aspirational goals that the Region has set for itself, under the CSME. These new programmes and products will augment the CDF's Country Assistance Programmes (CAPs), which is the modality through which the CDF has been providing financial support for development projects in disadvantaged CARICOM Member States, since 2010, when the first CAPs were approved for the Governments of Belize, St. Lucia, and St. Vincent and the Grenadines.

In the face of adverse external forces, the CDF's operational and financial performance continues to demonstrate strong and positive results, as evidenced in the year-end financial results. The Board of Directors approved the 2019 Financial Statements, expressing its satisfaction with the results of the audit of the Financial Statements as well as with the Auditor's observations and recommendations on internal control. During the course of the year, we welcomed the appointment to the Board of a new LDC Director, two Alternate Directors and a new Director for

the OECS, which will serve to strengthen our collective efforts at helping to steer the CDF in the right direction. We now encourage, and look forward to, the appointment of a new Chairman hopefully in the near future.

On behalf of the Board, I take this opportunity to place on record our sincere thanks to the outgoing Chairman, Dr. Sherwyn Williams, for his astute leadership and adroit management of the work of the Board, while also expressing appreciation to outgoing Director for the MDCs, Mr. Bernard Lord and Ms. Beverly Best, Alternate Director for the OECS Commission, for their sterling contributions to the important work of the CDF in 2019. I also wish to thank the CEO, Mr. Rodinald Soomer, the entire management team and staff at the CDF, for their tireless efforts and committed stewardship of the organization and the financial resources entrusted to them. The CDF has made significant strides but can do more with the right support from our partners and the full engagement of all of our Member States. In that regard, I must recognize the demonstrated commitment of those Member State Contributors, namely Dominica, Barbados, Suriname and Trinidad and Tobago, that made substantial payments into the CDF capital fund in 2019, against their assessed contributions for this ongoing second cycle of operations.

As all our stakeholders would readily appreciate, the work of the CDF, while an important and necessary institutional pillar within the regional integration arrangement, is not by itself a sufficient condition for the development and growth of the CARICOM LDCs and the overall Region by extension. Consequently, there is need for greater functional cooperation, production integration as well as greater coordination of our efforts in penetrating global value chains and international export markets. The continued support of partners is, therefore, necessary to not only underpin the contribution of the CDF to the economic growth and development prospects of our Region, but also to advance our regional resilience building strategies, as well as achieve the global sustainable development agenda and goals, in which the CARICOM Region expects to play an active role. In that regard, I take this opportunity on behalf of the CDF Board of Directors to express our gratitude to the Government of India for its recent commitment of US\$1m to the CDF's capital fund, and look forward to the growth of this relationship and the nurturing of new development partnerships in the years ahead.

# CHIEF EXECUTIVE OFFICER'S REVIEW

The CDF made substantial progress in committing resources towards new CAPs in 2019 and some headway in advancing the implementation of previously approved programmes. The new programmes approved were consistent with the agreed thematic priorities for the CDF's second funding cycle, in particular: 'Promoting Investment' through support for productive sector infrastructure to facilitate private sector trade and investment, and through institutional development and capacity building. The latter included further support for standards development linked to facilitation of growth in agriculture exports and a water supply project serving both households and expanded agriculture production. However, approvals were concentrated in size around support to infrastructure and business development in the tourism sector, with a strong local community focus, but with a lesser emphasis this year on agriculture and concessional financing to women and men-owned SMEs intermediated through the national development banks.

Across the mentioned sector related thematic areas, the CDF Board of Directors approved loans totaling US\$8.76m and grants valued at US\$3.72m, for a total level of commitment of new funding of US\$12.48m in 2019.

In support of an agriculture partnership between Antigua and Barbuda and Suriname, a grant of US\$310, 000 was approved as the second element of the Antigua and Barbuda CAP for development of a roadmap to guide cooperation in support of agricultural production and trade,



**Mr. Rodinald Soomer**  
Chief Executive Officer

and to co-finance the implementation of priority technical assistance interventions identified in the roadmap.

The CDF Board at its 4th Extraordinary Meeting approved a grant of US\$80,000 as the third component of Antigua and Barbuda's second cycle CAP. The grant was to support institutional strengthening of the Antigua and Barbuda Development Bank (ABDB), with a focus on enhancing its capacity to provide credit to women and men-owned SMEs. The Board also considered a request for a concessional loan of US\$1,020,000 and agreed to defer its approval pending submission and acceptance of recommendations arising from the ABDB institutional strengthening consultancy. This component of the Antigua and Barbuda CAP was conceived within the context of ongoing efforts to build resilience and support economic recovery in the wake of the dislocative impacts of Hurricane Irma, which had severely impacted the island in September 2017. It is therefore complimentary to the CDF co-financed energy

infrastructure rebuilding objective of the Green Barbuda hybrid solar-diesel-battery storage power plant previously approved by the Board as the first element of the country's second cycle CAP.

At the community level, a grant of US\$800,000 was approved for the Government of Belize (GOBZ) for the acquisition of materials and equipment to improve the distribution, measurement and conservation of pipe borne water for at least 900 households in four disadvantaged rural and urban communities. A portion of the grant was allocated to enhancing the capacity of Village Water Boards to better administer and implement their development mandate at the local government level.

The Board of Directors also approved the first two components of the second cycle CAP for Grenada. A grant of US\$685,000 was approved for the Grenada Bureau of Standards for enhancing exports through the strengthening of their testing facilities. The Board subsequently approved a grant to the Government in the amount of US\$220,815 for enhancement of the Mirabeau Meat Harvesting and Processing Plant. These two interventions continue the thrust of the support provided to Grenada under earlier programmes, which focused on enhancement of agriculture production and export capacity.

The final two country interventions approved for 2019 were in the tourism sector. The Board approved a loan of US\$5,009,014 to the Government of St. Vincent and the Grenadines to part-finance the construction of a 93-room budget hotel; and a grant of US\$690,986 also for construction works and for project management, as Component 1 of that country's CAP, to support the economic diversification thrust.

The Board also approved the third component of St. Lucia's second cycle CAP – Implementation of the St. Lucia Village Tourism Initiative (VTI), having previously approved a technical assistance grant to assist the Government in the conceptual development, including design of the institutional framework, for this novel approach to community-based tourism. This approval included a loan of US\$3,750,000 to be administered by the St. Lucia Development Bank to benefit participating businesses in the VTI; and a grant of US\$935,663 to enhance public infrastructure in designated communities

with tourism product and business development potential.

At the operational level, the Board approved a supplement of US\$290,000 to the Sixth Biennium Budget (2018–2019) from the CDF capital fund, to finance activities related to Phase 2 of the development of the CRAF which is being designed to stimulate higher levels of lending by the commercial banking sector, development banks and other local financial institutions to finance investments in sustainable energy by women and men-owned SMEs. The supplement was to fund procurement of the software, hardware and technical services needed to build and facilitate access to an online portal by clients and beneficiaries of the facility, and for marketing and legal services, with a provision to draw down on grant resources being provided by the Government of India.

This budget supplement was to complement the continued work being externally supported by the EU/GIZ to build out the three main pillars of the CRAF: the Credit Risk Instrument (CRI), Technical Assistance Program (TAP) and the Monitoring and Evaluation (M&E) Program, to draft detailed policies and procedures, design the IT portal, and to co-finance missions which took place in October 2019 to five potential pilot countries – Barbados; Belize; Guyana; St. Lucia; and Suriname. These missions further assessed key readiness issues, including regulatory requirements for the operation of CRAF in each country, availability and readiness of financiers, service providers, industry associations and potential beneficiary SMEs and identification of other sources of technically and commercially viable projects for possible inclusion in pilot country project pipelines.

Disbursements on country programmes for 2019 were projected at US\$4,201,970, with actual disbursements recorded at US\$2,211,795 or 53 per cent of the estimate, reflecting the slow pace of implementation. This was mirrored in the slower than anticipated progress to completion of ongoing projects approved in both the first and second funding cycles.

Antigua and Barbuda had two first contribution cycle projects still ongoing at the end of the reporting period, namely the Redevelopment of the Lower St John Cruise ship terminal and the completion of the Antigua State College Learning Resource Center. Both projects were



initially scheduled to be completed in 2019 but had to be extended into 2020 on account of further schedule slippages. Many of the CDF financed components for the cruise ship terminal redevelopment-refurbishment of the Vendors Mall, construction of the taxi-stand and hub in Lower St. Johns, and renovation to the onshore sanitary facilities-were substantially complete. The Learning Resource Center was also substantially complete by end 2019, and a Certificate of Practical Completion is expected in the first quarter of 2020.

However, Antigua and Barbuda signed two of three approved cycle two projects during 2019: (i) the construction on Barbuda of a 719 Kw hybrid diesel/solar power plant (the Green Barbuda project) which will contribute significantly to meeting Antigua and Barbuda's goal of producing 15% of its electricity needs from renewable sources by 2030; and (ii) the development of a roadmap for bilateral cooperation in agriculture with the Government of Suriname (GOSU).

Five sub-projects in Belize, approved in the prior reporting period, were launched in the third quarter of 2019, namely: Expansion of honey production (grant of US\$0.28 m); Expansion of covered shelters production (grant of US\$ 0.2m); Preparation of a National Investment Promotion Strategy (grant of US\$0.3 m); Support to Small and Medium Sized Enterprises (US\$3.0m Sub-Lending Programme); and Technical Assistance to the DFC to Prepare a Medium Term Operational Plan and Business Continuity Plan (Grant of US\$ 0.1m).

For Dominica, the support to the Douglas Charles Airport, in the wake of damage caused by Hurricane Maria in September 2017, was completed in December 2019 with the procurement of additional security equipment. In the case of the sub-lending programme at the Dominica Agricultural and Industrial Development Bank (DAIDB), US\$3.6m of the US\$4.0m provided by the CDF was disbursed to support small and medium sized businesses. The DAIDB Capacity building project advanced with the procurement of a consulting firm to develop its accountancy manual in March 2019. Completion of disbursements on both the onlending and capacity building programmes is projected to the end of 2020. The sub-project to support Establishment of the National Centre of Testing Excellence (US\$0.95 m) was also not completed in the reporting period as the scope,

previously limited to equipment procurement, was expanded to include some infrastructural refurbishment. Completion of outstanding activities is also projected at year end 2020, including the installation of a new HVAC system to facilitate testing services needed by the private sector.

In Guyana, unused resources under the project Rural Agricultural Infrastructure Development in Small Scale Farming in Regions 4&5, under implementation since 2017, were reallocated to other agriculture sector development activities.

Three projects from the first cycle of funding were still ongoing in St. Kitts and Nevis at the end of the period. The Indian Castle Irrigation project in Nevis entered the final stage of implementation. The reservoir, pump, drip irrigation system, and inter-connection of wells were completed. Full completion is projected for the middle of 2020. Phase 1 of the Enhancement of the South Frigate Bay Strip (grant of US\$0.4m) was approved in December 2016 but encountered setbacks associated with variations to the project design which delayed construction. Phase 2 of the South Frigate Bay Strip project (grant of US\$1.3m) was approved in May 2018 and the grant agreement executed in February 2019. Implementation is contingent on the completion of Phase 1 and is expected to commence towards the end of 2020.

The project, Establishment of a Solar Photovoltaic plant at the Argyle International Airport (AIA) in St. Vincent and the Grenadines, (US\$0.75m) was concluded and final disbursement made during the year. Energy generated by the Argyle solar plant is fed to the national grid and credits equivalent to 50% of the per unit price are applied to Argyle's electricity bill. The plant at completion was producing the planned 320Kw of solar energy which complemented 186 Kw generated from panels funded by the UNDP-GEF Programme and the Caribbean Community Climate Change Center (CCCCC).

During 2019, contributions were received from four Member States for the CDF's 2nd Contribution Cycle: Barbados (US\$2,800,000); Dominica (US\$391,156); Suriname (US\$500,000) and Trinidad and Tobago (US\$5,000,000). The transfer from Dominica represented the final tranche of their assessed contributions which

completed their 2nd cycle financial commitments to the CDF.

As at December 31, 2019, the CDF's operations totalled US\$5.27m compared to US\$9.53m in the previous period, all of which continued to be financed from the CDF's core resources available from the First Contribution Cycle as well as new resources from the Second Contribution Cycle. Of these amounts, disbursements to Member States totalled US\$2.58m in 2019 compared to US\$6.92m in 2018. These disbursements of resources, were all in the form of grants, distributed among the following Member States: Belize (\$237,362); St. Lucia (\$315,513); St. Vincent and the Grenadines (US\$659,540); St. Kitts and Nevis (\$687,417); Dominica (US\$48,866); Antigua & Barbuda (US\$506,405); and Grenada (US\$123,000). No loans were disbursed during 2019. Total disbursements were 63.0 per cent lower than the previous year attributable in part to capacity constraints in Member States that continued to unfavourably impact absorption of funds, as well as the tapering off of expenditure levels on projects that approached completion.

In contrast with the performance of disbursements, while there was no growth in the loan portfolio, given the timing of approval of new loan financed projects in December 2019, 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 2019 were US\$5.00 m, relative to US\$3.68m at end-2018. There were also no delinquent or non-performing loans recorded during 2019.

The capital fund was valued at US\$116.6m as at 31 December 2019, a marked increase from US\$93.0m at the end of the previous period. The increased value is due to a combination of a net contribution of \$10.2m and investment gains of \$13.4m. Net investment returns for 2019 amounted to US\$13.41m or 14.4%, compared to net investment returns of -US\$0.49m or -0.5% reported in 2018. Both equities and fixed income contributed significantly to the net returns with the smaller equity portfolio (about 22% of assets as of 31st December 2019) gaining 29.7% to contribute \$6.56m to the net return while the fixed income portfolio gained 9.7% to contribute \$6.84m to the net return.

Also, over the review period, a major milestone was achieved in establishing a Regional Cohesion

Policy for CARICOM, for which the CDF has assumed a lead role. The COTED at its 49th Meeting held in mid-November 2019, adopted the CARICOM Cohesion policy statement, accepting the recommendations of the Draft Cohesion Policy, to enable the formulation and implementation of more targeted interventions to disadvantaged countries, regions, and sectors, including in MDC Member States. This opens the way for the CDF to engage in dialogue with its MDC members on the formulation of Cohesion-focused country programmes, once they become financially compliant. For the way forward, the COTED further recommended that the Cohesion Policy be referred to the Community Council for its endorsement and onward transmission to the Conference of Heads of Government for its approval, subject to Cabinet consideration and approval in Barbados and Belize. Approval from Barbados and Belize was subsequently received at a meeting of the Community Council held in December 2019.

In completing this reflection on CDF'S major accomplishments in 2019, I must once again express appreciation to the staff of the CDF for continuing to respond to the imperative of increasing the pace of commitment of resources towards new country programmes, given that the CDF is entering the final stages of its 5-year contribution and subvention cycle. Special note must be made of the efforts of staff who have led on the continued development of the innovative CRAF and guided the CARICOM Cohesion Policy through to approval by the Community. These new initiatives will help set the stage for diversifying the scope of the CDF's operations around the core traditional country programmes that have characterized CDF's operations from inception, while allowing for a more structured engagement with the private sector and inclusion of the MDCs as direct beneficiaries of CDF support.

Regional and external partnerships will also continue to be developed and strengthened to complement CDF's internal efforts to boost its capacity to efficiently manage an expanded portfolio of development interventions, aligned with the Community's commitment to ensuring that Member States derive optimal benefit from the process of deeper integration.

I extend the appreciation of management and staff for the steadfast commitment and leadership displayed by the CDF Board, which continued to deliver effectively on its governance

mandate within the constraints of an incomplete slate of directors in 2019. I wish to especially thank the Chairman Dr. Sherwyn Williams, whose term expired in July 2019, for his skillful and attentive management of a very active board agenda and by extension, for his contribution to the growth and development of the CDF during his two-year tenure. Likewise, I would like to recognize the Deputy Chair, Dr. Richard Brown for seamlessly assuming the responsibility to lead the Board during the latter half of 2019 and for his contribution, supported by a dedicated cohort of fellow directors, to the strong performance recorded by the organization in 2019.

Finally, the CDF as always must place on record its gratitude for the unwavering support being provided by the Government of Barbados, in continuing to host the organisation, particularly in the midst of ongoing dire economic and fiscal circumstances. As we approach the final stretch of the second cycle of operations, the CDF looks forward to deepening the partnership with Barbados and the other MDC members of the Fund, within the context of the provisions of the soon to be approved CARICOM Cohesion Policy, buoyed by the reinvigorated commitment of the Community to the successful completion and implementation of the CSME.







# 2019

Annual Report

## **INTERNATIONAL AND REGIONAL ECONOMIC ENVIRONMENT**

## International Economic Environment

The global economy in 2019 was characterised by a sharp slowdown in international trade flows, lower global manufacturing activity, and high levels of policy uncertainty. Amid rising tariffs and rapid shifts in trade policies, business confidence deteriorated which resulted in a dampening in investments across most regions. Softening demand has also weighed on global commodity prices, in particular crude oil and industrial metals. While the global shift towards more accommodative monetary policies has eased short-term financial market pressure somewhat, long-term fault lines create significant uncertainty.

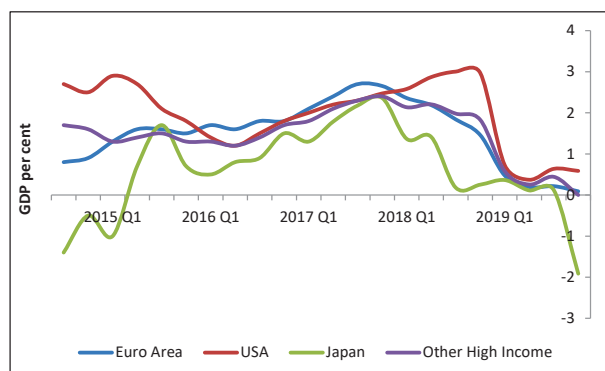
In 2019, global GDP growth is estimated to have slowed to 2.3 per cent, relative to the 3.0 growth recorded for 2018 (see Table 1). The outturn in global growth is predicated on continued benign global financing conditions and modest manufacturing activity. Economic activity across the globe has been highly synchronized, with GDP growth trending down in virtually all major economies. In tandem with slowing merchandise trade, world industrial production weakened (see Figure 1).

Table 1. Annual Real GDP Growth (per cent)*					
	2015	2016	2017	2018	2019
World	3.1	2.3	3.0	3.0	2.3
USA	2.6	1.6	2.3	2.9	2.2
UK	2.2	1.8	1.6	1.3	1.4
Canada	0.9	1.4	3.0	2.3	1.7
Euro	1.9	1.6	2.4	1.9	1.3
<b>Area</b>					
China	6.9	6.3	6.8	6.5	6.0
Japan	1.2	1.0	1.7	0.8	0.7

The headline figures for the larger developed countries, concealed fragilities, and setbacks in many emerging and developing economies and by extension, the uneven rate of progress across the world. More specifically, growth in commodity-dependent countries slowed. Oil exporters are still suffering from the 2014–2016 commodity price downturn. Excessive reliance on commodity revenues to finance public spending has required significant fiscal adjustments. Often, these economic challenges have been exacerbated by political factors, triggering a vicious cycle of

increasing uncertainty and weakening activity. This confluence of existing challenges clouds the medium-term macroeconomic outlook.

Figure 1. Annual GDP change per quarter\*



Data Source: World Bank; Figure generated internally

## Regional Economic Environment

Amid a more challenging external economic environment, economic activity in the Latin America and Caribbean region (LAC) was mixed for the period under review. Economic activity in the LAC region grew by 0.6 per cent in 2019, 0.4 of a percentage point lower than that recorded for 2018. Lower growth rate in the LAC resulted from poor investment and export performances combined with a reduction in public spending. Concurrently, private consumption also slowed, further exacerbating the GDP growth outturn. Flexibility to manoeuvre through macroeconomic policy tightened due to the shrinking fiscal space available to countries in the region as well as difficulties faced in maintaining expansive monetary policies. In Brazil, following a severe recession for fiscal year 2015/16, lacklustre productivity and subdued aggregate demand continued to stymie growth recovery estimated at 0.8 per cent for 2019. For Venezuela, still in the throes of an economic and humanitarian crisis, a major contraction of 39.0 per cent is estimated for 2019. This crisis is evidenced by the unprecedented migration resulting in 3.7 m displaced Venezuelan citizens.

In the Caribbean, economic prospects generally improved in 2019 owing in part to greater tourism demand, rising commodity prices, and improved construction activity. In tourism-dependent

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

	2016	2017	2018	2019
<b>MDCs:</b>				
Barbados	1.6	1.0	-0.5	-0.1
Jamaica	1.4	1.6	1.4	4.7
Suriname	-10.1	-0.2	0.8	2.2
Trinidad and Tobago	-5.4	-2.3	1.9	1.7
Guyana <sup>@</sup>	3.4	2.9	3.4	3.8
<b>LDCs:</b>				
Antigua & Barbuda	5.3	3.2	4.9	5.0
Dominica	2.6	-4.2	0.5	2.0
Grenada	4.1	3.7	4.8	3.8
St. Kitts & Nevis	2.2	1.8	3.0	3.1
St. Lucia	1.7	2.7	0.6	2.1
St. Vincent & the Grenadines	1.3	1.6	3.2	1.2
Belize	-1.0	2.5	2.6	2.0
<b>Other#</b>				
The Bahamas	0.0	1.4	2.5	2.2
Haiti	1.4	1.1	2.0	2.0
Montserrat	1.8	0.7	1.6	1.1

\*Source: IMF/Eastern Caribbean Central Bank

Notes:

<sup>e</sup> = estimate; <sup>f</sup> = forecast.

<sup>@</sup>Guyana is treated as a disadvantaged country because of its HIPC status.

<sup>#</sup>These countries are not members of the CDF.

territories, GDP growth rose modestly to 1.8 per cent in 2019 up from 1.4 per cent in 2018. Notably, the improved GDP outturn for Dominica resulted from strong recovery in reconstruction. Despite the marginally improved outturn in economic activity in the Caribbean, high fiscal deficits and public debt remain major vulnerabilities.

Economic performance across CARICOM was mixed during 2019 (see Table 2). In some tourism-dependent economies, debt ratios have been declining, while some territories, including Grenada, Jamaica, and St. Kitts and Nevis have engaged in multi-year fiscal consolidation efforts. In addition, numerous banks in the region continue to be beleaguered by high levels of non-performing loans, constraining credit availability and economic activity. In Guyana, a surge in investment due to potentially lucrative oil exploration and new gold mines underpinned the growth outcome in 2019. In Suriname, the recovery in commodity prices and the commissioning of the Merian gold mine in 2016

returned positive growth in 2018 with further improvement in 2019.

Jamaica's reform programme, supported by the IMF's precautionary Stand By Arrangement (SBA) brought commendable outcomes for the Jamaican economy. The SBA, which ended in 2019, invigorated the economy with fifteen consecutive growth quarters, subdued inflation, low unemployment, and enhanced international reserve coverage. Increases in agriculture and mining provided stronger contribution to the GDP outturn. The increased GDP growth outturn of 4.7 per cent was bolstered by higher public and private investment and improved productivity.

For Barbados, a small decline in output reflected the efforts of the fiscal authorities to consolidate debt under the four-year Extended Arrangement, Extended Fund Facility at the IMF, established in October 2018. Economic activity was supported by growth in tourism and heightened private sector confidence. A domestic debt exchange operation was completed in

November 2018, aimed at significantly reducing the public debt burden, without prejudice to financial stability. The restructuring resulted in immediate reduction in the debt-to-GDP ratio of approximately 30.0 percentage points in nominal terms. Notwithstanding this progress in debt restructuring, risks to the debt dynamics remain elevated. Subsequent to the completion of the domestic debt exchange, Standard & Poor's upgraded Barbados's long-and short-term local currency rating to B- and B, respectively.

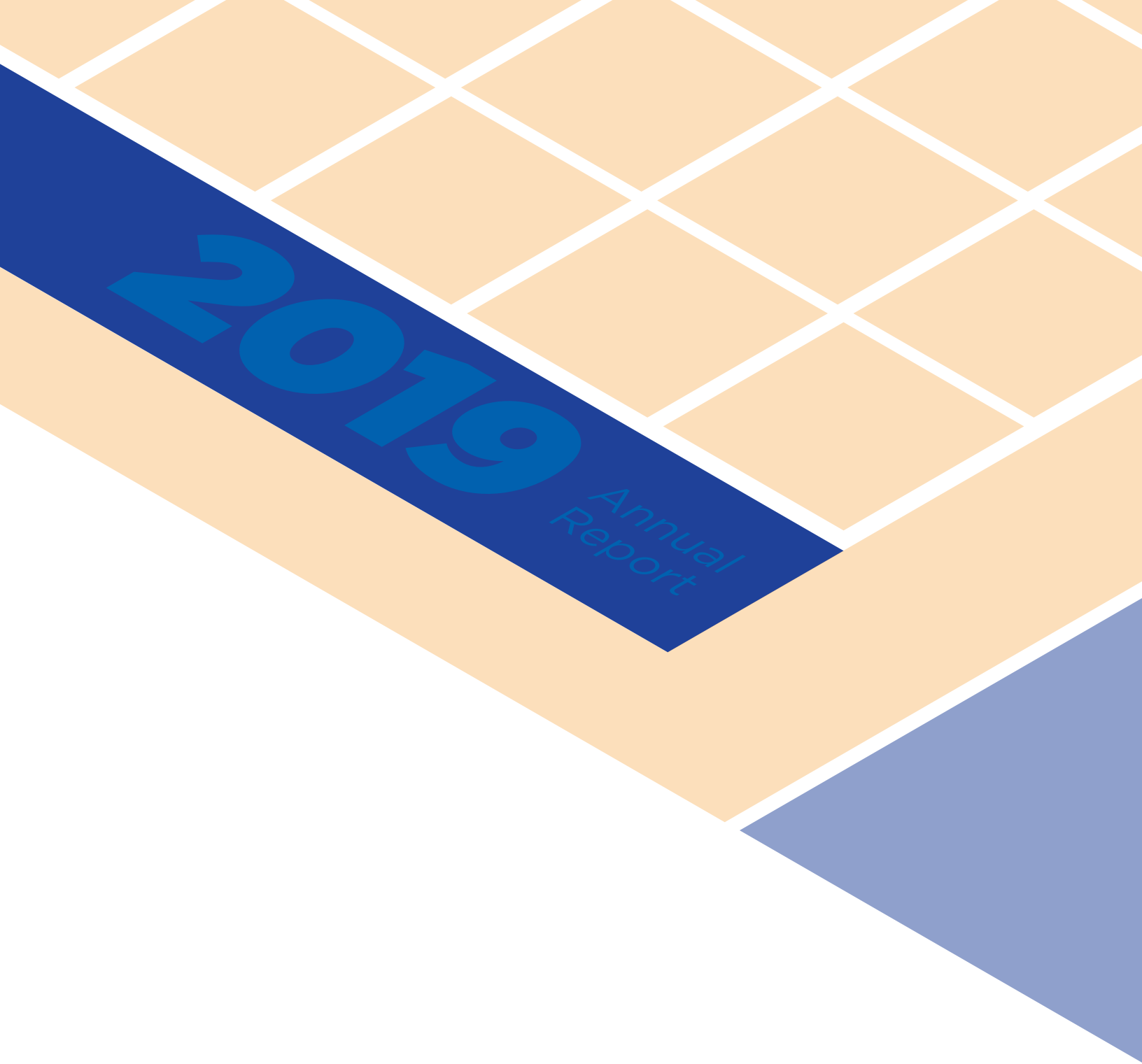
## **CDFs Response to Regional Growth and Development**

During 2019, the CDF focused attention on closing out cycle one programmes/projects and continued to establish new CAPs 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 infrastructure; and renewable energy/energy efficiency-all strategically enveloped under the CARICOM Cohesion Policy. These broad themes are executed under the CDF CAPs, which provide financial and technical assistance to CDF Member States.

## **Economic Outlook**

The challenge of reactivating economies has arisen in a global context of low economic growth. In 2019, the world economy grew by 2.3 per cent, owing to the widespread slowdown in both developed and emerging economies. From the perspective of the CARICOM region, the slowdown of two main trading partners of the larger countries in the region, the United States and China, is particularly significant. The countries of the region are exposed to lower growth rates in these two developed countries not only through their exports, but also through commodity prices, as China and the United States are major players in the global markets for the commodities exported by territories in the region. More interestingly, the outlook for 2020 is underpinned by weak global economic activity and global trade with the risks being skewed to the downside. Trade tensions have affected confidence and investment in some economies with sectors that are heavily exposed to international trade, putting growth at risk for the near- to medium-term.





# 2019

Annual Report

## **COUNTRY ASSISTANCE PROGRAMMES**

## OVERVIEW

The year commenced with an active portfolio of 28 projects under implementation representing CDF financing of US\$33.2m across the 8 disadvantaged countries. During 2019, CDF continued to collaborate with Member States and other development partners on the identification, design and implementation of interventions aimed at promoting more territorial balance in economic and social development within and across CARICOM Member Countries. Seven new CDF-supported projects totalling US\$12.5m in 5 Member States, were approved. At the end of 2019, 4 projects representing US\$2.7m, were completed and 1 project valued at US\$0.2m was cancelled at the request of the beneficiary, resulting in a total of 5 projects exiting the portfolio. The active portfolio stood at 30 projects, representing CDF financing of US\$42.8m in 8 Member States at the end of the period.

According to its mandate detailed in Article 158 of the Revised Treaty, and CDF's Strategic Plans for cycle one and two, interventions were prioritised according to four broad themes: business development and enterprise competitiveness;

human capacity development; sector level and national infrastructure; and renewable energy/energy efficiency; all strategically enveloped under the CARICOM Cohesion Policy.

## Portfolio Management 2019

### Approvals

Seven projects, which were added to the portfolio in 2019 (see Table 3) focused on:

- (i) improving the quality and differentiation of the tourism product.
- (ii) increasing the level of output, trade from, job creation capacity, and resilience of the agricultural sector.
- (iii) providing women and men-owned SMEs with increased access to credit to promote increased investment in innovation and by extension improved productivity, competitiveness, and job creation potential.
- (iv) establishing greener and more resilient infrastructure critical to sector and

**Table 3: Summary of 2019 Approvals**

Member State	Project Title	Amount (US\$)	Date Approved	Type
Antigua and Barbuda	Institutional Strengthening of the Antigua and Barbuda Development Bank	80,000	18 Jul	Grant
Antigua and Barbuda	Development of a roadmap for bilateral co-operation in agriculture with Suriname	310,000	19 Feb	Grant
Belize	Rudimentary Water Systems	800,000	19 Feb	Grant
Grenada	Enhancement of the Mirabeau Meat Harvesting and Processing Plant	220,815	18 Jul	Grant
Grenada	Enhancing Exports Through the Strengthening of the Grenada Bureau of Standards Testing Facilities	685,000	14 May	Grant
St. Lucia	Implementation of the Village Tourism Initiative for St. Lucia	4,685,663	11 Dec	Grant & Loan
St. Vincent and the Grenadines	Supporting Economic Diversification - Expanding the Accommodation Sector	5,700,000	11 Dec	Grant & Loan
<b>TOTAL</b>		<b>12,481,478</b>		

firm level competitiveness, including increasing firms' energy efficiency and access to lower cost and environmentally friendly energy.

## Addressing Structural Constraints

According to the World Tourism Organization, the global tourism sector experienced its 9th consecutive year of growth in 2018 with Asia and the Pacific, recording the highest growth in arrivals and receipts. This growth trend was expected to continue into 2019 and 2020. Factors influencing growth included:

- use of digital technologies to shape visitor experience.
- a greater focus on sustainability (e.g., increased use of renewable energy) as evidence of social responsibility, to improve market positioning, and to increase cost competitiveness.
- visitor interest in authentic local experiences, sharing details of a visit via social media, visits that support improved health and wellness, and maximising benefits of the access economy (e.g., use of Airbnb accommodations).

CDF financing prior to 2019 aimed at improving the quality and differentiation of the tourism product of Member States included: *Redevelopment of the Lower St. John's Cruise Ship Terminal* (Antigua and Barbuda), *Enhancement of the South Frigate Bay* (St. Kitts and Nevis); and *Establishing the Institutional Framework to Manage the Village Tourism Initiative* (St. Lucia). This support continued in 2019. During this reporting period, funding was approved to support:

- The **Government of St. Lucia** with rolling out its Village Tourism Strategy (US\$3.75m), a product diversification initiative in three pilot communities, aimed at creating a more authentic visitor experience, preserving cultural heritage, and generating local employment. This project increases tourism sector SMEs' access to finance for product innovation; and the innovation process is supported



by targeted business support services, and a strengthened tourism sector innovation ecosystem. Planned results include:

- physical upgrade of strategic community assets, village-based visitor accommodation (approximately 120 rooms), as well as bars and restaurants (approximately 15).
- a marketing strategy.
- a dedicated entity for delivery of targeted business support services to participating tourism SMEs.
- development of new or revision of existing village tourism standards and a system for promoting and monitoring compliance.
- training towards service excellence.
- increased visitor awareness of the pilot communities as visitor attractions.
- improved visitor perception of the attractiveness of pilot communities.
- increased access by community-based operators to finance and business support services.
- increased consumption of community-based products and services by visitors in the pilot communities.
- creation of approximately 120 new jobs.
- The **Government of St. Vincent and the Grenadines** (GOSVG) with the construction of a 93-room budget hotel through a public-private partnership to close a supply gap and cater to specific market segments on the main island, including crews of airlines introducing flights into St. Vincent and the Grenadines.
- CDF also approved resources (US\$310,000) to the **Government of Antigua and Barbuda** (GOAUB) to support a novel pilot project that would see Antigua and Barbuda and Suriname engage in public-private dialogue to identify and pilot opportunities for collaboration in tourism and agriculture. The dialogue and pilots will lead to a strategy to guide the collaboration; improve transportation linkages; enhance the



tourism products of both countries; increase trade in agricultural products, including inputs required by Antigua and Barbuda; and increase investment by Antigua and Barbuda in food production within Suriname's agricultural sector to mitigate risks in Antigua and Barbuda associated with water scarcity, extreme weather events, and climate change.

## Enhancing Firm Level Competitiveness

Recent private sector surveys indicate that access to finance remains the greatest obstacle to increasing innovation, productivity, and competitiveness among Caribbean SMEs. Other significant obstacles include regulatory compliance costs, which is higher for SMEs as compared to large enterprises, and inadequate access to knowledge and infrastructure. In 2019, CDF continued its support to Member States with lines of credit to national development banks for onlending to women and men-owned SMEs and the institutional strengthening of the banks to sustain SMEs' access to finance. Additional funding (US\$80,000) was approved to support the re-organisation of the ABDB and dialogue on a line of credit, contingent on the success of reorganisation efforts, continued. Resources (US\$3.75 m) approved for the implementation of St. Lucia's Village Tourism Initiative, is also a sector specific line of credit, which will be administered by the St. Lucia Development Bank (SLDB).



upgrading the facilities of the Bureau of Standards and improving its capacity to deliver testing and conformity assessment services to the private sector. The enhanced capacity will better align the Bureau with private sector demand, including needs of exporters, by increasing the range of testing services provided and its efficiency/response time.

In Belize, CDF is supporting efforts to improve the supply and quality of water, and water management practices in four rural communities (Chunox, Corazol District; Mahogany Heights, Belize District; Georgeville, Cayo District; and San Juan, Stann Creek). The project will impact approximately 907 households. According to the World Bank, several factors are conspiring to make water one of the greatest risks to economic progress, poverty eradication and sustainable development. This intervention will simultaneously contribute to protecting human health, reducing water-related climate risks, stimulating economic growth, and reducing poverty.

In addition to the above approvals, CDF also made significant progress towards establishing its CRAF as a financial instrument that incentivises additional lending from local financial institutions to the private sector for renewable energy and energy efficiency interventions. The high cost of fossil fuel-based energy is a major constraint to improved competitiveness of SMEs (see section on Institutional Priorities and Governance for an update on the roll out of the CRAF).

## Infrastructure

CDF also supported the development of infrastructure important to stimulating economic activity and improving sector and firm level competitiveness. Funding was allocated to improve abattoir operations in Grenada (US\$220,815), which is integral to a multi-year strategy to improve food safety, expand livestock production, increase youth involvement in agriculture, strengthen agriculture-tourism sector linkages, create jobs, and reduce the country's food import bill. Similarly, the **Government of Grenada** (GOGR) requested, and CDF provided, resources to enhance the national quality infrastructure by



## Completions

Five projects were closed in 2019. Of these, 3 were approved in cycle one, and 2 in cycle two (see Table 4). Although all five projects experienced delays, they were successfully completed except for the Grenada based project, which was terminated on request by the beneficiary.



Table 4: Projects Completed in 2019		
Member State	Project Title	Amount (US\$)
Grenada (Cycle one, Grant)	Enhancing Export Capacity through Improving Raw Material Supply Capacity and Marketing	243,593
St. Lucia (Cycle one, Grant)	Reducing the Carbon Footprint on Pigeon Island National Landmark	103,478
St. Lucia (Cycle two, Grant)	Village Tourism Initiative Framework Development	120,000
St. Lucia (Cycle two, Grant)	Development of National Export Development Strategy	332,800
St. Vincent and the Grenadines (Cycle one, Loan)	Solar Energy Farm Argyle International Airport	750,000
<b>TOTAL</b>		<b>2,919,871</b>

## Disbursements

Disbursements for 2019 were projected at US\$4,201,970. Actual disbursements were US\$2,211,795 or 53 per cent of the projection, reflecting a slower than planned pace of implementation.

## Project Implementation by Country

The pace of project implementation continues to lag expectations with projects, from both cycles one and two, significantly exceeding the planned duration period. The timely supply of quality M&E data also remains a challenge. This is not unexpected as countries with a greater need for reform are also less likely to have the capacity to implement reforms. CDF, therefore, maintains a dual focus on providing financial and technical assistance to address disadvantage; and strengthening its capacity to support Member States towards greater ownership, time efficiency, and results-focus during implementation. CDF actively assists beneficiaries with transitioning each step in the project management cycle to reduce delays and ensure quality outputs.

In 2019, CDF placed emphasis on assisting Member States with resolving implementation

challenges and accelerating all projects, in particular the 16 projects brought over from cycle 1 and experiencing extended delays. Despite efforts, at the end of 2019, implementation of 12 projects from cycle 1 were still in progress. The major reasons for delays were natural disasters and extreme weather events; distraction pre- and post-national elections; changes in national policies and priorities with change in administrations; change in key counterpart personnel; and the capacity and time required to:

- establish loan/grant agreements after approval and satisfy conditions precedent to disbursement.
- manage procurement activities.
- manage contract variations in infrastructure projects.
- manage the performance of consultants and suppliers towards timely delivery of quality outputs.

Implementation performance of the portfolio by country is detailed below.

## Antigua and Barbuda

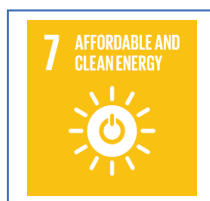
- Two projects from the first cycle of funding progressed but were not fully completed:
  - Redevelopment of Lower St John's Cruise Ship Terminal*: many of the CDF financed components – refurbishment of the vendors' mall, construction of the taxi-stand and hub in lower St. John's, and renovation to the onshore sanitary facilities – were substantially completed.
- Completion of the Learning Resource Center*, ASC was substantially completed but the Certificate of Practical Completion was outstanding and is expected by the end of January 2020.
- Agreements were signed between the GOAB and CDF for 2 projects approved in cycle two:
  - Green Barbuda* (grant of US\$1.0m), was approved in 2018 and supports the construction of a 719 Kw hybrid diesel/solar power plant on Barbuda. The plant will contribute to Antigua and Barbuda's goal of producing 15% of its electricity needs from renewable sources by 2030.
  - Development of a roadmap for bilateral co-operation in agriculture with Suriname (grant of US\$0.3m).
  - Support for the Reorganization of the ADBD* (grant of US\$0.08m), was approved in 2019 and supports the reorganization and strengthening of the



9 INDUSTRY, INNOVATION AND INFRASTRUCTURE



4 QUALITY EDUCATION



7 AFFORDABLE AND CLEAN ENERGY

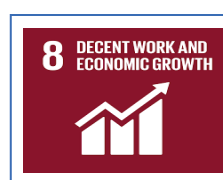


13 CLIMATE ACTION

17 PARTNERSHIPS FOR THE GOALS

8 DECENT WORK AND ECONOMIC GROWTH

Bank and its capacity to provide credit to women and men-owned SMEs. Signing of the agreement is pending.



8 DECENT WORK AND ECONOMIC GROWTH

## Belize

- Five projects, approved in the prior reporting period, were launched in Q3 2019. Start-up activities should be completed, and these projects should be in full implementation in early 2020:
  - Expansion of honey production* (grant of US\$0.28m).
  - Expansion of Covered Shelter Production*: Acquisition of materials and construction of thirty greenhouses as well as the provision of capacity enhancing training (grant of US\$ 0.2m).
  - Preparation of National Investment Promotion Strategy*: Engagement of consultancy services to develop a National Investment Policy and Strategy to assist Belize to strengthen its position as an attractive investment jurisdiction (Grant of US\$0.3m).
  - Support to Small and Medium Sized Enterprises*: Loan to the DFC to provide concessionary financing to women- and men-owned SMEs (US\$3.0m).
  - Development of a Medium-term Business Plan and Business Continuity Plan*: Grant to the DFC for the development of a



1 NO POVERTY

5 GENDER EQUALITY

8 DECENT WORK AND ECONOMIC GROWTH

9 INDUSTRY, INNOVATION AND INFRASTRUCTURE

10 REDUCED INEQUALITIES

13 CLIMATE ACTION

17 PARTNERSHIPS FOR THE GOALS

## Medium-Term Business Plan and Business Continuity Plan (US\$ 0.1m).

- An important milestone was reached in the implementation of the project *Design of a Functioning Management Information System to Support the Public Sector Investment Programme* (grant of US\$ 0.3m) with the commencement of piloting of the system in six ministries: Agriculture, Economic Development, Education, Finance, Health, and Works. Completion is projected for year ending 2020.
- The *Northern Highway Rehabilitation* project (grant of US\$2.26m), was approved in September 2012 and signed in May 2015. The project has experienced extensive delays due to changes in the design and scope of works. The project remained stalled at the end of the reporting period, but a resolution of these issues is expected in early 2020.
- *Rudimentary Water Systems* (grant of US\$0.8 m) was approved in Feb 2019. Signing of the grant agreement is pending and should occur during Q1 2020.
- The project *The Establishment of the Gender Inclusive Belize Enterprise Revolving Fund* (grant of US\$0.5m) was approved in July 2018. Establishing of the grant agreement was delayed as the executing agency, the Belize Trade and Investment Development Service, experienced unforeseen capacity challenges. These issues should be resolved, and an agreement established during the second quarter of 2020.



Representatives of the GOBZ, BELTRAIDE and the CDF at the launch of the National Investment Policy and Strategy project on Monday December 2nd, 2019

## Dominica

- The implementation of the 4 Dominica-based projects continued to be affected by the devastation caused by Hurricane Maria in 2017 and the slow road to recovery:
  - The project *Ancillary Enhancement Measures for the Melville Hall* (Douglas-Charles) Airport (grant of US\$0.74 m), which included the procurement and installation of various border protection and security equipment to support tourism and trade in goods, was concluded with the procurement and installation of the scanning and explosives detecting equipment.
  - Disbursements under the onlending programme at the DAIDB reached US\$3.6m of the total US\$4.0m loaned by the CDF for onlending to women and men-owned SMEs. Completion is projected at Q4 2020.
  - Completion of the project *Technical Assistance to the DAIDB for Capacity Building* (grant of US\$0.15 m) was not achieved; development of the Bank's accountancy manual and optimization of its Sage Accountancy Software were advanced but are still in progress. Completion is projected at Q4 2020.
  - The project *Establishment of the National Centre of Testing Excellence* (loan of US\$1.0m) was also not completed in the reporting period as the scope, previously limited to equipment procurement, was expanded to include some infrastructural refurbishment. Completion of outstanding activities is projected at year end 2020, including the installation of a new heating, ventilation, and air conditioning system to facilitate testing services needed by the private sector.



## Grenada

- Attempts were made to expedite two projects from the first funding cycle but both remained in the initial stages of implementation at the end of 2019:
- The provision of *Institutional Support for the Modernisation of the Customs and Excise Division* (US\$0.5m). This includes procurement of a marine vessel and establishing a pilot Customs Boarding Station one mile away from shore. The major reasons for the delay were the protracted time taken by the GOCR to raise additional financing to meet the lowest tender for the supply of the vessel.
- Development of an *Interactive Web Based Project Portfolio Management Database* (grant of US\$0.25m), was approved in July 2015. Procurement of the supplier to undertake the project was at the final stage at the end of the reporting period. The delayed start of this project was due to the late completion of a dependent World Bank-financed project. Implementation was also impacted by procurement challenges and changes in counterpart project management personnel. Completion is projected at Q3 2020.
- The project *Enhancement of the Mirabeau Meat Harvesting and Processing Plant* (grant of US\$0.22 m) was approved in July 2019 and the grant agreement is expected to be executed during the first quarter of 2020. Activities towards satisfying conditions precedent are ongoing and implementation should be well advanced by mid-2020.
- Enhanced Exports Through Strengthening the Grenada Bureau of Standards Testing Facilities* (grant of US\$0.7m), was approved in May 2019 and an agreement executed in November 2019. Activities towards satisfying conditions precedent are ongoing and implementation should also be well advanced by mid-2020.



## Guyana

The project *Rural Agricultural Infrastructure Development in Small Scale Farming in Regions 4&5* (grant of US\$3.8m and loan of US\$6.6m) was approved in July 2016 and the agreements were executed in December 2016. The planned scope of the project – rehabilitation of 155 km of canals and drainage structures; construction of 40 km of fair-weather dams and a pump station; clearing of approximately 2,500 acres of land for cultivation; distribution of the cleared land, planting material, and improved livestock breeds to 175 farmers; and establishment of a climate resilient agriculture programme in a selected school – was achieved by the end of 2019 except for the clearing of 1000 acres of land due to land tenure challenges. The Government of Guyana in December 2019 applied for the reallocation of unused resources (US\$1.6m) under the project to other agriculture sector development activities.



## St. Kitts and Nevis

Three projects from the first cycle of funding were still ongoing in St. Kitts and Nevis at the end of the period:

- The *Irrigation Project at Indian Castle* in Nevis (US\$0.54m) was approved in December 2016 but is delayed due to several design and scope changes and procurement challenges. At the end of the period, the project was at an advanced stage of implementation and key issues related to the source of water for the project area and the engineering arrangements to facilitate the flow of water were resolved, with water





flowing down to the Indian Castle Reservoir; and 50% of the drip irrigation installed. Project completion is forecast for Q2 2020 when the remaining 50% of the drip irrigation is expected to be received from the supplier and installed.

- *Enhancement of the South Frigate Bay Strip Phase 1* (grant of US\$0.4m) was approved in December 2016 but encountered delays associated with variations to the project design. Completion of this phase is projected for Q3 2020.
- Resources (US\$3.0m) for onlending by the Development Bank of St Kitts and Nevis (DBSKN) was approved in February 2018 but implementation was delayed by 1 year due to the time required by the national authorities to review the draft agreement; and for DBSKN to produce monitoring data on the previous round of lending to women and men-owned SMEs to demonstrate its monitoring capacity and impact, a condition precedent to disbursement.
- *Enhancement of the South Frigate Bay Strip Phase 2* (grant of US\$1.3m) was approved in May 2018 and the agreement, between the Government of St Kitts and Nevis and CDF, was executed in February 2019. Implementation is contingent on the completion of Phase 1 and is expected to commence during Q3 2020.

## St. Lucia

- *Reducing the Carbon Footprint on Pigeon Island National Landmark* (grant of US\$0.10m) which was co-financed with resources from the Government of Finland (EUR 0.08m), was concluded in May 2019 and project outputs, including perimeter lighting powered by a solar generating facility with battery storage, were commissioned and handed over to the St. Lucia National Trust during the year.
- *Strengthening the Institutional Infrastructure for Trade Competitiveness in St. Lucia* (grant of US\$0.3m): The updating of the National Export



Installation of solar panel mounts atop the Saint Lucia National Trust main office building on Pigeon Island National Landmark, Saint Lucia.

Strategy (grant of US\$0.3m) to drive St. Lucia's export development through to 2024, co-financed by the CDF, was completed in April 2019. The National Export Strategy is expected to be formally launched in 2020.

- The study leading to the *Design of the Policy, Regulatory, and Institutional Framework for the Management of St. Lucia's Village Tourism Initiative* (grant of US\$0.08m) was completed and discussions commenced with CDF to secure the resources to begin the pilot stage of the rollout.

## St. Vincent and the Grenadines

- The project, *Establishment of a Solar Photovoltaic plant at the AIA in St. Vincent and the Grenadines*, (grant of US\$0.75m) was concluded and final disbursement made during the year. Energy generated by the Argyle solar plant is fed to the national grid



Solar panels installed at AIA solar farm



and credits are applied to Argyle's electricity bill. The plant at completion was producing the planned 320Kw of solar energy which complemented 186 Kw generated from panels funded by the UNDP-GEF Programme and the CCCCC.



- The project *Supporting Economic Diversification-Expanding the Accommodation Sector* (grant of US\$0.7, and loan of US\$5.0m) was approved at the end of the reporting period. An agreement will be formalised and construction commence in 2020.

## Lessons Learned and Outlook for 2020

### Lessons Learned

*Piloting, Monitoring, Evaluation, Learning & Sharing:* CDF is supporting several projects that test solutions to problems common to more than one member state (e.g., youth in agriculture, community involvement in tourism, expanding food production, and improving the national quality infrastructure). While CDF continues efforts to improve M&E of all projects, it needs a specific approach to designing, monitoring, and evaluating pilots towards generating and disseminating quality knowledge products.

*Onlending Programme and SME Innovation:* While access to affordable credit remains the greatest barrier to innovation by Caribbean SMEs, credit accessed has not been used overwhelmingly for innovation related activities or when it was applied to innovation, knowledge limitations may limit the impact. CDF should, therefore, strengthen the M&E capacity of its intermediaries to generate stronger evidence of outcomes and impact from loans to SMEs; as well as the factors influencing the level of innovation realised at the firm level using the financing accessed by the SMEs. The St. Lucia Village Tourism Initiative includes a line of credit to provide funding to women and men-owned SMEs, but this will be combined with access to dedicated innovation support services. SMEs will have access to services, from a strengthened innovation ecosystem, to identify the activities,

which must be implemented to reengineer their services and business models. A comparative analysis of the results generated in St. Lucia with results from other Member States with onlending programmes, but no dedicated innovation support services should yield invaluable lessons.

*Synergy Across CDF Instruments:* The establishing of the CRAF, presents an opportunity for CDF to develop and combine instruments and offer wraparound solutions to factors of disadvantage. While the CRAF will focus on private sector access to financing and expanding the use of renewable energy and increased energy efficiency solutions, other solutions to major factors that constrain competitiveness can be combined with it for greater impact.

*Project Execution Capacity:* Given the dire need to improve the pace of implementation, CDF must find ways to use the project start-up process to assist with establishing and strengthening the capacity of the local execution team, including identifying and enrolling the support of committed and influential project sponsors. CDF supported projects are typically executed by counterpart personnel from a main executing agency along with personnel from other agencies who may be responsible for finance, procurement, civil works, etc. and who are supporting several projects. The extent to which all local personnel understand the CDF-supported project and are coordinated and able to function as a team varies from one Member State to the next. The extent of readiness of the often-dispersed local executing team should be assessed and strengthened during project start-up.

### Outlook for 2020

The implementation performance of the CDF portfolio in 2020 will be predicated on the ability of the CDF to effectively support national project management efforts, including risk management, where there are known capacity deficits. Efforts will be focused on the completion of CAPs from the first cycle; accelerated implementation of newly approved projects; and the completion of the second cycle CAP for Dominica delayed due to the refocusing that occurs pre-and post-national elections. National elections were held in Dominica in December 2019.



# 2019

Annual Report

## **INSTITUTIONAL PRIORITIES AND GOVERNANCE**

## INSTITUTIONAL PRIORITIES

### Work Programme

Consistent with 2018, the CDF work programme 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 – 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 5).

**Table 5. Targets and Outputs for 2019**

**IP 1 – Country Assistance Programmes (CAPs)**

Target	Output
CAPs for all (8) Member States implemented	Seven new projects totalling US\$12.5m in 5 Member States, were approved. Four projects (US\$2.7m) completed 1 project (US\$0.2m) cancelled
Increase disbursements of approved CAPs	<p>Grants totalling US\$2.58m disbursed to 7 Member States:</p> <ul style="list-style-type: none"> <li>• Belize (\$237,362)</li> <li>• St. Lucia (\$315,513)</li> <li>• St. Vincent and the Grenadines (US\$659,540); St. Kitts and Nevis (\$687,417)</li> <li>• Dominica (US\$48,866)</li> <li>• Antigua &amp; Barbuda (US\$506,405)</li> <li>• Grenada (US\$123,000).</li> </ul> <p>No loans were disbursed, and total disbursements were 63% lower in 2019 compared to 2018 due to capacity constraints in Member States.</p>
CDF resources used to leverage and/or supplement resources from other International Development Institutions.	<p>The Green Barbuda Project restores power generation infrastructure in Barbuda after the catastrophic impact of Hurricane Irma in 2017.</p> <p>The plant is being built in a location on the island less susceptible to extreme weather-related damages; and will provide power generation to the island via diesel and solar with further redundancy provided by a battery system. The project reduces Antigua and Barbuda's reliance on imported fossil fuels; contributes to commitments to reduce the country's energy demand and carbon footprint; and provides a cleaner and more cost-effective source of energy to support the growth of the productive sectors.</p> <p>CDF resources of US\$1m complement resources from other partners, including US\$0.5m from the Government of New Zealand, US\$5.7m from the United Arab Emirates-Caribbean Renewable Energy Fund, and US\$0.5m from the GOAUB.</p>
Enhanced Competitiveness through a programme of assistance to Private Sector.	As at the end of the reporting period, CDF had provided 8 lines of credit totalling US\$26.5m for onlending to SMEs via financial institutions (FIs) in Antigua and Barbuda, Belize, Dominica, Grenada, St. Kitts and Nevis, and St. Lucia. This includes a US\$3.75m line of credit approved in 2019, which will be dedicated to improving the competitiveness of

	<p>SMEs participating in St. Lucia's Village Tourism Initiative.</p> <p>US\$1.4 m was also provided to strengthen the capacity of the participating FIs, including US\$0.08m approved in 2019 to strengthen the capacity of the ABDB.</p> <p>CDF has also financed 12 grants (US\$13.5m) that directly support improving the competitiveness of agri-enterprises in 7 member states, increasing agricultural output, and creating jobs, including for the youth and women.</p> <p>In terms of enhancing competitiveness of the private sector, CDF has also financed 12 projects (US\$3.4m) directly aimed at creating a more enabling business and investment climate ranging from improving macroeconomic stability through improved public sector investment planning; strengthening of customs and excise to regulate cross border trade; to improving the policy and institutional capacity for investment promotion.</p>
Support for the improvement of specified infrastructure	<p>US\$45.3m was provided for 17 distinct projects (some with multiple phases) to improve infrastructure in the 8 disadvantaged Member States as at the end of the reporting period. Support was provided to improve (i) transport infrastructure, which impacts on the competitiveness of all sectors; (ii) tourism-related infrastructure; (iii) national quality infrastructure and the private sector's access to testing services; and (iv) agriculture access roads.</p> <p>The above includes 4 new infrastructure projects approved in 2019:</p> <ul style="list-style-type: none"> <li>• Enhancing Selected Public infrastructure in the Village Tourism Initiative Project Area, St. Lucia (US\$0.9m)</li> <li>• Enhancement of the Mirabeau Meat Harvesting and Processing Plant, Grenada (US\$0.2m)</li> <li>• Rudimentary Water Systems, Belize (US\$0.8m)</li> <li>• Enhancing Exports Through the Strengthening of the Grenada Bureau of Standards Testing Facilities, Grenada (US\$0.7m)</li> </ul>
Improved resilience in the energy sector.	<p>As at the end of the reporting period, CDF has provided US\$2.7m in support to projects aimed at increasing use of greener and lower cost energy in Antigua and Barbuda, Belize, Grenada, St. Kitts and Nevis, St. Lucia, and St. Vincent and the Grenadines</p>



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

<b>Target</b>	<b>Output</b>
Timely production of the Biennium Capital and Operating Budgets	Budgets were finalized and presented to the Board in November 2018
Timely annual financial statements with unqualified audit opinions.	2018 Financial Statements and audit reports approved by Board in May 2019 . CDF received its tenth unqualified opinion. Arrangements for the eleventh audit commissioned in December 2019.
Timely and accurate in-house financial information to assist in decision making.	All due Reports were produced and submitted to the Board in a timely manner
Timely disbursements of approved loans and grants.	All requests for disbursements were met within 3-5 working days, once conditions precedent were met.
Positive returns on capital fund with minimal risks.	The capital fund returned 0.25 per cent and was valued at US\$116.6m at the end-2019.
Leading the development of new financial products to expand the range and quality of assistance provided by the CDF	Developing the three main operating areas of the CRAF: CRI, Technical Assistance Programme, and M&E Programme continued during 2019. See CRAF Update below for further details.

## ***IP 3 - Promotion of Cohesion***

<b>Target</b>	<b>Output</b>
Development of Cohesion Policy and operational indicators for disadvantaged regions and sectors.	The Draft CARICOM Cohesion Policy report went through several rounds of validation by various stakeholders, including Member States and is awaiting adoption by the CARICOM Heads of Government. Several presentations were made to the COTED to advance the policy for adoption by the CARICOM.

#### ***IP 4 - Resource Mobilisation***

Target	Output
Capital Fund fully replenished.	The replenishment of the Capital fund was not achieved. During 2019, contributions were received from four Member States, with Dominica completing their second cycle financial obligations with a payment of US\$391,156. Contributions were also received from Barbados (US\$2.8m); Trinidad and Tobago (US\$5m); and Suriname US\$500,000).
Mobilise Resources from Development Partners.	The sum of US\$1.2M was mobilised from two international development partners. Technical Assistance from IDPs were also mobilized in the value of approx. US\$252,200.

#### ***IP 5 - Corporate Governance***

Target	Output
Transparent and accountable corporate policies approved by the Board	Quarterly meetings of the Board were held as scheduled.
CDF Strategic Plan 2015-2020 approved and implemented.	<p>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.</p> <p>The final meeting of the Board for 2019 decided that given the factors constraining the implementation of the CAPs and the design of new programmes, to support a recommendation by Management to extend the CDF 2nd Contribution cycle by one year to the end of June 2021.</p>
Platform for delivery of quality and reliable information technology services enhanced.	Further upgrades and system maintenance continued in 2019.
Contribution to programme to catalyse growth and development in Member States through the implementation of the Caribbean 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 8th Meeting of Contributors and Development Partners received the CDF's 2018 Annual Report, inclusive of the audited Financial Statements, in fulfilment of the requirements set out in Article IX (1) of the Agreement Relating to the Operation of the CDF.
Implementation of Community Governance Obligations.	Meetings attended and Reports made to the COTED, COFAP, Community Council and Conference of Heads of Government in 2019.
Improved communication between CDF and its Stakeholders.	The CDF Communications Strategy is under review

## UPDATE

### DEVELOPMENT OF THE CREDIT RISK ABATEMENT FACILITY

CRAF is an initiative being developed by the 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 small and medium-size enterprises (SMEs) for renewable energy and energy efficiency projects in the Caribbean. The development of the CRAF is led by the CDF Finance Department.

Significant progress was made towards establishing the CRAF in 2019 as work continued apace on building out the three main pillars of the CRAF: Credit Risk Instrument (CRI) , Technical Assistance Programme (TAP), and Monitoring and Evaluation (M&E ) Programme. In-country missions were conducted in October 2019 in Barbados, Belize, Guyana, St. Lucia, and Suriname to further assess:

- Regulatory requirements for the operation of CRAF in each country (fiscal, technical, financial, tax).
- Regulatory capital requirements, which may affect the design and implementation of the CRI.
- Availability and readiness of financiers, service providers (e.g., energy auditors), product providers, and intermediaries (including Energy Services Companies, where possible) for pilot projects.
- Availability and readiness of industry associations to support the CRAF pilot.
- Availability and readiness of SMEs who wish to participate in the CRAF pilot.
- Other sources of technically and commercially viable projects to support the development of a pilot project pipeline.

Second drafts were also completed for the CRI, TAP and M&E Programme design, as well as detailed policies and procedures, IT Portal Design, and other legal documents required to make CRAF operational.

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

## GOVERNANCE

### Operations of the Board of Directors

The CDF Board of Directors maintained the four mandated Regular Meetings per annum with the convening of the 41st, 42nd, 43rd and 44th Regular Board meetings, as well as one Extraordinary meeting.

The first two Regular Board Meetings for 2019 were chaired by the CDF substantive Chairman, Dr. Sherwyn Williams. Dr. Williams' tenure expired on the July 13, 2019, and he was specially invited to attend the 43rd Regular Meeting held July 18, 2019, for the Board's formal farewell. The Board extended its sincere appreciation for his astute leadership and management of the Board during his tenure, in particular his unrelenting emphasis on the financial management of the CDF's assets.

Dr Williams, in his closing remarks touched on a range of matters, commencing with commendation of the hard work and commitment of CDF staff to parting advice to Management and the Board to maintain respective vigilance on events in the macro financial markets. He emphasized the pivotal role to be played by the CARICOM Cohesion Policy in the new CDF programming cycle, forecasting that there would be significant dependence on this Policy with respect to mobilizing support from all CDF Member States, given the changing economic fortunes/mixed economic performances and blurring of the big country/small country dichotomy. He further opined that the context within which CDF will operate in the 3rd cycle would demand insightful analysis and a new operating model that matches the changed reality.

Dr. Richard Brown, the CARICOM Secretariat Representative on the Board, assumed the leadership of the Board of Directors at the 43rd Regular Meeting in his capacity as the duly appointed Deputy Chairperson of the Board. Whilst the swift appointment of a Deputy Chairperson ensured stability and continuity to the Board leadership, the composition of Board Directors was subject to the customary ebb and flow resulting from the entrenched staggered tenures of Directors (i.e., the effect of having some Directors appointed for two years, others for three years). During the four scheduled Regular Meetings for 2019, the Board welcomed

the appointments of new LDC Directors: Mrs. Ophelia Wells-Cornwall and Ambassador Daven Joseph and their respective Alternates: Mr. Recardo Frederick and Ms. Jemma La Feuille. The Board additionally welcomed its newest MDC Director, Ms. Debra Roberts at its Fourth Extraordinary Meeting (October 2019). The Board also expressed its gratitude to outgoing Directors Bernard Lord, Representative of the MDCs; and Beverly Best, Representative of the OECS Commission, for their sterling contributions to the work of the CDF.

In his introductory remarks to the Board, Dr Brown identified that the challenges being faced by the CDF's major Contributing Member States, in his view, signalled the need for the CDF to diversify and expand its base of financial support through innovative funding instruments and mechanisms as well as through the coordination of programmes of interest with other Development Partners.

Matters related to Finance and Investment as well as capitalization of the Fund dominated the Board's focus in 2019. In addition to considering the annual presentation of the External Auditors, Ernst & Young, and approving the Financial Statements for Year Ended December 31, 2018, the Board activated its Finance and Investment Committee (FIC) to review a host of matters and make recommendations to the Board. At its 44th Regular Meeting, the Board accepted the recommendations of the FIC and approved the CDF's 7th Biennium Budget, including an operating budget of US \$5.76 m, and a capital budget of US \$0.122 m, and authorisation to disburse \$23.38m to Member States or an appropriate amount determined by the Board following its review of the projected disbursements of Loans and Grants.

In tandem with the Board's mandated function of, inter alia, 'approving the budget of the CDF', the Board maintained its vigilance in ensuring that the CDF operations adhered to sound financial and accounting standards and approved the FIC's recommendation to appoint Ernst & Young to undertake the external audit of the CDF's 2019 financial statements. The Board additionally accepted the recommendations of the FIC and directed Management to formally engage the CARICOM Secretariat to provide internal audit services to the CDF. In respect of the onboarding of new Investment Managers, the Board approved the mandates of the two



new Investment Managers: Scotia Investments Jamaica Limited, and JN Fund Managers Ltd.

The idea, advanced by The Conference of the Heads of Government of the Caribbean Community at the 40th Regular Meeting of the Conference of the HOG, held in St. Lucia, July 3rd to 5th, 2019, of floating a regional bond geared towards fostering growth and building resilience and strengthening the capitalisation of the CDF emerged as a primary example of the innovative funding alluded to by the Deputy Chairman. In embracing creative solutions, the Board accepted the recommendations of the FIC and directed Management to respond positively to the mandate of the HOG related to the establishment of the Regional Growth and Resilience Bond.

Each meeting of the Board also considered and approved components of the 2nd cycle CAPs. The 41st Regular Meeting approved a Grant for Component 2 of the CAP for Antigua and Barbuda in the total amount of US\$310,000. Of the approved resources, approximately US\$60,000 will cover the development of a roadmap for effective cooperation in support of agricultural production and trade between Antigua and Barbuda and Suriname as a pilot for a broader programme of co-operation among CARICOM Member States; approximately US\$250,000 will co-finance the implementation of priority elements of the roadmap.

At its 42nd Regular Meeting, the Board approved a Grant to the GOCR in the amount of six hundred and eighty-five thousand, United States Dollars (US\$685,000) for Component 1, of the 2nd cycle CAP in respect of 'Enhancing Exports Through the Strengthening of Grenada Bureau of Standards Testing Facilities'. The 43rd Regular Meeting approved another Grant to GOCR, Component 2 of the CAP, in the amount of two hundred and twenty thousand, eight hundred and fifteen United States Dollars (US\$220,815) towards the 'Enhancement of the Mirabeau Meat Harvesting and Processing Plant'.

At its 4th Extraordinary Meeting (October 2019), the Board approved a Grant for Component 3 of the CAP for Antigua and Barbuda in the amount not exceeding eighty thousand United States Dollars (US\$80,000) for Institutional Strengthening of the ABDB. The Board additionally approved Component 6 of the Belize 2nd cycle CAP in respect of a Grant for

US\$800,000 to support the implementation of 'Rudimentary Water Systems'.

At its final meeting for 2019, the 44th Regular Meeting, the Board approved Component 1 of the 2nd cycle CAP for St Vincent and the Grenadines comprising: (i) a Loan of US\$5,009,014 to the GOSVG for the construction works of a 93-room budget hotel; and (ii) a Grant of US\$690,986 for the construction works of the hotel and project management. The Board also approved Component 3A of St. Lucia's 2nd cycle CAP, a Loan not exceeding the amount of United States Dollars three m, seven hundred and fifty thousand (US\$3,750,000) to be administered by the SLDB to enhance participating businesses in St. Lucia's VTI; and Component 3B, a Grant in the amount of United States Dollars nine hundred and thirty-five thousand, six hundred and sixty-three (US\$935,663) to enhance selected VTI related public infrastructure.

The final meeting for 2019 reviewed CDF's 2nd cycle operations and the factors constraining performance noting that: (i) a significant portion of the Assessed Contributions of Member States for the 2nd cycle had not yet been paid with no substantive engagement of the MDCs in the 2nd cycle; (ii) the CDF was much further behind with the commitment of funding for the 2nd cycle than was projected; and (iii) that the 3rd cycle would be due to commence in July 2020 at a point where not even half of the 2nd cycle Contributions had been realized. The Board, therefore, approved Management's request to seek to extend the CDF 2nd Contribution cycle by one year to the end of June 2021.

To ensure that the Board remained properly quorate to execute its duties and that integral Board Committees remained functionally staffed, the 44th Meeting approved the appointment of Director Kira Thompson- Aird to the position of Deputy Chairperson, in the event that current Deputy Chairperson Dr. Richard Browne demitted his position as the CARICOM Representative on the Board. Additionally, the Board revisited the composition of FIC and agreed that the FIC would now comprise: Ambassador Daven Joseph (Chairman); Director Jacqueline Emmanuel-Flood, and Director Debra Roberts.



# 2019 Annual Report

## PARTNERSHIPS

## RELATIONS WITH THE CARIBBEAN COMMUNITY

In 2019, the CDF participated actively in meetings of the Conference of Heads of Government of CARICOM and other organs, in fulfilment both of its reporting obligations to the Community and to receive policy guidance and direction on matters relevant to its governance and execution of its core mandate.

At the end of February 2019, the CDF attended the 30th Interessional Meeting of Heads of Government, which received an update on the CDF's financial position. This was considered as an item within the wider presentation to the Heads of Government on the CARICOM Single Market and Economy (CSME). The Conference of Heads requested participating Member States which had not yet done so, to urgently settle their assessed contributions to the second cycle of the CDF, while instructing the CDF to continue its efforts at mobilizing funds from IDPs and other agencies to assist in replenishing the second cycle of the CDF. It was also agreed that Barbados and Trinidad and Tobago would make payment, in tranches, of their assessed contributions to the CDF's second cycle.

The Meeting had also noted that while Jamaica recognizes its obligations, due to its current fiscal realities and an ongoing IMF programme, Jamaica would not be able to participate in the funding of the second cycle of the CDF at this time, but committed to reviewing its position following the end of its IMF programme, in November 2019. The Heads also noted the willingness expressed by Jamaica to play a lead role in engaging IDPs to assist in securing funding for the CDF, and to support the pursuit of the creation of a Regional bond to provide resources to strengthen the capitalization of the CDF, which the Conference of Heads, at their previously held 18th Special Meeting on the CSME (December 2018, Trinidad and Tobago) had agreed to explore.

The CDF attended the 19th Meeting of the Council for Finance and Planning held in St. Lucia in early July 2019, where the appointment of the Chairperson of the CDF was on the agenda. CDF financially compliant Member States had been invited in advance, by the CARICOM Secretariat, to submit candidates, but no candidates were presented for consideration. The matter was deferred to the Conference of

Heads of Government that immediately followed; however, the Conference was unable to make any substantive progress towards appointment of the CDF Chairman.

The CDF also attended the 48th and 49th Meetings of the COTED and presented on the Draft CARICOM Cohesion Policy. At the 48th meeting, the COTED had urged Member States that had not held national consultations on the Draft Policy to do so before the end of June 2019. Importantly, the COTED noted that the CDF was committed to officially commence implementation of the Policy in Member States that had formally adopted the Policy. This included Antigua and Barbuda, Guyana, St. Kitts and Nevis, St. Lucia and Suriname, which had all indicated their support to the CDF in writing. This cleared the way for the CDF to proceed with the development of a CAP with Suriname, even in advance of the adoption of the Cohesion Policy by the Community at large, subject to Suriname becoming financially compliant.

CDF had completed all country consultations on the Regional Cohesion Policy by the end of July 2019, and at the 49th Meeting of the COTED, held in mid-November in Guyana, all remaining Member States confirmed their support for the policy, except for Barbados and Belize. The 49th COTED therefore inter alia:

- (i) Adopted the policy statement on a Cohesion Policy for CARICOM;
- (ii) Accepted the recommendations of the Draft Cohesion Policy, to enable the formulation and implementation of more targeted interventions to disadvantaged countries, regions and sectors, including in MDC Member States; and
- (iii) Recommended that the CARICOM Cohesion Policy be referred to the Community Council for its endorsement and onward transmission to the Conference of Heads of Government for its approval, subject to Cabinet consideration and approval in Barbados and Belize.

The CEO made a brief presentation to the 45th Meeting of the Community Council on this item in early December 2019, at which time both Barbados and Belize confirmed the support of the policy by their respective Cabinets. The CARICOM Cohesion Policy had therefore been cleared for onward transmission to the Heads of Government, marking a major milestone for

the CDF in its quest to ensure a more inclusive approach to its programming, which subject to the approval of the Heads of Government, could now cover disadvantaged regions and sectors in CARICOM MDCs.

The 49th Meeting of the COTED had also considered Proposals for Strengthening of the Operation of Chapter 7 of the Revised Treaty, under which provision is made for establishment and operation of the CDF. This item included consideration of support to industries protected under Article 164 of the Revised Treaty.

The 49th COTED, inter alia:

- (i) Identified and welcomed the sources of funding and technical assistance available under the CDF and the CDB in order to implement the priority areas for support (to Article 164 industries);
- (ii) Also agreed to the offer by the CDF to fund an expert to assist with compiling the priority areas for support under Chapter 7 of the Revised Treaty of Chaguaramas and to identify the corresponding opportunities for financing in order to develop a cohesive strategy and plan of action for the provision of support to Chapter 7 initiatives, to be completed by the 50th COTED; and
- (iii) Further agreed to convene a meeting to review the recommendations from the expert and to consider the mechanisms for production cooperation.

This COTED decision on Chapter 7 initiatives, places the CDF in a position to contribute to the provision of financial and technical assistance to firms that require special support measures within the CSME, thereby enabling the CDF to fulfil one of its core mandates to facilitate business development and enterprise competitiveness.

## Relations with Member States

The CEO continued the customary official visits to member countries and held meetings with Heads of Government and Ministers of Finance to advance policy dialogue, programming and other priority matters.

The CEO visited Antigua and Barbuda in early February 2019 to sign a Grant Agreement in the amount of US\$ 1m for co-financing with the UAE,



**Signing of the Grant Agreement by the Honourable Gaston A. Browne, Prime Minister of Antigua and Barbuda (L) and Mr. Rodinald Soomer, Chief Executive Officer of the CDF (R)**

Government of New Zealand and the GOAUB, of a Hybrid Solar/Diesel Base Load Power Plant with Battery Storage on Barbuda. This constituted the first element of Antigua and Barbuda's CAP under CDF Cycle 2.

Discussions were subsequently held with the Prime Minister on other possible projects of interest, including technical assistance and possible concessionary financial support towards the revitalization of the ABDB, and technical assistance and grant support to fully design and start implementation of an agriculture cooperation programme with Suriname.

Following the 30th Intersessional Meeting of Heads of Government of CARICOM hosted by St. Kitts and Nevis, the CEO signed a loan agreement with the Prime Minister of St. Kitts and Nevis, to provide US\$3m in concessional resources to the



**Signing ceremony led by the Prime Minister of St. Kitts and Nevis (2nd from left), Dr. the Honourable Timothy Harris and CEO of the CDF, Mr. Rodinald Soomer (3rd from left)**



DBSKN for onlending to Small and Medium Sized Enterprises (SMEs).

The CDF joined a delegation from the GOAUB, led by Prime Minister Gaston Browne, on a Mission to Suriname at the end of May 2019, to advance the Antigua and Barbuda-Suriname agriculture cooperation programme, the subject of Component 2 of the Antigua and Barbuda CAP. The CEO was accompanied by two CDF Programme Specialists, as well as a technical expert from CARDI, assigned under the auspices of the CDF-CARDI Memorandum of Understanding (MOU), which was executed in April 2019. The opportunity was taken to sign the CDF-Antigua and Barbuda grant agreement in support of the agriculture cooperation programme.



Signing of the Agreement for the Antigua and Barbuda and Suriname Agriculture Cooperation Programme by the Honourable Gaston A. Browne, Prime Minister of Antigua (R) and Barbuda and Mr. Rodinald Soomer, Chief Executive Officer of the CDF (L)

Further to discussions held by the CEO with the Minister of Finance of Suriname in the margins of that Mission, the CEO confirmed in writing, an undertaking by the Minister to execute payment of 50% of Suriname's assessed contribution to the current second funding cycle of the CDF by the end of July 2019. Pursuant to this undertaking, the CDF received an initial part-payment of US\$500,000 from the GOSU in early July 2019. In a similar vein, consistent with a contribution agreement negotiated between the CDF and Government of Barbados and facilitated through the CDB, part payment of US\$2.8m was received from the Government of Barbados towards its



L to R: Prime Minister of Belize, the Honourable Dean O. Barrow and the Chief Executive Officer of the CDF, Mr. Rodinald Soomer at the signing of the CAP Agreements

assessed contribution to the CDF for the second funding cycle.

The CEO visited Belize in early September to sign a Loan Agreement to seal the approval of a US\$3.0m Credit Line, and two Grant Agreements totaling US\$0.3m under the CDF's Second Cycle Country Assistance Program (CAP) for Belize. The Credit Line which will be administered by the DFC, seeks to improve access to developmental financing for productive sector support. This is being complemented by a Technical Assistance Grant facility of US\$0.1m to enable the DFC's preparation of its Medium-Term Business Plan (in support of its Strategic Development Plan) and for the development of a Business Continuity Plan.

The CEO visited Grenada in late November to sign two Grant Agreements under the second cycle CAP for that country. The grants totaled approximately US\$906,000, or about two-thirds of Grenada's total grant allocation of US\$1.426m under the current cycle. The purpose of the first Grant to the Grenada Bureau of Standards is to facilitate market access and enhance the competitiveness of Grenada's food exports by ensuring compliance with food safety regulations. The project seeks to enhance the national quality infrastructure, by improving the food control system and strengthening the technical capabilities of the Bureau. The objective of the second Grant is to make the Mirabeau Meat Processing Facility compliant with the Codex food hygiene code of practice for meat, as well



as with guidelines for the practical application of Hazard Analysis Critical Control Point principles.

The CDF hosted its 8th Meeting of Contributors and Development Partners at the end of July 2019 at the Accra Beach Hotel, Barbados. The Meeting was addressed by outgoing CDF Chairman Dr. Sherwyn Williams, Deputy Chairman Dr. Richard Brown and by featured speaker, the Honourable



Mia Amor Mottley Q.C., Prime Minister of Barbados. Development partners and Member State contributors provided very useful feedback on the presentation of the 2018 Annual Report, expressing interest in formally collaborating with the CDF in the design, co-financing and implementation of programmes in fields of common interest.

## External Relations

### Relations with Development Partners

The CDF welcomed the Government of India as its latest IDP through the formalization of a Contribution Agreement executed by the CEO in Suriname with the High Commissioner of India to Barbados (resident in Paramaribo) on January 19th, 2019. The Agreement provides for the Government of India to make a grant contribution of US\$1m towards the capitalization of the CDF, marking the culmination of negotiations which started in 2018 with the Government of India, which had expressed through its diplomatic offices in CARICOM, an interest in becoming a partner of the CDF.



His Excellency Mahender Singh Kanyal, High Commissioner of India to Barbados signs the India-CDF Contribution Agreement with Chief Executive Officer of the CDF, Mr. Rodinald Soomer

The contribution was paid in two tranches, in July and September 2019. The uses to which the resources can be applied have been kept broad. The Agreement references the CDF's broad mandate to provide financial and technical assistance to the disadvantaged countries, regions and sectors of CARICOM Member States to increase their benefits from the CSME, consistent with the overall CARICOM objective to build economic, social and environmental resilience in the Caribbean region. It cites the CDF's thematic areas of intervention, within the context of the CARICOM Cohesion Policy, namely: business development and enterprise

competitiveness; human capacity development; sector-level and national infrastructure; and renewable energy/energy efficiency.

## Collaboration with Regional and International Development Agencies

The CDF ramped up its efforts in 2019, to establish and deepen collaboration with regional and international agencies operating in thematic areas of common interest.

The CEO attended the 9th Session of the Assembly of the International Renewable Energy Agency (IRENA) in Abu Dhabi from January 10th to 13th, 2019. The purpose of this mission was to further explore, in the margins of the IRENA Assembly, opportunities for resource mobilization from the UAE. The CEO accompanied the St. Lucia Delegation to a meeting with the Director General of IRENA to discuss partnership possibilities. A subsequent meeting was held with senior staff of IRENA on possibilities for partnering on the CDF's CRAF. Possibilities will be explored in the short term to receive technical assistance from and through IRENA, to build capacity of SMEs and financial institutions that will be involved in the CRAF pilot project and full roll out. The CEO also met with senior officials of the Abu Dhabi Fund for Development to explore prospects for mobilizing grant and highly concessional loan financing to support execution of CDF's mandate in Member States, notwithstanding that access

to such financing is currently contingent on the issuing of sovereign guarantees.

Efforts were advanced in 2019 to secure a partnership with the CDB through which the CRAF will be included as one of the projects in CDB's pipeline with the GCF, utilizing the GCF's Simplified Application Process. To complement this effort, Belize and St. Lucia agreed to allocate US\$125,000 of their Readiness Funding from GCF towards preparation of a CRAF Funding Proposal for GCF's consideration, including preparation of the Environmental and Social Impact Assessment for CRAF pilot countries, a Gender Analysis and the Prefeasibility Analysis of the CRAF. GCF approved the Readiness Funding request in July 2019. The consultancies to be financed out of this GCF Grant will complement the technical assistance funded out of CDF's own resources to prepare an Environmental and Social Safeguards Plan for both CRAF as a specific facility and the CDF as a whole.

The CDF and the Caribbean Agricultural Research and Development Institute (CARDI) signed a Memorandum of Understanding (MOU) in April 2019 that will allow both agencies to collaborate in and facilitate the implementation of activities geared towards reducing disparities between Member States participating in the CSME generally and in the sphere of agriculture sector related activities in particular. The primary areas of cooperation under the MOU are: (i) sharing of knowledge, expertise and technology via mechanisms such as technical assistance provision, internships and similar initiatives; and (ii) building and augmenting capacity in the preparation, implementation, M&E of agriculture



CEO of the CDF attends the launch of the 3rd Cycle of the UAE-Caribbean Renewable Energy Fund, Abu Dhabi, January 2019



R to L: Mr. Barton Clarke, Executive Director of CARDI and Mr. Rodinald Soomer, CEO of the CDF signing the Memorandum of Understanding



sector programmes and projects supported by the CDF within the CSME. Through this collaboration, the two agencies will seek to foster enhanced access to finance, technical assistance, training and the capacity building required to support agriculture sector research and development and entrepreneurship in the Caribbean region.

In expanding its partnerships across the agriculture sector, the CDF engaged agriculture specialist agencies, FAO and IICA for support in formulating a proposal(s) for submission to the Korea International Cooperation Agency (KOICA)

pursuant to a mission to KOICA undertaken in the last quarter of 2018. IICA assigned a Caribbean-based technical expert to work with the CDF on preparation of the KOICA Concept Proposal, focusing on climate-smart production and marketing of high-value agricultural and agribusiness products. The FAO also contracted a consultant to work with the CDF to prepare a complementary funding proposal. The two agriculture projects were submitted by the CDF to KOICA in the last quarter of 2019, with initial feedback expected early in 2020.

## STAFF RELATIONS

The CDF team recognises and congratulates team members reaching their 5-year and 10-year milestones in 2019.

5



**Dr. Lavern McFarlane**  
Senior Economist  
**5 years**

10



**Mrs. Angela P. Parris**  
Executive Assistant/  
Corporate Services Officer  
**10 years**

10



**Mr. Angus W. Vitalis**  
Financial Controller  
**10 years**

10




**Mr. Arden Warner**  
Legal Counsel  
**10 years**

5



**Mrs. Hartley Watson**  
Receptionist/Typist  
**5 years**





# 2019

Annual Report

## FINANCE



## FINANCIAL PERFORMANCE FOR FINANCIAL YEAR 2019

### Overview

The CDF realized a significant profit in 2019 compared with the loss in 2018 and the institution maintained its overall financial strength. This performance was due largely to CDF's recording of significant unrealised profits in 2019. Detailed information and analysis on the Audited Financial results of the Fund are presented later in this report.

The CDF continues to prepare its Audited Financial Statements in accordance with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board. Reporting is done on a historical basis with the exception of investments which are recorded at fair value. The statements also comply with the requirements of the Agreement Relating to the Operations 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, 2019, 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 2019.

Table 6 below, provides highlights of the CDF's financial performance for the last five years of operations. The CDF continued to record growth in its activities. Growth in total assets accelerated in 2019 recording an average of US\$5.7m or total rate of 25.0 per cent over the last five years, closing at US\$142.6m. This stands in contrast to the \$2.8m or 12.6% growth in 2018.

There was some contraction in the loan portfolio which showed a 15.0 per cent decrease in 2019 compared to an 11.0 percent increase recorded for the previous year. Average growth in loans over the highlighted 5-year period amounted to 3.0 percent and was largely a reflection of consistently low absorptive capacity in eligible Member States coupled with increased principal repayments due to some loans coming closer to maturity. Additionally, the Fund conducted an impairment assessment on its loan portfolio, as prescribed by the IFRS 9 standard, and concluded that no loan provision was necessary.

Consistent with its fiduciary obligations to CARICOM, CDF continued its stringent management of its operating resources. In keeping with this approach, the Fund has ensured that operating expenses have remained consistent, on

**Table 6: Selected Financial Metrics 2015 - 2019 (US\$'000)**

SUMMARY	2019	2018	2017	2016	2015
<b>Total Assets</b>	<b>142,568</b>	<b>123,057</b>	<b>123,386</b>	<b>120,711</b>	<b>114,139</b>
Current Assets	39,613	28,283	31,153	48,844	29,718
Long-term Assets	102,955	94,774	92,233	71,867	84,421
<b>Gross Loan Portfolio</b>	<b>24,322</b>	<b>28,501</b>	<b>25,705</b>	<b>23,859</b>	<b>21,150</b>
<b>Total Liabilities</b>	<b>746</b>	<b>895</b>	<b>971</b>	<b>866</b>	<b>811</b>
Current Liabilities	746	895	971	866	811
Long-term Liabilities	0	0	0	0	0
<b>Member's Contribution</b>	<b>120,254</b>	<b>111,563</b>	<b>109,424</b>	<b>106,651</b>	<b>101,608</b>
Assessed Contribution	163,841	163,841	163,841	163,841	163,841
Net Contribution Outstanding	43,587	52,278	54,417	57,189	62,232
<b>Accumulated Comprehensive Income</b>	<b>21,568</b>	<b>10,599</b>	<b>12,992</b>	<b>13,193</b>	<b>11,719</b>
<b>Investment Income</b>	<b>2,911</b>	<b>2,788</b>	<b>2,647</b>	<b>2,522</b>	<b>2,671</b>
<b>Fair Value Gain/(Loss)</b>	<b>10,968</b>	<b>-2,741</b>	<b>3,906</b>	<b>2,018</b>	<b>-1,484</b>
<b>Other Income</b>	<b>1,559</b>	<b>390</b>	<b>16</b>	<b>13</b>	<b>14</b>
<b>Total Income</b>	<b>16,263</b>	<b>1,250</b>	<b>7,552</b>	<b>6,291</b>	<b>2,540</b>
<b>Staff Costs</b>	<b>1,351</b>	<b>1,319</b>	<b>1,360</b>	<b>1,385</b>	<b>1,388</b>
<b>Grant Expense</b>	<b>2,578</b>	<b>994</b>	<b>5,014</b>	<b>2,230</b>	<b>2,773</b>
<b>Other Expense</b>	<b>1,366</b>	<b>1,329</b>	<b>1,381</b>	<b>1,203</b>	<b>1,464</b>
<b>Net Income</b>	<b>10,969</b>	<b>-2,392</b>	<b>-202</b>	<b>1,473</b>	<b>-3,085</b>

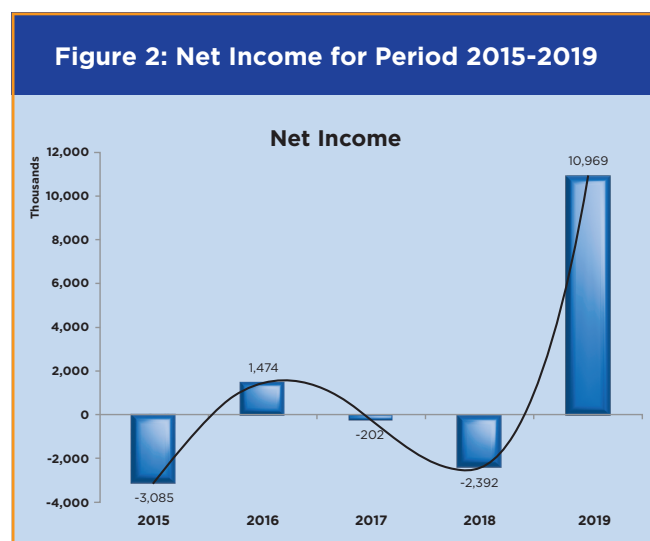
average, over the last five years. At the end of the reporting period, the Fund's financial position is deemed to be financially sustainable in the short and medium terms. Overall, CDF is well placed for the future having the financial stability and capacity to manage short and medium-term challenges, while actively pursuing creative ways to ensure long-term sustainability.

## Detailed Analysis of Financial Performance

### Income and Expenditure

Implementation of the CAPs continued in 2019 despite challenges. The Fund easily met demand for disbursements of resources, as requested from Member States.

During 2019, Total Comprehensive Income was recorded in the context of higher income yields in global financial markets, generally, higher contributions from development partners, a



substantial increase in fair value gains, and marginally higher operational expenditure. Total Comprehensive Income moved from a loss of US\$2.39m for FY2018 to a profit of US\$10.97m in the reporting period. Figure 2 shows the Net Income represented by Total Comprehensive Income for the five-year period 2015 to 2020 depicting the aforementioned recovery.

In 2019, the CDF disbursed grants totalling US\$2.58m to the following Member States: Belize (\$237,362); St. Lucia (\$315,513); St. Vincent

and the Grenadines (US\$659,540); St. Kitts and Nevis (\$687,417); Dominica (US\$48,866); Antigua & Barbuda (US\$506,405); and Grenada (US\$123,000). No loans were disbursed during 2019. Total disbursements were 63.0 per cent lower than the previous year attributable to capacity constraints in Member States that unfavourably impacted absorption of funds.

During 2019, contributions were received from four Member States for the CDF's second contribution cycle: Barbados (US\$2,800,000); Dominica (US\$391,156); Suriname (US\$500,000); and Trinidad and Tobago (US\$5,000,000). The transfer from Dominica represented the final tranche of their assessed contributions which completed their 2nd cycle financial commitments to the CDF.

As at December 31, 2019, the CDF's operations totalled US\$5.27m compared to US\$9.53m 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\$2.58m in 2019, compared to US\$6.92m in 2018.

### Income

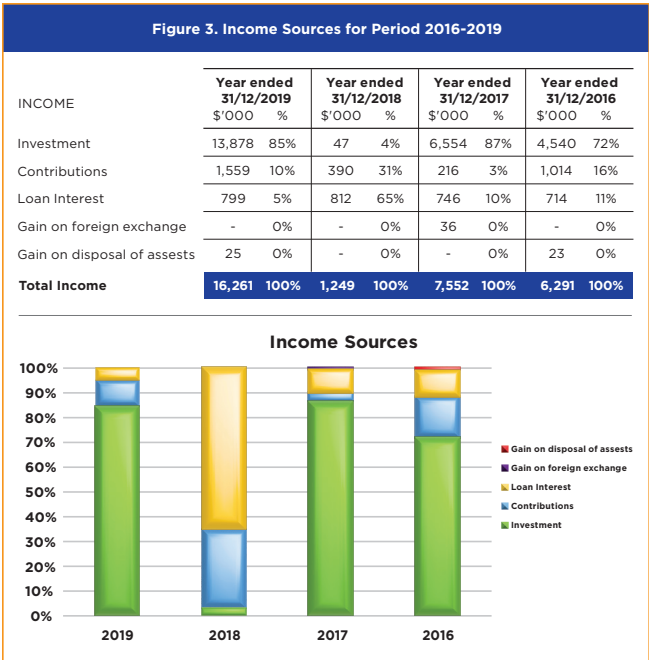
The CDF's Total Income in 2019 was US\$16.26m, a vast increase over the previous year's result of US\$1.25m. With the exception of loan interest, there were increases in all categories, but Unrealised Fair Value was the main contributor to the increase.

The composition of CDF's Income is highly sensitive to market conditions and evidenced by the changing distribution depicted in Figure 3. Investment Revenue, consisting of interest and price returns, performed quite favourably during FY2019. This resulted in Investment Revenue being the highest component of income and was recorded at US\$13.878m, up from US\$0.47m the previous year.

Loan interest dwindled recording a 1.5 percent decrease over the previous year's results. That

was due to no loans being disbursed to Member States in 2019.

Figure 3. Income Sources for Period 2016-2019



## Expenditure

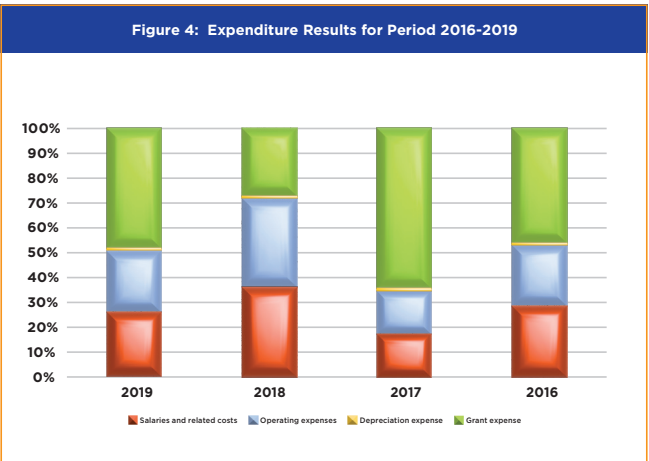
Expenses from operations for 2019 totalled US\$5.29m, a 45.0 per cent or US\$3.64m increase from the previous year. This increase can predominantly be explained by an increase in Grant Expenses from US\$1.0m in 2018 to US\$2.28m in 2019 alongside a moderate US\$0.040m increase in Operating Expenses.

In terms of composition, the proportion of each expense category against total expenses, as depicted in the figure below, has remained fairly consistent over the years, although 2017 was a slight variant (see Figure 4).

The consistency referred to above, is in keeping with CDF's sustainability strategy to maximize efficiency in the management of its administrative and capital expenditures. The resulting outcome would-be long-term availability of resources for development financing and technical assistance activities in its Member States. In implementing this strategy, the CDF accords a high priority to budget discipline, effective cost controls, and

pro-active cost-recovery in the management of its administrative and capital expenses.

Figure 4: Expenditure Results for Period 2016-2019



## Investment Management

This financial year saw strong performances across most asset classes. The key to this was the about-face by The Federal Reserve System (Fed) in terms of monetary policy. Having convinced investors in 2018 to expect further interest rate hikes and Fed balance sheet reductions, the Fed abruptly changed tack in early 2019, first indicating that monetary policy was on hold, then ultimately reversing its stance and cutting rates. The monetary easing was precipitated by the Fed's dovish pivot in January, and subsequently both the Fed and European Central Bank loosened financial conditions substantially. Indeed, 2019 saw the largest amount of central bank easing since the 2008 financial crisis.

Behind the Fed's change in stance were the slowing economy, lower inflation pressures, trade concerns, profit warnings, and the sell-off in markets at the end of 2018 raising the cost of credit. Suddenly, the Fed was worrying about a potential recession. In addition, the trade dispute between the US and China was also escalating in terms of threats and tariffs, further threatening the economic outlook. As a result of the economic uncertainty, interest rates, particularly at the longer end, fell sharply with

the US 10-year Treasury yield dropping below the 2-year yield.

However, for investors, the Fed's announcements and its actions in reducing the key Federal Funds rate by a total of 75 basis points from 2.25% to 1.5% between August and the end of October was a signal that the Fed would, in effect, do whatever it could to sustain the expansion and reinforced sentiment towards riskier assets and a "hunt for yield" among lower quality credits and equities. As a result, and unusually, not only were the yields on Government bonds falling (and prices rising) as investors expected lower interest rates as a result of a slowing economy and muted inflation, but credit spreads narrowed, and equity markets rose as investors also looked ahead to a further extension of the economic cycle. This led to a very unusual outcome whereby all the major asset classes posted strong returns for the year.

In terms of markets, the US equity market led returns with the Standard and Poor's 500 index gaining 31% in 2019, high yield bonds gaining 14%, the US Aggregate Fixed Income index up almost 9%, and the broad US Treasury market appreciating by almost 7%.

The CDF's investment portfolio performed well during 2019, gaining 14.5%. The portfolio reflected a cautious stance given the high level of equity valuations and difficult economic prospects. During the year, the equity holdings retained a bias towards low-leverage, strong balance sheet companies.

The early part of 2019 was dominated by the deteriorating outlook for the global economy, escalating trade tensions, and policy easing by central banks. In response, within the fixed income component of the CDF's investment portfolio, duration was gradually increased, peaking at about 4.25 years in June, and the portfolio rotated out of riskier fixed income bonds into high quality names. After the very sharp declines in interest rates in the middle of the year and the sharp cut in rates by the Fed and other central banks the portfolio's duration was reduced again in the second half. Most notably, in October, it was cut to 3.5 years to reduce the portfolio's sensitivity, should longer term interest rates start to rise. The cash position was allowed to rise in the second half in preparation

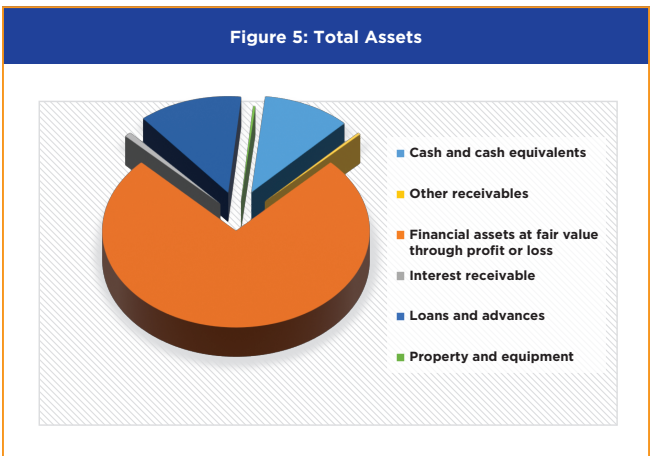
for good purchase opportunities into any market weakness.

The portfolio's value as at 31 December 2019 totalled US\$116.6m, a marked increase from US\$93.0m at the end of the previous period. The increased value is due to a combination of a net contribution of \$10.2m and investment gains of \$13.4m. Net investment returns for 2019 amounted to US\$13.41m or 14.4%, compared to net investment returns of -US\$0.4m or -0.5% reported in 2018. Both equities and fixed income contributed significantly to the net returns with the smaller equity portfolio, about 22% of assets as of 31st December 2019, gaining 29.7% to contribute \$6.56m to the net return while the fixed income portfolio gained 9.7% to contribute \$6.84m to the net return.

## Assets

The CDF is the custodian of Member States' assets, which stood at US\$142.57m at the end of the reporting period and represented a slight increase over the previous period. The composition of assets at balance sheet date is shown at Figure 5 below.

Figure 5: Total Assets



## Loan Portfolio

At reporting date, principal outstanding balances (see Table 6 and Figure 6), totalled US\$24.32m recording a 15 per cent decrease over the 2018

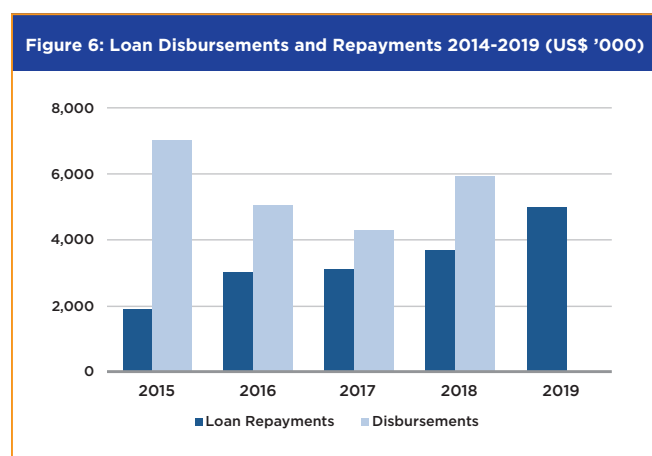
balance of US\$28.50m. Table 7 gives a snapshot of the loan portfolio for the period 2015-2019.

Table 7: Lending Status, 2015 - 2019 (US\$ '000)

Table 7: Lending Status, 2015 - 2019 (US\$ '000)					
	2019	2018	2017	2016	2015
Loans Approved	2,902	NIL	NIL	7,375	1,564
Disbursements	NIL	5,922	4,274	5,013	7,008
Undisbursed Balances	4,269	1,367	7,289	11,562	9,201

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 2019 were US\$5.00m, relative to US\$3.68m at end-2018. There were no delinquent or non-performing loans recorded during 2019.

Figure 6: Loan Disbursements and Repayments 2014-2019 (US\$ '000)



## Debt and Other Liabilities

In 2019, debt and other liabilities decreased relative to the previous reporting period (Table 6). The main change recorded was US\$432,295 in deferred income being recognised in the Statement of Comprehensive Income. Deferred income for 2019 also now includes a readiness grant of US\$100,000 from the GCF, and financial obligations owed to creditors of US\$645,578.

## Fund Balance

As at December 31, 2018, total fund balances were recorded at US\$141.82m, or 16 per cent above

that reported for 2018. This reflected payments from four Member States which brought the net contributions to US\$120.25m at the end-2019 coupled with the increase in accumulated comprehensive income of US\$10.97m.

## Management of Risk

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 (IPS).

While CDF was susceptible to a broad range of issues in 2019, its expressed strategy remains. Accordingly, the CDF's risk management policies, guidelines, and practices are designed to reduce exposure to key risks such as liquidity risk, operational risk, market risk, treasury risk, program risk, and political risk while maximising its capacity to assume inherent risks such as credit risk, within appropriate limits.

The Board of Directors remains actively involved in providing oversight of the risk function through its FIC, and maintained quality control of all operational processes of the CDF over the review period.

Credit risk, liquidity risk and market risk continue to be managed by the Fund's Investment Managers and overseen by the Finance Department. The investment portfolio is managed against a comprehensive IPS that sets specific guidelines for acceptable levels of risk and actions to be taken if conditions breach agreed thresholds. The Investment Managers are required to employ industry 'best practice' techniques to manage risks.

The Fund continues to be adequately capitalized and should satisfactorily withstand several adverse conditions in the medium term. Due to the threat of these adverse conditions, the risks to the Fund's balance sheet are actively monitored. Moreover, 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 8 summarises the financial performance of the Fund for the period 2015- 2019.



**Table 8: Financial Highlights for 2015- 2019 (US\$'000)**

	2019	2018	2017	2016	2015
<b>Balance Sheet</b>					
Total Assets	142,568	123,056	123,386	120,711	114,139
Loan and Advances	24,322	28,501	25,705	23,860	21,150
Total Liabilities	746	895	971	866	811
Members' Contribution	120,254	111,563	109,424	106,651	101,608
<b>Revenue and Expenditure</b>					
Investment Income	2,911	2,788	2,647	2,521	2,671
Loan Interest Income	800	812	746	714	537
Other Income	559	390	16	14	14
Donors' Contribution	1,000	0	200	1,000	800
Actual Income	16,263	1,250	7,552	6,291	2,541
Actual Expenses	5,294	3,642	7,754	4,817	5,626
Budgeted Income	3,862	3,706	4,122	3,406	1,200
Budgeted Expenditure	9,239	3,779	8,654	5,777	4,467
Actual Income to Budgeted Income	4.21:1	0.33:1	1.83:1	1.85:1	2.12:1
Actual Expenses to Budgeted Expenses	0.58:1	0.96:1	0.90:1	0.83:1	1.26:1
<b>Working Capital</b>					
Current Ratio	53.10	31.60	32.08	56.40	36.64
Current Assets	39,613	28,283	31,153	48,844	29,718
Current Liabilities	746	895	971	866	811
<b>Other Ratios</b>					
Current Assets to Loans and Advances	1.63:1	0.99:1	1.21:1	2.05:1	1.41:1
Expenses to Loans and Advances	0.22:1	0.12:1	0.30:1	0.20:1	0.27:1
Expenses to Total Assets	0.04:1	0.02:1	0.06:1	0.04:1	0.05:1





# 2019

Annual Report

## AUDITED FINANCIAL STATEMENTS



# CARICOM Development Fund

## Financial Statements

Year ended 31 December 2019

(Amounts Expressed in United States Dollars)

Ernst & Young





## **CARICOM DEVELOPMENT FUND**

Index to the Financial Statements  
Year ended 31 December 2019

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Statement of Changes in Fund Balances	6
Statement of Cash Flows	7
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## **INDEPENDENT AUDITOR'S REPORT**

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

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

##### **Opinion**

We have audited the financial statements of the **CARICOM Development Fund** ("the Fund"), which comprise the statement of financial position as at 31 December 2019, and the statement of comprehensive income, statement of changes in fund balances and statement of cash flows for the year then ended, 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 2019 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 for 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 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 (continued)**

### **TO THE BOARD OF DIRECTORS OF THE 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 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 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.

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.

**INDEPENDENT AUDITOR'S REPORT (continued)**

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

**Report on the Audit of the Financial Statements (continued)**

**Other Legal 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.



BARBADOS  
5 August 2020

## CARICOM DEVELOPMENT FUND

### Statement of Comprehensive Income / (Loss)

Year ended 31 December 2019

(Expressed in United States Dollars)

	Notes	2019 \$	2018 \$
<b>Income</b>			
Investment income		2,910,711	2,787,707
Contributions	12, 13	1,558,951	390,208
Loan interest income		799,797	812,296
Gain on disposal of assets		25,437	-
Realized gains on financial assets			
at fair value through profit or loss	4	2,141,475	3,160,062
Unrealized gains /(losses) on financial assets			
at fair value through profit or loss	4	8,826,829	(5,900,585)
<b>Total Income</b>		<u>16,263,200</u>	<u>1,249,688</u>
<b>Expenses</b>			
Salaries and related costs	14	(1,350,590)	(1,318,651)
Operating expenses	15	(1,338,823)	(1,298,574)
Depreciation expense	9	(26,639)	(30,411)
Grant expense	16	(2,578,103)	(994,331)
<b>Total Expenses</b>		<u>(5,294,155)</u>	<u>(3,641,967)</u>
<b>Net income/(loss) being total comprehensive income/(loss) for the year</b>		<u><u>10,969,045</u></u>	<u><u>(2,392,279)</u></u>

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



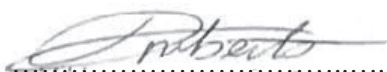
# CARICOM DEVELOPMENT FUND

Statement of Financial Position  
As at 31 December 2019  
(Expressed in United States Dollars)

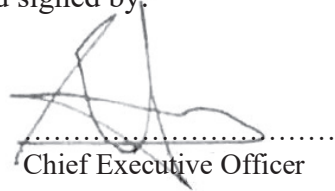
	Notes	2019 \$	2018 \$
<b>Assets</b>			
Cash and cash equivalents	3	12,718,189	5,643,928
Financial assets at fair value through profit or loss	4	104,535,895	87,917,516
Interest receivable	5	713,465	739,141
Other receivables	6	145,040	116,979
Loans and advances	7	24,322,137	28,501,114
Property and equipment	9	133,391	138,296
<b>Total assets</b>		<b>142,568,117</b>	<b>123,056,974</b>
<b>Liabilities</b>			
Accounts payable and accruals	10	645,578	462,341
Deferred income	11	100,000	432,295
<b>Total liabilities</b>		<b>745,578</b>	<b>894,636</b>
<b>Funds</b>			
Members' assessed contributions	8	163,841,020	163,841,020
Members' net contributions outstanding	8	(43,586,783)	(52,277,939)
<b>Members' contributions</b>		<b>120,254,237</b>	<b>111,563,081</b>
Accumulated comprehensive income		21,568,302	10,599,257
<b>Total fund balance</b>		<b>141,822,539</b>	<b>122,162,338</b>
<b>Total liabilities and funds</b>		<b>142,568,117</b>	<b>123,056,974</b>

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

Approved by the Board of Directors on 4 August 2020 and signed by:



Chairman



Chief Executive Officer

## CARICOM DEVELOPMENT FUND

### Statement of Changes in Fund Balances

Year ended 31 December 2019

(Expressed in United States Dollars)

	<b>Members' assessed contributions (Note 8) \$</b>	<b>Members' net contributions outstanding (Note 8) \$</b>	<b>Accumulated comprehensive income/(loss) \$</b>	<b>Total \$</b>
<b>Balance as at 31 December 2017</b>	163,841,020	(54,416,898)	12,991,536	122,415,658
Net loss being total comprehensive loss for the year	-	-	(2,392,279)	(2,392,279)
Contributions received from Member States	-	2,138,959	-	2,138,959
<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

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

## CARICOM DEVELOPMENT FUND

Statement of Cash Flows  
Year ended 31 December 2019  
(Expressed in United States Dollars)

	2019 \$	2018 \$
<b>Cash flows from operating activities</b>		
Net and total comprehensive income/ (loss) for the year	10,969,045	(2,392,279)
<b>Adjustments:</b>		
Depreciation	26,639	30,411
Interest income	(2,366,588)	(2,340,350)
Dividend income	(544,123)	(447,357)
Unrealized (gains)/losses on financial assets at fair value through profit or loss	(8,826,829)	5,900,585
Increase in other receivables	(28,061)	(11,113)
Decrease/ (increase) in loans and advances	4,178,977	(2,795,940)
Decrease in deferred income	(332,295)	(9,931)
Increase/ (decrease) in accounts payable and accruals	183,237	(66,094)
Interest income received	2,392,264	2,333,240
Dividend income received	544,123	447,357
Gain on disposal of plant and equipment	(25,437)	-
<b>Net cash used in operations</b>	6,170,952	648,529
<b>Cash flows from investing activities</b>		
Acquisition of property and equipment	(33,733)	-
Proceeds from sale of plant and equipment	37,436	-
Purchase of financial assets at fair value through profit or loss	(60,471,016)	(39,240,157)
Proceeds from sale of financial assets at fair value through profit or loss	52,679,466	37,279,455
<b>Net cash used in investing activities</b>	(7,787,847)	(1,960,702)
<b>Cash flows from financing activities</b>		
Contributions from Member States	8,691,156	2,138,959
<b>Net cash from financing activities</b>	8,691,156	2,138,959
Net increase in cash and cash equivalents	7,074,261	826,786
Cash and cash equivalents at the beginning of the year	5,643,928	4,817,142
Cash and cash equivalents at the end of the year	12,718,189	5,643,928

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

## CARICOM DEVELOPMENT FUND

Notes to the Financial Statements

Year ended 31 December 2019

(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 2019 (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 2019  
(Expressed in United States Dollars)

---

### 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 2019**

Several amendments and interpretations apply for the first time in 2019, 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.

#### ***IFRS 16 Leases***

IFRS 16 supersedes IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of transactions Involving the Legal Form of a Lease. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognise most leases on the balance sheet. The Fund has no leases and therefore IFRS 16 has no impact on the Fund.

#### ***IFRIC Interpretation 23 Uncertainty over Income Tax Treatment***

The Interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of IAS 12 Income Taxes. It does not apply to taxes or levies outside the scope of IAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The Interpretation specifically addresses the following:

- Whether an entity considers uncertain tax treatments separately
- The assumptions an entity makes about the examination of tax treatments by taxation authorities
- How an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates
- How an entity considers changes in facts and circumstances

IFRIC 23 does not apply to the Fund as it is a multilateral development institution and is not subject to income tax.

## CARICOM DEVELOPMENT FUND

Notes to the Financial Statements

Year ended 31 December 2019

(Expressed in United States Dollars)

---

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

#### Standards effective 1 January 2019 (cont'd)

##### *Amendments to IFRS 9: Prepayment Features with Negative Compensation*

Under IFRS 9, a debt instrument can be measured at amortised cost or at fair value through other comprehensive income, provided that the contractual cash flows are 'solely payments of principal and interest on the principal amount outstanding' (the SPPI criterion) and the instrument is held within the appropriate business model for that classification. The amendments to IFRS 9 clarify that a financial asset passes the SPPI criterion regardless of an event or circumstance that causes the early termination of the contract and irrespective of which party pays or receives reasonable compensation for the early termination of the contract. These amendments had no impact on the financial statements of the Fund.

##### *Amendments to IAS 19: Plan Amendment, Curtailment or Settlement*

The amendments to IAS 19 address the accounting when a plan amendment, curtailment or settlement occurs during a reporting period. The amendments specify that when a plan amendment, curtailment or settlement occurs during the annual reporting period, an entity is required to determine the current service cost for the remainder of the period after the plan amendment, curtailment or settlement, using the actuarial assumptions used to remeasure the net defined benefit liability (asset) reflecting the benefits offered under the plan and the plan assets after that event. An entity is also required to determine the net interest for the remainder of the period after the plan amendment, curtailment or settlement using the net defined benefit liability (asset) reflecting the benefits offered under the plan and the plan assets after that event, and the discount rate used to remeasure that net defined benefit liability (asset).

The amendments had no impact on the financial statements of the Fund.

##### *Amendments to IAS 28: Long-term interests in associates and joint ventures*

The amendments clarify that an entity applies IFRS 9 to long-term interests in an associate or joint venture to which the equity method is not applied but that, in substance, form part of the net investment in the associate or joint venture (long-term interests). This clarification is relevant because it implies that the expected credit loss model in IFRS 9 applies to such long-term interests.



## CARICOM DEVELOPMENT FUND

Notes to the Financial Statements  
Year ended 31 December 2019  
(Expressed in United States Dollars)

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

#### **Standards effective 1 January 2019 (cont'd)**

The amendments also clarified that, in applying IFRS 9, an entity does not take account of any losses of the associate or joint venture, or any impairment losses on the net investment, recognised as adjustments to the net investment in the associate or joint venture that arise from applying IAS 28 Investments in Associates and Joint Ventures.

These amendments had no impact on the financial statements as the Fund.

#### ***Annual Improvements 2015-2017 Cycle***

- ***IFRS 3 Business Combinations***

The amendments clarify that, when an entity obtains control of a business that is a joint operation, it applies the requirements for a business combination achieved in stages, including remeasuring previously held interests in the assets and liabilities of the joint operation at fair value. In doing so, the acquirer remeasures its entire previously held interest in the joint operation.

An entity applies those amendments to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 January 2019, with early application permitted.

These amendments had no impact on the financial statements of the Fund as there is no transaction where joint control is obtained.

- ***IFRS 11 Joint Arrangements***

An entity that participates in, but does not have joint control of, a joint operation might obtain joint control of the joint operation in which the activity of the joint operation constitutes a business as defined in IFRS 3. The amendments clarify that the previously held interests in that joint operation are not remeasured.

## CARICOM DEVELOPMENT FUND

Notes to the Financial Statements  
Year ended 31 December 2019  
(Expressed in United States Dollars)

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

#### Standards effective 1 January 2019 (cont'd)

#### *Annual improvements 2015-2017 Cycle (cont'd)*

- ***IFRS 11 Joint Arrangements (cont'd)***

An entity applies those amendments to transactions in which it obtains joint control on or after the beginning of the first annual reporting period beginning on or after 1 January 2019, with early application permitted.

These amendments had no impact on the financial statements of the Fund.

- ***IAS 12 Income Taxes***

The amendments clarify that the income tax consequences of dividends are linked more directly to past transactions or events that generated distributable profits than to distributions to owners. Therefore, an entity recognises the income tax consequences of dividends in profit or loss, other comprehensive income or equity according to where it originally recognised those past transactions or events.

An entity applies the amendments for annual reporting periods beginning on or after 1 January 2019, with early application permitted. When the entity first applies those amendments, it applies them to the income tax consequences of dividends recognised on or after the beginning of the earliest comparative period.

IAS 12 does not apply to the Fund as it is a multilateral development institution and is not subject to income tax.

## CARICOM DEVELOPMENT FUND

Notes to the Financial Statements  
Year ended 31 December 2019  
(Expressed in United States Dollars)

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

#### Standards effective 1 January 2019 (cont'd)

##### *Annual improvements 2015-2017 Cycle (cont'd)*

- **IAS 23 Borrowing Costs**

The amendments clarify that an entity treats as part of general borrowings any borrowing originally made to develop a qualifying asset when substantially all of the activities necessary to prepare that asset for its intended use or sale are complete.

The entity applies the amendments to borrowing costs incurred on or after the beginning of the annual reporting period in which the entity first applies those amendments. An entity applies those amendments for annual reporting periods beginning on or after 1 January 2019, with early application permitted.

Since the Fund's current practice is in line with these amendments, they had no impact on the financial statements of the Fund.

#### **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.

## CARICOM DEVELOPMENT FUND

Notes to the Financial Statements

Year ended 31 December 2019

(Expressed in United States Dollars)

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

#### **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

#### ***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.

## CARICOM DEVELOPMENT FUND

Notes to the Financial Statements  
Year ended 31 December 2019  
(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 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 market place (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.

##### ***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.



## CARICOM DEVELOPMENT FUND

Notes to the Financial Statements  
Year ended 31 December 2019  
(Expressed in United States Dollars)

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

#### **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 \$6,871 has been calculated as at 31 December 2019 (2018: \$8,436). 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.

#### **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.

## CARICOM DEVELOPMENT FUND

Notes to the Financial Statements  
Year ended 31 December 2019  
(Expressed in United States Dollars)

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

#### **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.

#### **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.

## CARICOM DEVELOPMENT FUND

Notes to the Financial Statements

Year ended 31 December 2019

(Expressed in United States Dollars)

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

#### Property and equipment (cont'd)

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.

#### 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.

## CARICOM DEVELOPMENT FUND

Notes to the Financial Statements  
Year ended 31 December 2019  
(Expressed in United States Dollars)

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

#### **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 2019  
(Expressed in United States Dollars)

### 2. Cash and cash equivalents

	2019 \$	2018 \$
Cash at hand	59	220
Cash at banks	12,718,130	5,643,708
	<u>12,718,189</u>	<u>5,643,928</u>

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

The Fund's investments comprise publicly quoted corporate bonds and equity securities. The bonds' yield ranged 0.78%-6.75% (2018: 1.55% -6.88%) per annum.

	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>

## CARICOM DEVELOPMENT FUND

Notes to the Financial Statements

Year ended 31 December 2019

(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 2018</b>					
Listed debt securities	70,718,369	88,057	(3,154,530)	67,651,896	329,381
Forward currency contracts	-	-	(44,620)	(44,620)	501,961
Options	-	-	-	-	-
Listed equity securities	20,361,503	919,070	(970,333)	20,310,240	2,328,720
	<u>91,079,872</u>	<u>1,007,127</u>	<u>(4,169,483)</u>	<u>87,917,516</u>	<u>3,160,062</u>

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

	2019 \$	2018 \$
Opening unrealized (losses)/ gains	(3,193,036)	2,707,549
Net unrealized gains during the year	<u>8,826,829</u>	<u>(5,900,585)</u>
Closing unrealized gains/(losses)	<u>5,633,793</u>	<u>(3,193,036)</u>

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

	2019 \$	2018 \$
Due within 1 year	3,499,230	1,516,974
1 to 5 years	54,517,181	47,243,730
Over 5 years	21,236,742	18,891,192
	<u>79,253,153</u>	<u>67,651,896</u>



## CARICOM DEVELOPMENT FUND

Notes to the Financial Statements

Year ended 31 December 2019

(Expressed in United States Dollars)

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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

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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	2019			2018		
	Assets	Liabilities	Notional amount	Assets	Liabilities	Notional amount
Forward currency contracts	12,734,546	(12,780,726)	(46,180)	7,441,166	7,485,786	(44,620)

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

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### 5. Interest receivable

Interest receivable is represented as follows:

	2019 \$	2018 \$
Loan and advances	2,660	44,509
Financial assets at fair value through profit and loss	710,805	694,632
	<u>713,465</u>	<u>739,141</u>

### 6. Other receivables

Other receivables are represented by the following:

	2019 \$	2018 \$
Advance on fixed assets	9,726	9,727
Value added tax	132,577	107,252
Travel advances	2,737	-
	<u>145,040</u>	<u>116,979</u>

### 7. Loans and advances

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

	2019 \$	2018 \$
Due from the Government of St. Lucia	2,039,062	2,437,874
Due from the Government of Belize	443,734	874,527
Due from the Government of St. Vincent & the Grenadines	3,337,545	4,540,099
Due from the Government of St. Kitts & Nevis	1,337,050	1,796,641
Due from the Government of the Commonwealth of Dominica	3,328,558	3,890,934
Due from the Government of Grenada	1,949,527	2,313,698
Due from the Government of Guyana	10,553,159	11,157,443
Due from the Government of Antigua & Barbuda	1,333,502	1,489,898
	<u>24,322,137</u>	<u>28,501,114</u>

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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 loan to the Government of Belize is denominated in United States dollars. The loan bears interest at 3% per annum, is 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 loan matures on 31 December 2020.

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 loan to the Government of St. Kitts and Nevis 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 first loan to the Government of the Commonwealth of Dominica amounting to \$2,467,273 as at 31 December 2019 (2018 - \$2,854,729) 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 \$423,455 as at 31 December 2019 (2018 - \$539,357) 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.

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

The third loan to the Government of the Commonwealth of Dominica amounting to \$437,830 as at 31 December 2019 (2018 - \$496,848) 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 \$4,829,601 as at 31 December 2019 (2018 - \$5,194,943) 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 \$5,723,558 as at 31 December 2019 (2018 - \$5,962,500) 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.

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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:

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



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

2018 Member States	Assessed Contributions	Net Contributions Outstanding	Contributions Received
Antigua and Barbuda	3,655,986	-	3,655,986
Barbados	18,926,690	7,442,311	11,484,379
Belize	5,278,104	-	5,278,104
Dominica	2,182,312	391,156	1,791,156
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	4,446,722	4,540,000
Trinidad and Tobago	77,070,000	40,000,000	37,070,000
Trinidad and Tobago Petroleum Fund	9,660,000	-	9,660,000
	165,841,020	52,277,939	113,563,081
Less: amount appropriated to fund operations	(2,000,000)	-	(2,000,000)
	163,841,020	52,277,939	111,563,081

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

Reconciliation of members' contributions receivable:

	2019 \$	2018 \$
Opening balance	52,277,939	54,416,898
Less: Contributions received during the year		
Antigua and Barbuda	-	(1,425,986)
Grenada	-	(712,973)
Barbados	2,800,000	-
Trinidad & Tobago	5,000,000	-
Dominica	391,156	-
Suriname	500,000	-
Total contributions received	8,691,156	(2,138,959)
Closing balance	43,586,783	52,277,939

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 2019 were as follows:

	Motor vehicles \$	Computer equipment \$	Furniture and fittings \$	Office machinery and equipment \$	Total \$
<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 2018					
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

The carrying value of property and equipment as at 31 December 2018 were as follows:

	Motor vehicles \$	Computer equipment \$	Furniture and fittings \$	Office machinery and equipment \$	Total \$
<b>2018</b>					
Opening net book value	16,377	72,300	77,864	2,166	168,707
Additions	-	-	-	-	-
Disposal	-	-	-	-	-
Accumulated depreciation on disposals	-	-	-	-	-
Depreciation charge	(4,378)	(20,581)	(5,012)	(440)	(30,411)
Closing net book amount	11,999	51,719	72,852	1,726	138,296
At 31 December 2018					
Cost	29,507	148,067	110,700	4,817	293,091
Accumulated depreciation	(17,508)	(96,348)	(37,848)	(3,091)	(154,795)
Net book value	11,999	51,719	72,852	1,726	138,296

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<b>10. Accounts payable and accruals</b>	<b>2019</b>	<b>2018</b>
	<b>\$</b>	<b>\$</b>
Accrued gratuity	257,376	214,201
Other payables	388,202	248,140
	<u>645,578</u>	<u>462,341</u>

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

<b>11. Deferred income</b>	<b>2019</b>	<b>2018</b>
	<b>\$</b>	<b>\$</b>
Deferred income- donations and grants	-	3,100
Deferred income for special projects	100,000	429,195
	<u>100,000</u>	<u>432,295</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. In 2010, the Government of Finland contributed US\$429,195 (EUR 300,000) to the Fund in support of programme activities in various Member States. This was completed during 2019.

## **12. Donors contributions**

During 2019, the Government of India contributed US\$1,000,010 (2018: Nil) to the Fund to support programme activities in various Member States.

## CARICOM DEVELOPMENT FUND

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### 13. Other contributions

Other contribution of \$432,295 (2018: \$89,419) represents the amortized portion of deferred income for a furniture grant received from the European Development Fund of \$3,100 (2018: \$9,931); commission interest of \$126,646 (2018: \$79,488) amortized portion of deferred income from the Government of Finland of \$429,195 (2018: \$0).

### 14. Salaries and related costs

Salaries and related costs are represented by the following:

	2019	2018
	\$	\$
Salaries and allowances	1,140,695	1,112,015
Health and accident insurance	10,354	9,220
Staff gratuities	152,476	152,312
Leave grant	-	8,640
Employer's contribution to NIS	19,036	16,924
Staff development	28,029	4,582
Recruitment expenses – advertisements	-	-
Recruitment expenses - first appointments/repatriation	-	14,958
	<u>1,350,590</u>	<u>1,318,651</u>

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### 15. Operating expenses

The operating expenses are represented by the following:

	2019 \$	2018 \$
Professional fees	145,360	133,808
Investment management fees	616,989	646,915
Overseas travel	257,635	164,061
Meeting and conferences	108,163	116,423
Ancillary services	39,452	22,370
Communication	65,785	61,146
Office maintenance and supplies	21,367	20,604
Insurance (General)	2,021	1,267
Vehicle expenses	5,758	2,524
Subscriptions and publications	10,630	10,068
Marketing/advertising	15,135	36,802
Corporate entertainment	4,818	24,538
Bank charges	1,822	1,899
Commission	-	631
Foreign exchange loss	1,866	13,521
Utilities	42,022	41,997
	<hr/>	<hr/>
	1,338,823	1,298,574

### 16. Grant expense

Grants disbursed during the year are as follows:

	2019 \$	2018 \$
Government of St. Lucia	315,513	215,960
Government of Belize	237,362	-
Government of Antigua and Barbuda	506,405	655,900
Government of St. Kitts and Nevis	687,417	-
Government of Grenada	123,000	-
Government of St. Vincent & the Grenadines	659,540	-
Government of the Commonwealth of Dominica	48,866	122,471
	<hr/>	<hr/>
	2,578,103	994,331



# CARICOM DEVELOPMENT FUND

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## 17. Capital commitment and contingent liabilities

Member State	Balance brought forward/new approvals		Disbursed		Undisbursed	
	Loans	Grants	Loan	Grants	Loans	Grants
2019	\$	\$	\$	\$	\$	\$
St. Vincent and the Grenadines	69,934	767,040	-	659,540	69,934	107,500
Belize	3,000,000	3,386,444	-	237,362	3,000,000	3,149,082
St. Lucia	-	521,997	-	315,513	-	206,484
Belize (TA)	-	148,344	-	-	-	148,344
St. Kitts and Nevis	-	856,089	-	687,417	-	168,672
Dominica	357,757	235,845	-	48,866	357,757	186,979
Guyana	662,500	557,263	-	-	662,500	557,263
Grenada	-	1,663,815	-	123,000	-	1,540,815
Antigua & Barbuda	179,270	1,755,850	-	506,405	179,270	1,249,445
	4,269,461	9,892,687	-	2,578,103	4,269,461	7,314,584
<b>2018</b>						
St. Vincent and the Grenadines	819,934	10,000	652,500	-	167,434	10,000
Belize	-	3,087,949	-	-	-	3,087,949
St. Lucia	-	737,957	-	215,960	-	521,997
Belize (TA)	-	148,344	-	-	-	148,344
St. Kitts and Nevis	-	856,089	-	-	-	856,089
Dominica	728,850	358,316	371,093	122,471	357,757	235,845
Guyana	4,306,250	557,263	3,643,750	-	662,500	557,263
Grenada	-	758,000	-	-	-	758,000
Antigua & Barbuda	1,434,143	1,101,750	1,254,873	655,900	179,270	445,850
	7,289,177	7,615,668	5,922,216	994,331	1,366,961	6,621,337

## CARICOM DEVELOPMENT FUND

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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. As at 31 December 2019, \$69,934 and \$107,500 remained undisbursed in loans and grants respectively (2018: \$167,434 and \$10,000).

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 2019, \$237,362 was disbursed in grants. As at 31 December 2019, \$3,000,000 and \$3,149,082, remained undisbursed in loans and grants respectively (2018: \$0 and \$3,087,949).

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. Disbursements of \$215,960 in grants were made to the Government of St. Lucia in 2018. In 2019, \$315,513 was disbursed in grants. As at 31 December 2019, \$206,484 in grants remained undisbursed (2018: \$521,997 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. In 2019, \$687,417 was disbursed in grants. As at 31 December 2019, \$168,672 remained undisbursed in grants (2018: \$856,089).

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 \$48,866 was disbursed in grants. As at 31 December 2019, \$357,757 and \$186,979 (2018: \$357,757 and \$235,845) 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 2019. As at 31 December 2019, \$662,500 and \$557,263 (2018: \$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 2019, \$123,000 was disbursed in grants. As at 31 December 2019, \$1,540,815 remained undisbursed grants (2018: \$758,000).

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. As at 31 December 2019, \$179,270 and \$1,249,445 (2018: \$179,270 and \$445,850) remained undisbursed in loans and grants respectively.

#### Contingent Liability

The Fund reports no contingent liability.

### 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 frame work 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.

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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

	2019 \$	2018 \$
AA- to AAA	18,087,572	11,936,759
A-to A+	15,151,030	13,753,487
Lower than A-	36,476,236	35,012,579
Unrated	9,538,315	6,949,071
	<u>79,253,153</u>	<u>67,651,896</u>

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

	2019 % of debt securities	2018 % of debt securities
United States	49	47
Asia	7	16
European Union	34	31
Other	10	6
	<u>100</u>	<u>100</u>

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

	2019 % of debt securities	2018 % of debt securities
Financial	23	27
Retail	38	34
Telecommunications	15	20
Energy	5	5
Government	6	6
Utilities	13	8
	<u>100</u>	<u>100</u>

## CARICOM DEVELOPMENT FUND

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

#### Credit risk (cont'd)

##### Exposure to Credit Risk

	2019 \$	2018 \$
Cash and cash equivalents	12,718,189	5,643,928
Debt security at fair value through profit or loss	79,253,153	67,651,896
Interest receivable	713,465	739,141
Loans and advances	24,322,137	28,501,114
Other receivables	145,040	116,979
	<hr/>	<hr/>
	117,151,984	102,653,058
	<hr/>	<hr/>
Undrawn commitments to lend	4,269,461	1,366,961
	<hr/>	<hr/>
	121,421,445	104,020,019
	<hr/>	<hr/>

#### 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:

	<b>On Demand \$</b>	<b>1 – 12 Months \$</b>	<b>1 – 15 Years \$</b>	<b>No Fixed Maturity \$</b>	<b>Total \$</b>
<b>2019</b>					
Loans and advances	-	-	24,322,137	-	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>1,565,610</b>	<b>84,394,891</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

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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>2018</b>					
Loans and advances	-	-	28,501,114	-	28,501,114
Interest receivable	-	739,141	-	-	739,141
Other receivables	-	116,979	-	-	116,979
Financial assets at fair value through profit or loss (Equity)	20,310,240	-	-	-	20,310,240
Financial assets at fair value through profit or loss (FI Securities)	-	1,472,353	55,673,718	10,461,205	67,607,276
Cash and cash equivalents	5,643,928	-	-	-	5,643,928
<b>Total financial assets</b>	25,954,168	2,328,473	84,174,832	10,461,205	122,918,678
Accruals and payables	-	462,341	-	-	462,341
<b>Total financial liabilities</b>	-	462,341	-	-	462,341

## CARICOM DEVELOPMENT FUND

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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 2019, a 1% increase or decrease in interest rates would increase or decrease capital value on the US dollar portfolio by \$2.69 million (2018: \$2.51 million).

	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
Cash and cash equivalents	12,718,189	-	-	-	12,718,189
<b>Total interest-bearing Assets</b>	<b>13,385,474</b>	<b>898,325</b>	<b>97,230,867</b>	<b>5,591,137</b>	<b>117,105,803</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>

## CARICOM DEVELOPMENT FUND

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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>2018</b>					
<i>Variable rate assets</i>					
Financial assets at fair value through profit or loss (FI Securities)	-	-	7,295,938	9,099,541	16,395,479
<i>Fixed rate assets</i>					
Loans and advances	-	-	28,501,114	-	28,501,114
Financial assets at fair value through profit or loss (FI Securities)	(44,620)	-	50,762,773	493,644	51,211,797
Receivables	739,141	116,979	-	-	856,120
Cash and cash equivalents	5,643,928	-	-	-	5,643,928
<b>Total interest-bearing Assets</b>	<b>6,338,449</b>	<b>116,979</b>	<b>86,559,825</b>	<b>9,593,185</b>	<b>102,608,438</b>
<i>Fixed rate liabilities</i>					
Accruals and Payables	-	462,341	-	-	462,341
<b>Total interest-bearing liabilities</b>	<b>-</b>	<b>462,341</b>	<b>-</b>	<b>-</b>	<b>462,341</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 investment portfolio valued at \$104,535,895 (2018 - \$87,917,516) mainly related to some of its assets being denominated in Euro (€7,300,000) and GBP (£3,450,000) currencies. 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 2019, any reasonably possible change in market prices would not have had a material effect on the Company's financial position.

## CARICOM DEVELOPMENT FUND

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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

## CARICOM DEVELOPMENT FUND

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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 \$	Total \$
<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)	-	(46,180)	-	(46,180)
Listed equity securities	25,328,922	-	-	25,328,922
	25,328,922	79,206,973	-	104,535,895
<b>2018</b>				
<b>Financial assets at fair value through profit or loss</b>				
Listed debt securities	-	67,651,896	-	67,651,896
Forward currency contracts)	-	(44,620)	-	(44,620)
Listed equity securities	20,310,240	-	-	20,310,240
	20,310,240	67,607,276	-	87,917,516

There are no investments categorized as level 3 for FY 2019 or 2018.

### 21. Related party transactions

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

Key management compensation	2019 \$	2018 \$
Salaries and allowances	329,643	321,643
Termination benefits	39,694	39,694



## **CARICOM DEVELOPMENT FUND**

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### **22. Subsequent events**

On 30 January 2020, the International Health Regulations Emergency Committee of the World Health Organisation (WHO) declared the COVID-19 outbreak a “Public Health Emergency of International Concern”. Since then, more cases have been diagnosed. The outbreak led to the closure of non-essential businesses globally. We do not expect these disruptions to have a significant impact on our business, results of operations, financial condition, and cash flows.





**CARICOM**  
DEVELOPMENT FUND

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