



CARIBBEAN DEVELOPMENT BANK
Annual Report
2006



President's Review



The operations of the Caribbean Development Bank (CDB) during 2006 took place in the context of economic growth among its Borrowing Member Countries (BMCs). Three of the fourteen countries for which estimates of economic growth are available expanded by 10-12 percent, one by 7 percent, and six by 4-5 percent. Only Montserrat, which was beset by volcanic eruptions, declined in 2006.

The sources of economic growth were varied, including construction booms associated with expansion of tourism plants in some countries, with ICC Cricket World Cup in others, and with the energy sector boom in Trinidad and Tobago. Strong tourism demand, agriculture sector growth and an expansion of financial services were other important sources of economic growth.

Several countries began the year troubled by excessive public debt and large fiscal deficits. By the end of the year, it was clear that they had embarked on significant fiscal reforms and debt adjustment programmes with consequential improvements in fiscal capacity, public expenditure management and reduction of debt service burden. CDB was very engaged in this process of regaining fiscal stability and improved debt management. In addition to technical assistance provided in relation to improvement of fiscal revenue systems and its encouragement of return to the practice of public sector investment programmes, the Bank introduced two new financial instruments, *viz.* policy-based loans and policy-based guarantees, to assist countries.

Overall, CDB approved new loans, grants and equity contributions totalling \$128.6 mn in 2006, and also approved a \$8.2 mn loan guarantee for St. Kitts and Nevis. Disbursements over the same period amounted to \$131.9 mn. Sixty-two percent of the new approvals were to the Bank's LDCs, that is Belize, and the Organisation of Eastern Caribbean States (OECS) members; twenty-seven percent went to the MDCs, and the remaining eleven percent went to regional projects.

In terms of areas financed, resources were approved for financial sector modernisation, tourism and business infrastructure, education and human resource development, electrical energy supply, and national planning capacity. The Bank also financed disaster risk reduction and health through support for a Feasibility Study of a Regional Health Insurance Mechanism.

Being very conscious of the fiscal pressures on its BMCs in a situation of unsatisfied demand for development finance, the Bank endeavoured to avoid any substantial increases in its loan rates of interest despite the global trend towards higher interest rates and a rise in the Bank's own borrowing costs. To this end, the Bank introduced a new Capital Adequacy Framework for financial risk management and loan pricing.

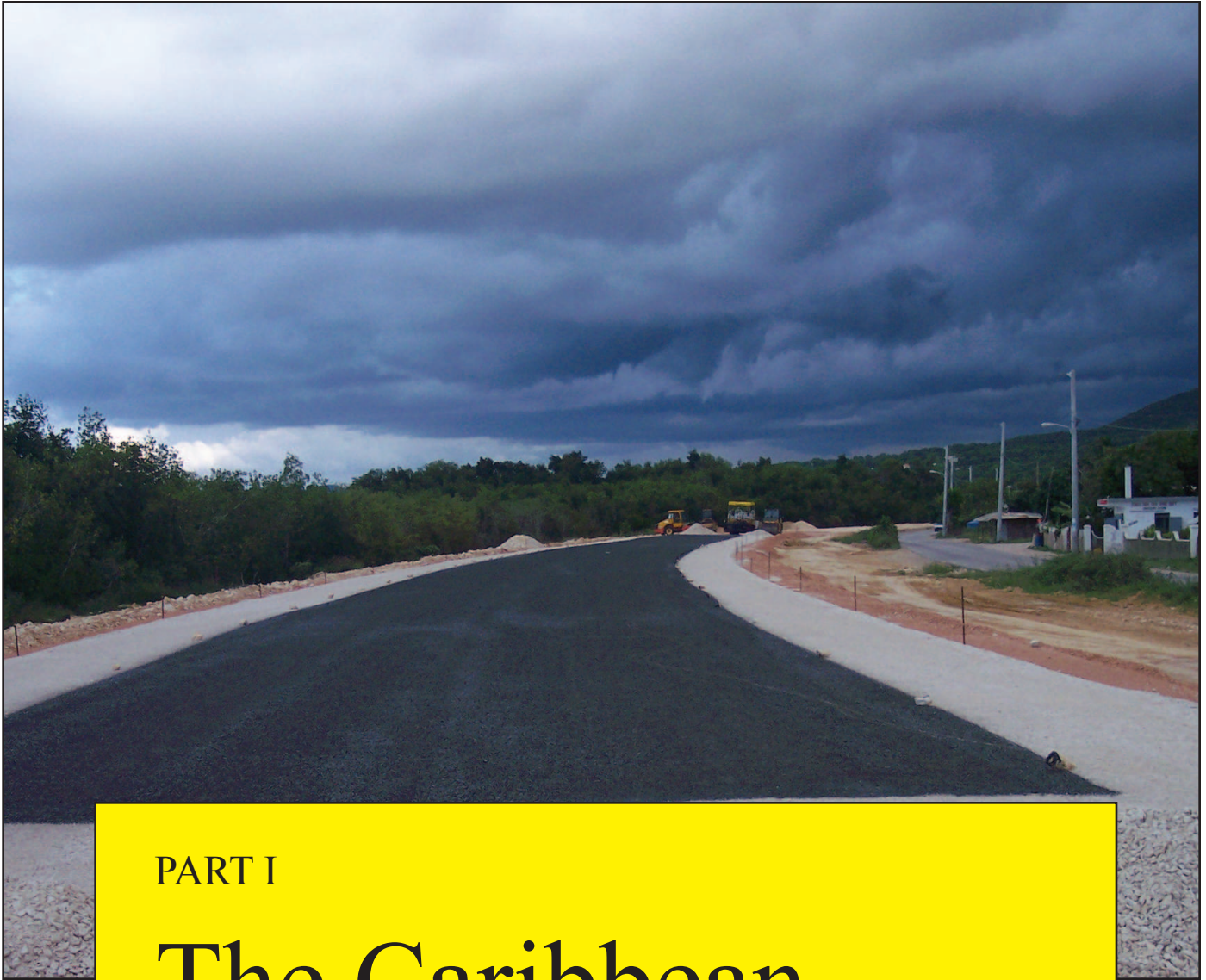
An important development which culminated in January 2007 was the completion of formalities for admission of the Republic of Haiti among the Bank's BMCs. We hope that this will encourage Suriname, the only CARICOM country that is not yet a member, to complete the process for its own admission to the ranks of CDB BMCs.

Finally, CDB maintained its active participation in the regional economic integration process, hosting meetings of the CARICOM Council for Finance and Planning and other committee meetings, and spearheading the work for the establishment of the CARICOM Development Fund.

The Management of the Bank is highly appreciative of the hard work of its staff and of the contributions of the Board of Directors to the quality of the Bank's operations in 2006.



COMPTON BOURNE, Ph.D., O.E.
President



PART I

The Caribbean Economies in 2006



CONSTRUCTION and tourism led regional economies in 2006, and in some cases the two overlapped with construction of tourism facilities.

REGIONAL ECONOMIC DEVELOPMENTS

OVERVIEW Regional economies generally performed well in 2006, with output in most of the Bank’s borrowing member countries (BMCs) increasing over the previous year’s levels. Tourism and construction again provided the impetus for the year’s outturn, as strong growth in most source markets coupled with enhanced marketing efforts boosted tourism output, while construction continued to benefit from private and public sector preparations for Cricket World Cup 2007. This heightened activity was also reflected in improvements in government revenues, which along with enhancements to tax administration and in one instance an increase in levies and new excises saw a rise in fiscal savings and a narrowing in the overall deficits. Within the commercial banking system, the combination of strong credit demand, and generally high liquidity levels as a result of firm deposit growth, prompted authorities in most instances to tighten monetary policy in order to protect the balance of payments. The Region continued to depend on its ability to attract Foreign Direct Investment to support its reserve position as import demand surpassed the moderate increase in goods and services receipts. These developments took place within an environment of

generally higher price levels on account of elevated oil prices, increases in surcharges, and supply disruptions in agricultural commodities. Exchange rates nevertheless were relatively stable, with only minor depreciations being recorded.

REAL OUTPUT Led by solid performances in tourism and construction, and supported by agriculture, financial services and manufacturing, there was broad-based growth in CDB’s BMCs in 2006. With the exception of Montserrat, where heightened volcanic activity led to a 3.1% decline in economic activity, indications are that all other BMCs exhibited growth in 2006, and in several instances managed to exceed the previous year’s performance.

The fastest growth rates were recorded in Trinidad and Tobago and in Antigua and Barbuda, each growing by 12% compared to 8% and 5.3%, respectively, in 2005. In Trinidad and Tobago, strong performances in the oil exploration and production, refining and petrochemicals sub-sectors were the main contributors to output, while in Antigua and Barbuda, a turnaround in tourism, a surge in construction and a pick-up in

agriculture, spurred activity. Turks and Caicos Islands (10.8%), British Virgin Islands (7.2%) and, St. Vincent and the Grenadines (4% to 5%), all turned in creditable performances in 2006, although in the Turks and Caicos Islands, this rate was below the 12.5% recorded in 2005. The tourism sector provided much of the impetus for growth in these economies, along with construction in the case of Turks and Caicos Islands and St. Vincent and the Grenadines, and financial services in British Virgin Islands. In Guyana, following the severe flood-induced contraction in 2005, agriculture rebounded in 2006 and was the main contributor to the 4.8% growth rate. Robust activity also occurred in Cayman Islands (4.6%), St. Kitts and Nevis (4.4%), Dominica (4.1%) and The Bahamas (4%). Growth in Cayman Islands, though lower than in 2005, was fuelled by strong performances in tourism, construction, and international financial services. Similarly, in St. Kitts and Nevis and Dominica, tourism and construction were the main drivers of growth, but were also supported by agriculture, and in the case of St. Kitts and Nevis, by the manufacturing sector. The economies of Barbados, Belize and Grenada turned in positive but slower performances than in 2005, growing by 3.4%, 2.5% and 2%, respectively. The slowdown in Barbados was mainly attributable to the deceleration in construction and a decline in sugar production as tourism managed to reverse the decline of

2005. In Belize, a turnaround in agricultural production coupled with a likely increase in tourism spurred output during the year, but this was constrained by declines in construction and manufacturing. Similarly, in Grenada, tourism, agriculture, and manufacturing performed relatively well, but a slowdown in construction activity from post-Hurricane Ivan rebuilding retarded output growth.

Available information for Jamaica, St. Lucia and Anguilla also suggests positive performances in 2006. In Anguilla and Jamaica, tourism provided the main impetus and in Anguilla was accompanied by heightened construction activity, while in Jamaica, agriculture, transportation storage, communication and electricity and water played supporting roles. In St. Lucia, the construction sector was the primary driver of growth, followed by agriculture and manufacturing, as tourism is estimated to have declined.

REGIONAL SECTOR PERFORMANCE

TOURISM Following a moderate performance in 2005, regional tourism performed well in 2006, with 12 of the 17 BMCs showing improvement when compared to 2005. Strong growth in the Region's main source

OPPORTUNITIES in tourism are at all levels of the industry. Some very upscale properties are owned by Caribbean nationals.



markets, coupled with domestic efforts to improve the attractiveness of destinations led to the rebound in tourism. Indeed, the tourism sector appeared to benefit from enhanced airlift capacity, upgrades to tourist attractions, past improvements and expansions to accommodation, upgrades to tourism infrastructure and enhanced marketing and promotional efforts. With respect to long-stay arrivals, available source market data for 12 BMCs, however, suggest that while all markets performed well, the US and Canadian markets were exceptional, with only one country registering a decline in both markets. The outturn for the European market was more mixed, however, with seven countries recording growth and five declining.

Cruise tourism, while showing slight improvement over 2005, continued to be adversely affected by high fuel costs which saw the use of smaller vessels to the region, as well as a continuation of home-porting, all of which dampened the performance of cruise tourism in 2006. Consequently, data on cruise arrivals for 11 BMCs showed six registering an increase with five declining.

Since the immediate post 9/11 period, the tourism sector has been largely on an upward trend, consolidating on past gains; taking advantage of its proximity to the US

and the region's appealing natural environment while upgrading public infrastructure. This trend is set to continue with a number of significant hotel and resort-related investments planned for the medium to long term. However, these large-scale investments appear to be planned for the more mature, well-established destinations. The issue, therefore, becomes one of attracting investments to destinations still at the beginning of their tourism product life cycle to ensure that development is more equitable across the Region. Those economies seeking to diversify further into tourism will need to focus on creating an environment for investments through fiscal and other incentives, upgrades to public infrastructure, refurbishment of existing tourism sites and, if necessary, engaging in build-own-operate-transfer or build-own-lease-transfer arrangements to catalyse future private investments.

AGRICULTURE The agricultural sector performed well in 2006, with output of both traditional and non-traditional crops registering increases. This outturn largely reflected favourable weather following the adverse climatic conditions of the previous two years. In addition, there appeared to be greater public sector involvement experienced in 2006 through the implementation of projects designed to improve



AGRICULTURE continued to perform creditably in some territories, and provided a livelihood for farmers as well as hucksters.



MANUFACTURING was fuelled mainly by heightened regional and international demand. This demand meant that the sector fared well in 2006.

competitiveness and agricultural support services. Enhancements to agricultural infrastructure through better drainage and irrigation, and modernisation of existing facilities, along with improvements in husbandry practices and seed quality, also precipitated the increase in 2006. With respect to sugar, however, 2006 marked the beginning of a new pricing structure governing the European Union (EU) sugar regime. The first price cut of 5% was implemented on July 1, 2006, and will be in effect until October 2008 when a further 20% will be applied.

While large-scale agricultural production remains uncompetitive for most economies, agriculture still remains an important source of employment and income particularly for rural communities and is still necessary for food security. With changes to the EU agricultural policy and on-going reform of the agricultural sector, particularly as it relates to sugar and

bananas, efforts should be intensified to identify those commodities with export potential and strengthen the link between tourism and agriculture. The latter will involve, *inter alia*, ensuring a reliable and consistent supply of commodities, good quality for locally-grown produce, and an efficient wholesale system if maximum benefits are to be realised from the relationship between agriculture and tourism.

CONSTRUCTION Regional construction remained buoyant in 2006, as public and private sector projects proceeded apace. Preparations for ICC Cricket World Cup provided much of the impetus for activity during the year. In the private sector, hotel-related renovations and expansions dominated output, while in the public sector work focussed on improvements to road infrastructure, air and sea port enhancement, and refurbishment of stadia. Other public sector work included expanding the housing stock, hospital services, and flood mitigation activities, while other private sector activity centred on residential and commercial building.

While there will be some fall-off in activity post-World Cup, construction is expected to have a soft landing, as infrastructural development and residential building postponed as a result of labour and material shortages during the construction boom is likely to commence.

MANUFACTURING The regional manufacturing sector fared well in 2006, with available data showing improvements in most economies. This performance was fuelled mainly by heightened regional and international demand. In particular, there appeared to be some market penetration in the US, particularly for electronic components, data services and high-end wooden products. Specifically, those sub-sectors recording growth were petroleum products, processed food, animal feed, and electrical and electronic components. Output was, however, constrained during the year by a shortage of aggregates which limited

production of concrete and concrete-based products. There appears to be some scope, though limited, for regional manufacturing as heightened demand, particularly out of the US, has prompted an expansion of existing capacity. Moreover, there are plans in Antigua and Barbuda to upgrade existing Free Trade Zone facilities to encourage the establishment of light manufacturing activities.

MINING AND QUARRYING Available data suggest that regional mineral production turned in a mixed performance in 2006. In Guyana, the sector continued to be affected by the closure of OMAI gold mine, the dominant player in the market in late 2005; however, declarations from small and medium-sized firms suggest an expansion in their operations, fuelled by rising prices.

The bauxite industry fared better, showing signs of growth in both Jamaica and Guyana on account of favourable international demand. In Guyana, this occurred at a slower pace than in 2005 as a fall in prices led to the closure of a major producer of calcined bauxite. This was partially offset, however, by increases in the production of chemical grade and metal grade bauxite as a major player entered the market. Production of alumina in Jamaica, however, is likely to have declined marginally. In Trinidad and Tobago, the energy sector continued its rapid expansion, spurred by high oil prices. Growth in this sector has been mainly attributable to strong performances in the exploration and production, refining and petrochemical sub-sectors.

Going forward, the mining and quarrying sector is expected to benefit from elevated commodity prices. While the prices of some commodities may be slightly lower than 2006 levels on account of the moderation in global growth, prices are still expected to be high by historical levels. Thus further improvement is expected in the energy sector in Trinidad and Tobago, while in Guyana expectations will be boosted by the addition of two exploratory operations which started in 2006.

TRANSPORTATION AND COMMUNICATION Output in the transportation and communication sector is estimated to have increased in 2006, concomitant with

the general rise in traded sector activity, and reflecting the favourable environment for trade and travel. Further liberalisation in the telecommunications sector as well as the expansion of existing services for fixed and mobile communications also had a positive impact on the sector during the year. Regional air transport, however, remains clouded in uncertainty given the poor performances of the regional carriers. This is an untenable situation in light of the importance of tourism and the need to facilitate deeper integration. At the end of the year, BWIA International ceased operations, to be replaced by Caribbean Airlines in early 2007, while plans were underway for the merger of two intra-regional carriers, LIAT (1974) Ltd. and Caribbean Star.

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OFFSHORE BUSINESS

Indications are that the regional international financial services sector continued to consolidate on past gains and forged ahead in 2006, as evidenced by a rise in the number of licences granted and an increase in registration fees. While this would have mainly reflected the favourable external environment, efforts at the local level to enhance

the attractiveness of the jurisdiction also contributed to the overall outturn. During the year, work continued on improvements to the Region's legislative regime with the passage of new legislation and refinements to its regulatory structure. There was also some evidence of product diversification and consolidation in the sector, with the establishment of new investment vehicles such as SMART funds in The Bahamas, and mergers, particularly in the areas of banking and trust companies, which offered new scope to realise operational efficiencies.

FINANCIAL SECTOR DEVELOPMENTS Commercial banks in the region generally experienced strong credit growth although there appeared to be some abatement from last year's levels. The favourable economic environment also sustained deposit growth during the year, prompting concerns about high levels of liquidity in the banking system. Nevertheless, authorities were in most instances forced to raise interest rates to curtail credit expansion and protect the balance of payments. Rising international interest rates, particularly in the US, also provided additional stimulus for the general hike in regional interest rates.

Notwithstanding the rise in overall economic activity in the past year, indications are that investor confidence may have been somewhat subdued in 2006. This was particularly evident in the performance of regional stock exchanges, which slumped in 2005 and continued to fare poorly in 2006. Indeed, all of the indices in the three major stock exchanges, namely Barbados, Jamaica and Trinidad and Tobago, performed poorly, prompting much speculation as to the reasons for the prolonged bear-run. It is believed that the current state of regional markets had little to do with the economic fundamentals, which remain generally solid across the region, but rather, was a result of higher interest rates and statutory limitations.

PUBLIC FINANCES AND DEBT There were some signs of fiscal consolidation in 2006 brought on in part by robust revenue growth augmented by improvements in tax administration. More specifically, in The Bahamas, a revenue compliance unit was established to reduce revenue leakage, while in St. Kitts and Nevis, increases in the electricity surcharge and the levy on social services, along with new excises on alcohol and tobacco spurred revenue growth. In Guyana, a unified personal income tax of 33 1/3% was implemented, replacing the two-tiered system of 20% and 33 1/3%. As a result of these higher revenue intakes, most economies were able to realise improvements in savings and overall positions notwithstanding the increase in recurrent and capital spending. The main impetus for the rise in current spending continued to be emoluments, as negotiated wage increases became payable, while preparations for CWC 2007 and on-going social sector projects spurred capital spending.

Debt sustainability continued to receive much attention during the year, but was most pronounced in St. Kitts and Nevis and Belize where as part of the debt restructuring exercise to ensure broader macro-economic stability, assistance was sought from CDB. In this regard, the Government of St. Kitts and Nevis secured a policy-based guarantee for an amount not exceeding \$8.2 mn in support of a \$150 mn bond issue that is to be used for the retirement of existing high-cost debt. In Belize, two policy-based loans each of \$25 mn from CDB and the

Inter-American Development Bank (IDB) were approved in 2006, to close short and medium-term financing gaps as part of its fiscal reform policies. Guyana also received further debt relief in 2006, benefitting from a \$283 mn reduction in external debt under the Multilateral Debt Relief Initiative.

PROSPECTS The prospects for regional economies remain very favourable over the short to medium term based on strong growth predominantly in tourism, as some abatement is expected in construction activity. The outlook for tourism is expected to be boosted by the hosting of CWC 2007 while construction activity may slow as preparations for the cricket matches are completed. In the other sectors, manufacturing and mining and quarrying are expected to benefit from favourable price movements on the international market, but the outlook for regional agriculture remains uncertain given the high cost structure and the on-going changes to the EU's agricultural policy in relation to sugar and bananas. Over the long term, the Region is expected to maintain its growth trajectory, barring natural disasters and further oil price shocks, as tourism investments both in the hotel and luxury accommodation markets begin to yield returns. Moreover, with the establishment of the single market in 2006, the Region is expected to benefit from efficiency gains and from improvement in competitiveness in the provision of both goods and services.

Within the financial sector, there are expected to be some upward pressures on liquidity as credit demand, though still likely to remain high, slows somewhat while deposits grow on account of the anticipated pick-up in activity. These developments, coupled with anticipated interest rate increases in the U.S., may place upward pressure on regional interest rates. Some narrowing of external and fiscal imbalances is anticipated over the near term consistent with tourism-led growth, particularly in 2007. Improvements to revenue administration and debt management pursued in 2006 will need to continue to ensure fiscal and debt sustainability, given the demand for higher wages and social/infrastructural investments.



PART II

The Caribbean Development Bank Operations in 2006

INTRODUCTION The opportunities and challenges facing Caribbean economies in the rapidly changing global environment are the major determinants of CDB's strategic direction. Sustainable poverty-reducing growth is contingent on the Region effectively addressing the myriad challenges that exist. Attaining fiscal and debt sustainability, reducing the risks of natural disasters, developing a proactive trade agenda, improving the quality and effectiveness of human resources and deepening the regional integration process are all critical issues which require far-reaching policy and institutional adjustments if social and economic progress is to be sustained.

The Bank's work programme for 2006 was thus focussed on supporting the Region in meeting the challenges and exploiting the opportunities, within the context of its overarching goal of the systematic reduction of poverty through social and economic development. It achieved this by continuing its investment lending and technical assistance activities in social and economic infrastructure, institutional building, disaster risk management and private sector development. The Bank also introduced new products designed to specifically address critical constraints to the development process in the Region.

PROGRAMMES AND INITIATIVES

CDB'S STRATEGIC DIRECTION The Strategic Plan for the period 2005-2009 carries forward the poverty reduction thrust of the previous Plan, and is focussed on economic adjustment and fiscal reform measures aimed at supporting sustainable poverty-reducing growth.

The objectives agreed under this Plan include promoting broad-based economic growth, fostering inclusive social development, promoting good governance, and fostering regional cooperation and integration. In order to improve the Bank's responsiveness to the challenges faced by its BMCs, environmental sustainability and disaster risk management and reduction have been adopted as cross-cutting themes as a way of broadening and deepening the impact of its strategic interventions.

The Plan also commits the Bank to adopting the Caribbean-specific MDGs as a framework for monitoring and measuring its development performance. An important feature of the new Plan is the recognition that the Region's evolving development challenges require a commitment to improving operational



CDB continues its investment lending and technical assistance activities in a number of areas.



THE Bank is focussed on supporting the Region in meeting challenges and exploiting opportunities.

policies and sector and thematic strategies, as well as the mainstreaming of managing for development results (MfDRs).

The Plan confirms MfDRs as part of the Bank's approach to planning, monitoring and evaluating operations, to enhance organisational performance and to sustain development outcomes. The results agenda has been organised into three pillars focussing on results orientation at (i) country and regional level (BMCs); (ii) institutional or corporate level (CDB); and (iii) through partnerships, harmonisation and alignment.

A NEW CAPITAL ADEQUACY FRAMEWORK CDB is committed to improving organisational efficiency and development effectiveness through enhancing its capacity to deliver resources and services to its BMCs at the lowest possible cost.

During 2006, the Bank approved changes to its financial policies and operating guidelines in capital adequacy, income targeting and lending interest rate setting, borrowing limit and commitment authority.

The objectives of these changes are to improve the Bank's access to the capital markets to borrow funds at the best possible terms, to make the lending rate formula more transparent and allow borrowers to forecast their debt-servicing obligations, to promote a more competitive lending package, and to achieve a

more disciplined approach to managing administrative expense and to risk management.

In addition, amendments made to the Bank's OCR Financial Policies and Operating Guidelines also related to non-sovereign lending. The changes give effect to the Bank's plans for modernising its financial policies, improving its risk management framework, and supporting its private sector strategy through making its lending products more efficient and competitive.

NEW PRODUCTS During 2006, CDB introduced three new products in response to the dynamic environment that BMCs are facing:

- *Policy-Based Loan: A policy-based loan (PBL) is a loan to support policy reforms and/or institutional changes, either at the macro-level or in a sector or sub-sector. In a PBL, the loan resources are disbursed on compliance with agreed conditions relating to policy and institutional change, rather than in relation to specific expenditures on goods and services. Policy-based lending is thus intended to support the process of policy making, while providing an incentive to implementing the reforms in a timely manner. PBLs are structured to address complex policy and institutional issues and are thus complimentary to investment lending by improving the environment for achieving sustainable poverty reduction through social and economic development. During 2006, the Bank approved two PBLs: \$25 mn to Belize and \$20 mn to St. Kitts and Nevis (See Box).*

- *Policy-Based Guarantee: A policy-based guarantee (PBG) is a partial credit guarantee that covers commercial and sovereign risks associated with a portion of debt service on commercial borrowings by sovereigns or public sector agencies. Policy-based guarantees are designed to facilitate access to the capital market in support of social, institutional and structural policies and reforms and are offered by CDB to governments implementing satisfactory macroeconomic programmes. A PBG may be used as a complement to a PBL or an investment loan. The underlying justification for the PBG is that it would allow the government to access the capital markets at a lower risk premium and for a longer maturity than would otherwise be the case.*
- *Loan Guarantee Facility: The European Investment Bank (EIB) provided CDB with a Loan Guarantee Facility (LGF) in an amount equivalent to €20 mn for productive sector projects carried out directly by private or commercially-operated public companies or funded by financial intermediaries. The LGF will allow the Bank to play a greater role in improving the business environment and the competitiveness of business enterprises in its BMCs by providing opportunities for additional investments in viable private sector and commercially-run public sector operations, while limiting the risks associated with expanding the Bank's private sector portfolio.*

| New Lending Instruments |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| The Bank approved three policy-based interventions for two of its BMCs in 2006. These interventions are part of a broader assistance strategy that seeks to improve the country's debt dynamics and facilitate sustainable growth and development. |
| St. Kitts and Nevis |
| <p>Policy-Based Guarantee: This involved the provision of a guarantee of up to \$8.2 mn to facilitate the issuing of a bond of up to \$35 mn on the regional capital market. The guarantee was structured as "rolling and re-instatable", and covered two semi-annual debt service payments.</p> <p>Policy-Based Loan: The policy-based loan amounted to \$20 mn, comprising \$12 mn from OCR and \$8 mn from SDF resources. The loan is intended to support policy and institutional reforms while helping the government to improve its debt dynamics. It will be disbursed in two tranches, and disbursements will be based on the implementation of an agreed set of policy reforms. The reforms are aimed at improving public finance management, particularly budget management and revenue systems and public sector enterprise governance structures, to achieve fiscal and debt sustainability.</p> |
| Belize |
| <p>Policy-Based Loan: The Bank approved \$25 mn as a policy-based loan to Belize. The most critical challenge being faced by Belize at this time is the need to correct fiscal and external imbalances. Continuation of these imbalances will affect Belize's ability to undertake critical investments in social and economic infrastructure, and places severe constraints on its ability to implement poverty reduction and social development programmes. The imbalances also foster an environment of uncertainty which is adversely impacting business and investor confidence.</p> <p>The policy-based loan is intended to help the Government close the fiscal gap over the short to medium term while it continues to implement corrective measures, including the restructuring of its debt, the reform of its tax regime and the control of expenditure. The Inter-American Development Bank is also providing a policy-based loan of \$25 mn with similar objectives.</p> |



GENDER equality was the focus when the Bank held a workshop for its BNTF Country Project Managers in December.

IMPLEMENTING THE STRATEGIC PLAN

REDUCING POVERTY

DIRECT POVERTY REDUCTION: THE BASIC NEEDS TRUST FUND (BNTF) For the first time since CDB initiated the BNTF in 1979, annual disbursements exceeded \$6 mn, reaching a new annual record of \$6.52 mn, (versus the previous record achievement of \$5.7 mm in 2005) and surpassing the target set for 2006.

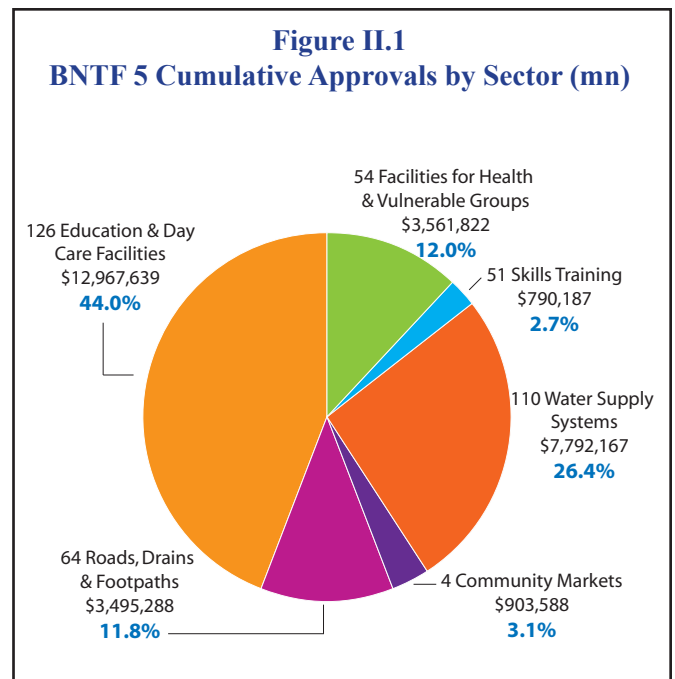
With regard to approvals, in 2006, CDB approved \$3.86 mn in Grants under the fifth cycle of the BNTF, consisting of \$2.76 mn for 76 sub-projects and \$1.1 mn for consultancy services and regional coordination, including training. This brings the BNTF 5 total, from June 2003 to December 2006, to 409 sub-projects approved at an average cost of \$72,150. Of these, 221 were complete and in operation at the end of 2006, and are benefiting a total of 260,906 persons.

A flexible minimum of 7% of the BNTF 5 budget was set aside for skills training activities, given its potential for longer term human capital development, income growth and poverty reduction, especially for youth and single mothers who are unable to adequately complete formal education.

CDB sponsored a workshop in December 2006 for

the BNTF Country Project Managers. The focus of this workshop was integrating gender equality in BNTF programme management. A major recurring theme during the sessions was “putting people into all aspects/ stages of the BNTF sub-projects”.

Participants learned that it was absolutely essential to investigate basic needs of family members during the



day time when stay-at-home moms are over-engaged in numerous reproductive family services, to ensure that their voices are heard (and empower them) to talk about and request the basic services they really need. They are being encouraged to discuss HIV/AIDS, child abuse, violence in the family and community, the need to vastly improve parenting skills – topics that are usually taboo – in order that these issues can be addressed and resources channelled to deal with these problems in our communities that perpetuate poverty.

**Since the mid 1990s,
CDB has been supporting
BMCs in conducting
Country Poverty
Assessments.**

COUNTRY POVERTY ASSESSMENTS In continuing its work on reducing poverty in the Region, the Bank has come to the recognition that the issues of poverty have become more nuanced. In the context of rapid social and economic changes at global, hemispheric and local levels, there continues to be the need to apply appropriate scientific methodologies to collect and analyse data which expand understanding and explanation of the changes. It is imperative that the data derived be used systematically by stakeholders, including government authorities, in decision making at both the policy and planning levels. There is already some evidence of this but collective experiences across the Region have shown that much more work needs to be done to support the process of evidence-based policy formulation and decision making. It is in this area of development assistance that CDB provided significant support to BMCs through the Country Poverty Assessments and Poverty Reduction Strategies.

Since the mid 1990s, CDB has been supporting BMCs in conducting Country Poverty Assessments (CPAs). This programme employs the use of a scientific approach to understanding issues of poverty and has three main objectives:

1. *To assess the current living conditions affecting the welfare of people in-country and analyse the poverty situation, the processes that generate and maintain conditions conducive to poverty, existing responses to the poverty situation and the means available for effective actions to reduce poverty.*
2. *To identify the policies, strategies and action programmes that would reduce the extent and severity of poverty, enhance social development and improve the overall quality of life in-country.*
3. *To develop recommendations and a programme of action which sets out strategic options for addressing critical issues emerging from the study, including recommendations to improve existing social development interventions, and the institutional and legal framework.*

In May 2006, the Bank's Board of Directors approved a programme of support to CPAs for the three-year period 2006-2008. The programme amounts to \$3.715 mn. Under the new programme, assistance is being given to the Cayman Islands to conduct its first National Survey of Living Conditions and for conduct of the second CPAs in Grenada and St. Kitts and Nevis. The programme also involves the provision of consultancy services and essential data-processing equipment and software to ten BMCs to conduct CPAs and to prepare poverty reduction strategies and poverty maps. It also includes the conduct of training workshops at the national and regional levels to help build the capacity of BMCs in the formulation of appropriate policies and strategies that respond to the issues highlighted in CPAs.

In addition to the social and economic data being generated by CPAs, several associated benefits are provided during the process. Conduct of the assessment is highly participatory with emphasis on skills and knowledge transfer at all stages to in-country staff in the Statistics offices, Ministries of Finance and Social Development ministries. As a complement, support is provided for an upgrade to hardware and software components to assist data analysis. CPAs also entail an institutional analysis which serves to identify the strengths and limitations in the effectiveness of social service delivery across sectors. Information so derived has been used by governments and development agencies to enhance their systems of social service provision.

A book entitled "A New Perspective on Poverty in the Caribbean: The Strength of a Participatory Approach" was published by the Bank. The book is based on

the research and the resource materials presented at a regional conference held by the Bank in June 2004 to demonstrate how the extensive qualitative information collected through the participatory poverty assessments could be analysed to give voice to the poor. The conference was preceded by a study on the subject by the Bank's Social and Economic Research Unit. This study sought to exploit the wealth of qualitative information generated from CPAs. The research focussed on extracting the views and ideas of the poor about their situation, their definition of poverty, their understanding of its causes, their coping methods and their proposed solutions.

The Bank supported preparation of the Belize National Poverty Eradication Strategy and Action Plan 2006-2010 (NPESAP) and St. Kitts and Nevis' National Human Development Agenda (NHDA). Preparation of the Belize NPESAP involved extensive public consultations, and preparation of a national Poverty Map and a Pro-poor Investment and Action Plan. The Action Plan proposes investment in five areas: economic opportunity and empowerment; health for all Belizeans; education and training opportunities; small area development; and faith-based initiatives. CDB provided specific support to the conduct of public consultation, gender assessment and environmental assessment. NPESAP was completed in the last quarter of 2006. Work on the St. Kitts and Nevis NHDA was affected by developments related to closure of the sugar industry. However, a final report with a detailed implementation plan for poverty reduction was completed in June 2006. CDB is considering ways in which it can assist both Governments to put their poverty reduction strategies into operation.

CDB, with financing from the IDB, has funded a training and capacity-building project in survey design and implementation, promoting the use of and dissemination of survey data and building capacity for poverty measurement and analysis. This project is part of the Support for Poverty Assessment and Reduction in the Caribbean (SPARC) programme. SPARC is a multi-agency programme to promote the strengthening of statistical systems for poverty monitoring and social policy development in the Caribbean.

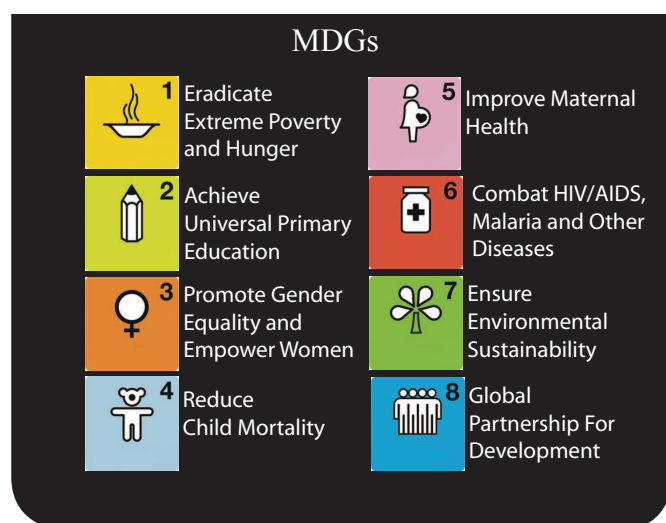
SOCIAL PROTECTION CDB is in the process of producing a comprehensive text on Social Protection in the Caribbean for publication in 2007, building on the collaborative work with its development partners, the United Kingdom's Department for International Development (DfID) and the Delegation of the European Commission for Barbados and the Eastern Caribbean (EU). The text will be based on material from

the research studies, ('Social Protection and Poverty Reduction in the Caribbean – Examining Policy and Practice' and 'The Evolution of Social Welfare Policy in the English-Speaking Caribbean') and the proceedings of a regional conference on social protection held in Barbados in October 2004. The primary outcome envisaged is that this work would assist governments of the Region to develop a regional perspective on social protection provisions and policies that will inform the design and implementation of effective social policy strategies. Additionally, this publication will expand Caribbean scholarship in the area of social policy and provide an excellent reference text on the subject.

MILLENNIUM DEVELOPMENT GOALS (MDGs)

Recognising the dearth of experience and competence at the country level in the area of demography, CDB supported CARICOM's First Regional Demographic Analysis Workshop (July 3-August 11, 2006) at SALISES, University of the West Indies, St. Augustine, Trinidad and Tobago. The workshop trained 22 participants from 16 countries, and it was clear that there is significant demand for similar workshops and ongoing training opportunities for member countries. Participants gave an excellent evaluation of the programme content and commended the method of instruction.

This workshop was a result of a key recommendation arising from a Regional MDGs Workshop which CDB hosted in 2004, to assist BMCs to articulate a Caribbean-specific MDG framework. This framework included an adaptation of the global targets and indicators to the characteristics of poverty in the Region and the Bank committed to further discussion with BMCs. That workshop recognised the need for additional support to countries of the Region in strengthening specific data analytical capabilities.



CIVIL SOCIETY As part of an ongoing effort to strengthen the Bank's relationship with civil society organisations (CSOs) in its BMCs, CDB and IDB held the third joint dialogue with CSOs in Trinidad and Tobago in January 2006, on the theme "CSO Responsibilities and Action in National Decision Making". The Dialogue was attended by 96 participants representing a wide cross-section of the Region's CSOs – including national and regional CSOs from non-governmental organisations, the private sector and trade unions. Fifty-three participants represented CSOs from 18 countries in the Caribbean reflecting various interests i.e. youth, women, indigenous peoples, the elderly and workers. Thirteen were from regional bodies, two Ministers of Government - one each from Trinidad and Tobago and The Bahamas - and senior civil servants from The Bahamas and St. Lucia, several international development partners and senior officers and administrative staff from CDB and IDB.

The meeting involved presentations and plenary discussions on Regional and National Security and Participatory Governance as well as working group discussions on issues of crime, food security, disaster preparedness, public sector modernisation, equity and social inclusion and CSO capacity building. The discussion generated several recommendations for action by CSOs at the national and regional levels and suggestions on ways in which CDB and IDB could assist them in building their capacity as development partners.

IMPROVING ECONOMIC INFRASTRUCTURE Sustainable social and economic development is critically dependent on the efficient provision of infrastructure services. During 2007, the Bank continued to meet the demands for improvements in economic infrastructure by providing loan funding for the Harrison's Cave Redevelopment Project in Barbados; the Placencia Road Up-Grading Project in Belize; the Grenville Market Square Development Project in Grenada; the Norman Manley International Airport Upgrading and Expansion Project in Jamaica and the Second Power Project in St. Kitts and Nevis. Institutional strengthening in the sector was provided through funding for the preparation of Caribbean Building Standards, institutional strengthening of the National Environment Planning Agency in Jamaica and a regional workshop on "Works Tender and Contract Management". Funding for the updating of CDB's Environmental Policy and Environmental Review Guidelines and launching of new harmonised Procurement Guidelines were also significant activities.

DISASTER RISK MANAGEMENT The Disaster Mitigation Facility for the Caribbean (DMFC) project was completed on December 31, 2006. It was established in September 2000, by CDB and USAID for the purpose of promoting sustainable development through reduced risk and losses from natural hazards. DMFC's principal objectives were:



PART of the DMFC's mandate is to strengthen institutional capacity through the provision of training.



MONTSEERRAT was beset with volcanic eruptions during 2006, a factor which affected the country's economic growth.

- *To assist the CDB BMCs with the adoption and institutionalisation of successful disaster mitigation policies and practices; and*
- *To strengthen CDB's institutional capacity to effectively implement its 1998 Natural Disaster Management Strategy (NDMS) focussing on mitigation, to modify this Strategy as appropriate, and to integrate the Strategy into all of CDB's policies and programmes.*

The work of DMFC has advanced the process of mainstreaming disaster risk reduction (DRR) in several aspects of the Bank's work. It has influenced planning at CDB at the level of the strategic objectives/corporate priorities and in the preparation of strategy/policy papers, including the preparation of DRR-sensitive country strategy papers (CSPs). The process of mainstreaming natural hazard impact assessment in the environmental impact assessment processes of CDB is on-going, and will influence technical assistance, capital projects and policy-based interventions financed by CDB.

Under DMFC, a substantial amount of momentum has been generated through the technical assistance provided for the strengthening of local capacity in the BMCs in disaster risk management (DRM). This has laid a valuable foundation on which CDB and its partners can build in future programmes. Through close collaboration with development partners, both

regionally and internationally, CDB has strengthened its reputation as a credible regional and international partner in DRM.

CDB intends to capitalise on the foundation laid by DMFC and strengthen its role as a leader in mainstreaming DRR. The Bank has recognised that vulnerability reduction, including DRR, should be at the core of the Bank's development agenda. SDF 6 specifically recognises the increased priority for environmental sustainability through the provision of additional funding for disaster mitigation and rehabilitation. The Bank has also taken the decision to establish a permanent disaster mitigation function.

Three separate events were held consecutively at CDB's Headquarters in Barbados from May 23-26, 2006, to sensitise the various audiences to the importance of "mainstreaming disaster risk reduction". The events were held in collaboration with the ProVention Consortium (PVC). First there was a two day workshop on Methodologies for Assessing Natural Hazard Risks and the Net Benefits of Mitigation for representatives of international development agencies, followed by a one-day seminar on Mainstreaming DRR into Development Programmes and Projects, which was held for CDB staff. The following day, there was a Regional Seminar on Mainstreaming DRR into National Development Planning in the Caribbean. This seminar was attended

by senior technical personnel involved in development planning and DRM in the public and private sector in CDB's BMCs, regional and international development partners, PVC and CDB staff.

With support from DMFC and CDERA, Grenada and Belize have operationalised their respective national policies through the development of national HM plans, while St. Lucia has enhanced its existing HM plan through a process of harmonisation with the national policy. DMFC interventions have contributed to institutional strengthening and capacity building in BMCs. Completed national policies provide five BMCs with the enabling framework to guide DRR and its integration into development planning. Physical planning departments and national disaster offices in three BMCs have been strengthened through their leadership role in the national policy and plan development process and in hazard mapping and vulnerability assessment (HMVA). More than 600 training opportunities have been provided for multidisciplinary, intersectoral, personnel in the public and private sectors in 16 BMCs in HM policy and plan development, disasters and development, NHIA-EIA, coastal zone management and DRM, VA and socioeconomic assessment of disasters.

In collaboration with the USAID Office of Foreign Disaster Assistance, an introductory course on natural hazard risk reduction was developed. With CDB support,

the University of the West Indies Seismic Research Unit has prepared an interactive digital video display of the Volcanic Hazard Atlas, designed to facilitate interactive learning above the secondary education level.

The Presidents of CDB and the IDB co-hosted a Technical Workshop on the Management of Disaster Risk through Fiscal and Budget Planning from June 26 to 27, 2006. The workshop provided an opportunity to enhance the understanding of senior public sector personnel in finance and planning and in DRM, of the processes involved in the integration of DRM in national development strategies, including through the use of practical tools. As a key next step, it was noted that a decision at the political level will be required in order to effectively incorporate DRM into fiscal and budget planning. In this context, CDB and IDB also expressed their commitment to maintain a high-level dialogue on this important theme, and to develop in partnership with governments a comprehensive list of strategic issues and priority needs in DRM for further discussion. It was agreed that the private sector should be an integral part of this dialogue.

Several DRR tools have been developed to inform development decision-making, public education and disaster planning, and several are being applied in BMCs. These include the NHIA-EIA Sourcebook, the principles of which have been integrated into Jamaica's environmental guidelines; national common digital

DISASTER risk management was among the topics discussed during a meeting of CDB and the IDB.





THE Bank recognises that the private sector is important to Caribbean economies and continues to provide support.

databases for HMVA, prepared for each of Belize, Grenada and St. Lucia, which have increased national capacity for hazard and vulnerability assessment and map updating, and are currently being used by the three BMCs to assist in the generation of hazard maps.

The Natural Hazard Impact Assessment-Environmental Impact Assessment (NHIA-EIA) procedure is having global impact. The NHIA-EIA Sourcebook has been published, and in addition, the ProVention Consortium (PVC) and CDB will jointly publish an international guidance note on mainstreaming disaster risk management (DRM) into environmental assessment, based on the NHIA-EIA procedure. A revision of CDB's Environmental Review Guidelines is scheduled for 2007 and will incorporate the principles of NHIA-EIA.

In the area of Natural Disaster Management, under the Bank's Natural Disaster Management Strategy and Operational Guidelines, CDB provided an Immediate Response Loan and a grant to Barbados to mitigate the effects of a dramatic increase in beach erosion.

SUPPORTING THE PRIVATE SECTOR The private sector is recognised as a major "engine of growth" in Caribbean economies. The Bank's strategic priorities for supporting the private sector involve:

- *An integrated approach to micro, small and medium*

enterprise development (MSME) by, inter alia, supporting private financial institutions in addressing the needs of MSMEs and assisting in the development of appropriate regulatory frameworks;

- *Emphasising CDB's "transformational" role as opposed to a "client-parent" role in its intermediary lending;*
- *Improving the enabling environment and investment climate, and*
- *Supporting of private participation in infrastructure development.*

In implementing this strategy during 2006, the Bank provided a loan for Modernisation of the Barbados Financial Sector; approved a Consolidated Line of Credit for the Turks and Caicos Development Bank; funded a diagnostic review of the Bank of Montserrat and sponsored a Microfinance Roundtable and provided equity for the Caribbean Small and Medium Enterprise Development Network Limited. Funding for the upgrading and expansion of the Norman Manley International Airport in Jamaica was provided in the context of a public-private sector partnership.

STRENGTHENING THE CAPABILITY OF SMES CDB's programme for supporting the small-scale private sector is primarily through the Caribbean Technological Consultancy Services network (CTCS). It contributes to strengthening private sector capabilities by linking

people who have business and technical experience with businesses that need consulting advice and assistance. CTCS also contributes to the reduction of poverty in the BMCs through the development and enhancement of the technical and managerial skills of the Region's small entrepreneurs, especially young persons and women, and promotes gender equality.

During 2006, CTCS made significant contributions to the overall achievement of CDB's goals, while at the same time promoting such MDGs as poverty reduction, promoting gender equality and economic sustainability. This was achieved through the successful implementation of 41 training workshops and 73 short-term TA interventions to over 500 micro and small entrepreneurs, of which 58% were females. Skills training was conducted in technical disciplines such as outlined garment design and production, pottery/ceramics, tourism-related activities and agro-processing. A significant increase in the number of persons taking advantage of general management and business development skills was noted during 2006. At least 305 individuals participated in this type of training.

Such interventions created opportunities for low-income persons to earn and/or sustain their livelihood. Several of the trained persons reported post-training improvements in their existing businesses, as well as the need for follow-up assistance during 2007. No less important is the number of persons who continue to report successful business start-ups as a result of interaction with the CTCS. In many cases, post-training evaluation of trainees indicated that the skills-training received definitely assisted them in achieving a faster and less costly business start-up.

In 2006, CTCS interacted with over 40 national institutions within the BMCs. Several of these institutions, in both the private and public sectors, played very active roles in promoting and providing on-the-ground logistical support, especially in the delivery of workshops. The supporting organisations also took advantage of training activities to expose their own staff, thereby building the national capability to sustain development of the MSME sub-sector.

IMPROVING HUMAN CAPITAL The Bank's approach to improving the Region's human capital involves two components – education and training interventions, and activities related to improvement of the governance environment. A significant proportion of the Bank's technical assistance resources is focussed in these areas. In the area of education and training,

the Bank completed negotiations for implementation of the training programme on Project Formulation and Management that was approved in 2005. A loan was provided for expansion of the Cave Hill School of Business (CHSB) of the University of the West Indies at the Barbados campus. CHSB is a public/private sector supported management training school that serves Barbados and the Eastern Caribbean.

Support was also provided for an Early Childhood Policy Forum and a Conference on Youth Crime and Violence focussed in the OECS. Governance was supported by a loan and grant to Jamaica for upgrading its development planning framework; and a grant for institutional strengthening of the Ministry of Finance in St. Vincent and the Grenadines.

REGIONAL INTEGRATION CDB continued its support for Caribbean regional integration during 2006 at both the narrower OECS level and at the CARICOM-wide level. The support took the form of participation in meetings, workshops and conferences at all levels of the Bank, as well as direct financing of project-based activities. In addition, the Bank sought to encourage its BMCs, particularly in the OECS, to design fiscal capacity enhancement programmes with a view to the possible integration of individual fiscal systems into a single sub-regional system.

Involvement in the operationalisation of the Regional Development Fund occupied a considerable proportion of staff time during the year, and resulted in agreement on a formula for country contributions to the Fund, on arrangements for its governance and management, and on some aspects of its operational modalities. At year-end, the Bank was arranging for consultations among participating countries on resolving the remaining policy issues and on concluding the legal arrangements in anticipation of the commencement of Fund operations during 2007. Issues relating to the Fund and its role in the integration process formed an important part of Bank contributions to the meetings of the Council of Finance and Planning Ministers (COFAP) and meetings of the Conference of Heads of State and Government that were held during the year.

In addition, Bank staff made presentations at the "Caribbean Connect" symposium held in Barbados in June, which brought together a large number of stakeholders from across the Region from all areas of social and economic activity to discuss the most effective approaches in moving the integration movement forward. This symposium, which had been

preceded during the previous month with a consultation in Jamaica on monetary integration held as part of CDB's Annual Meeting of the Board of Governors, and which sought to cover the remaining areas of regional activity, resulted in the preparation of a framework paper to guide the evolution of the CSME, with the paper intended to contribute to the preparation of a regional development plan. As part of the symposium, CDB chaired a special meeting aimed at promoting the integration of equity markets in the Region.

In June, the Bank participated in celebrations in St. Kitts and Nevis of the 25th Anniversary of the signing of the Treaty of Basseterre, which had established the OECS, and also participated in preliminary discussions of arrangements to deepen integration in the OECS sub-region by creating an economic union. The drafting of an Economic Union Treaty was well underway at year-end. The celebrations in St. Kitts & Nevis were closely followed by that country's hosting of the main meeting of the Conference of CARICOM Heads in early July, during which the independent OECS countries formally signed on to the CSME, following the initial signing ceremony in Jamaica in January at which the other CARICOM members had signed on to the process.

Bank support for integration also included start-up funding for a UWI consultancy firm, to increase the contribution of the major regional university to business and public sector operations; financing for a second edition of the Caribbean Trade and Investment Report; Institutional Strengthening of the Caribbean Community Climate Change Centre; Preparation of Caribbean Building Standards and funding for a study of regional health insurance.

As part of the effort to increase the pace of regional integration, the Bank sponsored a conference on the information needs for implementing the CSME, and the research requirements for filling the identified knowledge gaps. The Bank intends to continue support for this area of activity, given the critical importance of production integration for competitiveness in the global environment.

FINANCING OPERATIONS In 2006, CDB approved 12 loans amounting to \$120,593, 28 grant-financed operations for \$6,987, one policy-based guarantee for \$8,200 and one equity investment for \$143.

LOANS Lending to the public sector accounted for all 12 loans for \$120,593, with the OCR accounting for \$90,932 and the SFR for \$29,661. Of the total of 12 loans

approved during the year, 6 were entirely funded from the OCR, while 2 loans entirely funded by the SFR and the remaining 4 were a blend of OCR and SFR funding. Loan approvals in 2006 represent a 17.5% decline when compared with approvals of \$146,216 in 2005.

Of the total approvals, loans to LDCs amounted to \$78,698 comprising \$52,810 from the OCR and \$25,903 from the SFR. The two largest borrowers in 2006 were Belize and St. Kitts and Nevis receiving \$37,603 or 31% and \$28,433 or 24% of the total. Other significant borrowers were Barbados (\$20,866, or 17%) and Jamaica (\$12,160, or 10%).

GRANTS Grants disbursements during 2006 amounted to \$14,828 of which \$9,500 or 64% was to the LDCs. The two major beneficiary countries were Guyana and Dominica with \$4,700 and \$2,000 respectively. Disbursements to Guyana were primarily under the Heavily Indebted Poor Countries debt relief initiative.

Table II.1 summarises the levels of approvals and disbursements on loans, equity investments and grants during 2006 and 2005.

CUMULATIVE APPROVALS Net cumulative approvals (loans, contingent loans, equity and grants) as at December 31, 2006, was \$2,747,100, (Table II:2). Of this amount, \$1,458,000, or 53%, went to the LDCs (\$1,370,600, or 52%, in 2005).

CUMULATIVE DISBURSEMENTS Cumulative disbursements, including grants (Table II.3 refers), increased by 6% in 2006 to \$2,237,427, from \$2,105,545 in 2005. Approximately 9.0% of cumulative disbursements were represented by grant disbursements (2005 – 8.9%).

A comparative analysis of cumulative disbursements shows that CDB's Ordinary Operations accounted for 53% of total disbursements (2005 – 52%) with the SFR share of funding decreasing to 47% in 2006 from 48% in 2005. The distribution of cumulative disbursements between MDCs and LDCs is provided at Table II.4. At the end of 2006, total disbursements to MDCs increased by 6% to \$967,415 from \$911,429 in 2005.

Cumulative disbursements to LDCs increased 6% to \$1,270,012 from \$1,194,116 in 2005. At December 31, 2006, the LDCs' share of cumulative disbursements was 57% (2005 – 57%).

The MDCs accounted for 56% and the LDCs for the

TABLE II:1 APPROVALS AND DISBURSEMENTS ON LOANS, GRANTS AND EQUITY (\$' 000)

| ACTIVITY/SOURCE OF FUNDS | APPROVALS | | DISBURSEMENTS | |
|----------------------------|----------------|----------------|----------------|----------------|
| | 2006 | 2005 | 2006 | 2005 |
| A. Loans | | | | |
| Ordinary Operations | 90,932 | 104,287 | 84,481 | 93,928 |
| OCR | 90,932 | 104,287 | 84,481 | 93,928 |
| SFR | 29,661 | 41,929 | 32,573 | 34,143 |
| SDF | 29,661 | 26,302 | 27,271 | 30,309 |
| OSF | 0 | 15,627 | 5,302 | 3,834 |
| Total | 120,593 | 146,216 | 117,054 | 128,071 |
| B. Equity | 143 | 0 | 0 | 0 |
| C. Grants | 6,987 | 6,574 | 14,828 | 14,550 |
| Total Financing | 127,723 | 152,790 | 131,882 | 142,621 |

TABLE II:2 NET CUMULATIVE APPROVALS, LOANS, EQUITY AND GRANTS (\$' 000)

| | TOTAL APPROVALS 1970-2006 | | | |
|--------------|---------------------------|------------------|----------------|------------------|
| | MDC | LDC | Regional | TOTAL |
| 1970-2000 | 781,200 | 994,700 | 83,700 | 1,859,600 |
| 2001 | 26,900 | 93,900 | 16,500 | 137,300 |
| 2002 | 61,600 | 59,600 | 6,700 | 128,000 |
| 2003 | 135,100 | 69,900 | 13,700 | 218,700 |
| 2004 | 39,700 | 72,900 | 1,500 | 114,200 |
| 2005 | 68,900 | 74,100 | 9,700 | 152,800 |
| 2006 | 33,900 | 92,800 | 9,900 | 136,600 |
| TOTAL | 1,147,400 | 1,458,000 | 141,700 | 2,747,100 |

TABLE II:3 DISBURSEMENTS 1970-2006 (\$'000)

| Source of Funds | 1970-79 | 1980-89 | 1990-99 | 1970-06 | 2005 | 2006 |
|----------------------------|----------------|----------------|----------------|------------------|----------------|----------------|
| Ordinary Operations | 40,197 | 159,026 | 360,391 | 1,184,454 | 93,928 | 84,481 |
| OCR | 40,197 | 159,026 | 360,391 | 1,184,454 | 93,928 | 84,481 |
| Special Operations | 88,864 | 317,850 | 315,986 | 1,052,973 | 48,693 | 47,401 |
| SDF | 55,958 | 139,079 | 253,873 | 698,004 | 32,337 | 30,196 |
| OSF | 32,906 | 178,771 | 62,113 | 354,969 | 16,356 | 17,205 |
| Total | 129,061 | 476,876 | 676,377 | 2,237,427 | 142,621 | 131,882 |

TABLE II:4 DISTRIBUTION OF CUMULATIVE DISBURSEMENTS TO MDCs AND LDCs 1970-2006 (\$'000)

| Source of Funds | Total | | MDC's | | LDC's | |
|----------------------------|------------------|---------------|----------------|--------------|------------------|--------------|
| Ordinary Operations | 1,184,454 | 100.0% | 660,235 | 55.7% | 524,219 | 44.3% |
| OCR | 1,184,454 | | 660,235 | | 524,219 | |
| Special Operations | 1,052,973 | 100.0% | 307,180 | 29.2% | 745,793 | 70.8% |
| SDF | 698,004 | | 189,921 | | 508,083 | |
| OSF | 354,969 | | 117,259 | | 237,710 | |
| Total | 2,237,427 | 100.0% | 967,415 | 43.2% | 1,270,012 | 56.8% |

remaining 44% of disbursements from CDB's Ordinary Operations. However, the LDCs received 71% of disbursements from CDB's Special Operations, while the MDCs received 29%.

CUMULATIVE LOAN REPAYMENTS At December 31, of 2006, principal repayments on loans since the inception of the Bank amounted to \$870,102 (2005 - \$786,188) (Table II.5 refers). OCR principal repayments during the year amounted to \$56,119, while total repayments since inception were \$465,966, after taking into account

currency translation. Total SFR principal repayments, after currency translation, were \$405,136 in 2006 (2005 - \$383,236).

RESOURCE TRANSFERS For the ninth consecutive year there was a positive net transfer of resources (defined as disbursements less repayments of principal, interest and charges) from CDB to its BMCs, Table II:6 refers. Net transfer of resources amounted to \$3,667 in 2006, compared with \$20,400 in 2005.

TABLE II:5 CUMULATIVE CAPITAL REPAYMENTS ON LOANS (\$' 000)

| Source of Funds | Cumulative Loan Repayments to December 2005 | Translation Adjustments | Repayments in 2006 | Cumulative Loan Repayments to December 2006 |
|-----------------|---------------------------------------------|-------------------------|--------------------|---------------------------------------------|
| OCR (incl.VTF) | 393,685 | 15,162 | 56,119 | 464,966 |
| SFR | 383,236 | 3,300 | 18,600 | 405,136 |
| Total | 776,921 | 18,462 | 74,719 | 870,102 |

TABLE II:6 RESOURCES TRANSFER IN 2006 (\$' 000)

| | OUTFLOWS | | | INFLOWS | | | | Net Transfers |
|--------------------------------|---------------|---------------|----------------|------------------|--------------------------|-----------------|------------------|---------------|
| | Loans | Grants | Total Outflows | Principal Repaid | Interest & Other Charges | Total Inflows | | |
| Country | OCR | SFR | SFR | | | | | |
| Anguilla | 6,078 | 55 | 54 | 6,187 | (1,074) | (831) | (1,905) | 4,282 |
| Antigua and Barbuda | 262 | 118 | 19 | 399 | (1,078) | (710) | (1,788) | (1,389) |
| Bahamas | - | - | 33 | 33 | (2,679) | (1,062) | (3,741) | (3,708) |
| Barbados | 9,307 | 3 | 78 | 9,388 | (8,429) | (6,069) | (14,498) | (5,110) |
| Belize | 2,820 | 913 | 919 | 4,652 | (5,577) | (4,659) | (10,236) | (5,584) |
| British Virgin Islands | 303 | - | - | 303 | (5,653) | (1,768) | (7,421) | (7,118) |
| Cayman Islands | 1,773 | - | - | 1,773 | (1,345) | (650) | (1,995) | (222) |
| Dominica | 1,199 | 1,044 | 2,013 | 4,256 | (2,779) | (2,527) | (5,306) | (1,050) |
| Grenada | 3,268 | 12,309 | 1,152 | 16,729 | (2,733) | (3,025) | (5,758) | 10,971 |
| Guyana | 4,141 | 9,825 | 4,726 | 18,692 | (1,766) | (2,965) | (4,731) | 13,961 |
| Jamaica | 25,109 | 2,249 | 480 | 27,838 | (15,834) | (10,026) | (25,860) | 1,978 |
| Montserrat | - | - | 310 | 310 | (186) | (85) | (271) | 39 |
| St. Kitts and Nevis | 5,400 | 1,986 | 278 | 7,664 | (3,288) | (3,414) | (6,702) | 962 |
| St. Lucia | 13,068 | 3,156 | 1,333 | 17,557 | (6,669) | (6,887) | (13,556) | 4,001 |
| St. Vincent and the Grenadines | 9,611 | 855 | 271 | 10,737 | (3,037) | (2,604) | (5,641) | 5,096 |
| Trinidad and Tobago | - | - | 40 | 40 | (10,749) | (5,176) | (15,925) | (15,885) |
| Turks and Caicos Islands | 86 | 60 | 12 | 158 | (536) | (496) | (1,032) | (874) |
| Regional | 2,056 | - | 3,110 | 5,166 | (1,305) | (544) | (1,849) | 3,317 |
| Total | 84,481 | 32,573 | 14,828 | 131,882 | (74,717) | (53,498) | (128,215) | 3,667 |
| LDCs | 43,868 | 20,496 | 6,361 | 70,725 | (33,955) | (27,656) | (61,611) | 9,114 |
| MDCs | 38,557 | 12,077 | 5,357 | 55,991 | (39,457) | (25,298) | (64,755) | (8,764) |
| Regional | 2,056 | - | 3,110 | 5,166 | (1,305) | (544) | (1,849) | 3,317 |



PART III

ORGANISATION and ADMINISTRATION

INCREASING INTERNAL EFFECTIVENESS

HUMAN RESOURCES MANAGEMENT A Human Resources Strategy was approved as a guide to corporate human resources management practice over the next three years. It continues the emphasis of prior years on developing leadership and supervisory skills and enhancing job competencies generally as a launch pad for attaining higher levels of performance across the organisation. The initiatives undertaken in this regard during the year responded specifically to the demands of the Strategic Plan 2005-2009.

Similar attention was given in the Strategy to upgrading the Bank's human resources systems and business processes as an enabling context for better and more strategic management of its human resources. The key targets were the job analysis/evaluation, recruitment and performance management processes for which a more efficient, integrated business solution was implemented during the year.

The Bank also undertook a re-examination of its compensation framework in light of difficulties in attracting the requisite number and quality of professional staff for its operations. Considerable progress was made in consultation with the Board of Directors on restructuring this framework to respond to the new developments in the labour market.

With respect to the ongoing Change Management Programme, the Bank took stock of progress to date through surveys of managers regarding achievements of targeted milestones and an opinion survey of staff in general on the change experience. Information from this activity will form a point of departure for elaborating the initiative in the HR Strategy concerning re-energising the transformation programme at the Bank.

The following table represents the total CDB staff positions as at December 31, 2006.

TABLE III.1 CDB STAFF POSITIONS

| Established | Positions | Budgeted Staff in Place | OCR Consultants | Provided to CDB | Provided by CDB to Member Countries | Total in Place |
|--------------|------------|-------------------------|-----------------|-----------------|-------------------------------------|----------------|
| MPS | 114 | 89 | 8 | 1 | 1 | 99 |
| SS | 99 | 96 | 1 | 1 | 0 | 98 |
| TOTAL | 213 | 185 | 9 | 2 | 1 | 197 |

THE Bank's Human Resources strategy places emphasis on developing leadership and enhancing job competencies.



TRANSFORMING OUR INFORMATION AND TECHNOLOGY MANAGEMENT SERVICES

It is unquestionable that information and technology services are a critical component in an organisation's ability to meet its business needs. Within recent years, the Information and Technology Management Services Department has made much progress in meeting the substantive requirements of the Bank and, in this regard, many initiatives were undertaken while others are currently in the pipeline. The Bank has now reached a stage in the life of its information systems where there is need for a critical review of their effectiveness in relation to meeting the current and future business requirements of the organisation.

A major initiative began in August 2006 to develop an Information Systems Architecture Roadmap that will serve as the blueprint for the deployment of new or revamped information systems over the next three to five years. The primary objective is the identification and evaluation of integrated software applications that are determined to be a best fit for the Bank's needs.

Over the past several months, considerable work has gone into defining a new organisation structure for the Information and Technology Management Services Department and a new Strategic Plan for the period 2006 to 2009 has been developed. The plan serves as the blueprint for Information and Technology Services transformation, and sets the direction for CDB's current and future use of information and technology over the period. The focus will be on achieving tangible returns on the Bank's investments in information technology to improve confidence in the solutions and services that are delivered to internal stakeholders as well as external constituencies.

A new Intranet with enhanced search and graphical user interface capabilities was implemented to facilitate the work of staff, and the CDB website is being redesigned to create an electronic resource that better serves the Bank's external customers, in addition to reflecting the mission and values of the organisation.

GOVERNANCE

BOARD OF GOVERNORS

RE-ELECTION OF THE PRESIDENT In the first quarter of the year, Governors agreed to elect Dr Compton Bourne as President for another five-year term, which took effect from May 1, 2006. The re-election was effected by special voting procedures.

ANNUAL MEETING Montego Bay, Jamaica, was the venue of the Thirty-Sixth Annual Meeting of the Board of Governors in 2006. During the Opening Ceremony of the May 17-18 meeting, the Main Address was given by Jamaica's Prime Minister, the Honourable Portia Simpson Miller. It was her first speech to a major regional audience since being appointed Prime Minister. Mrs. Simpson Miller said that it was evident that "given the pressing need to continue to restructure and transform regional economies in the post "Trade Preference Era", the CDB must play an even greater role. This role must consist of a menu which includes financial resources, technical assistance and policy advice, rooted in reducing and ultimately eliminating poverty in the Region."

In his Annual Statement to the Governors, the CDB President spoke on the theme Opportunities for Caribbean Economic Growth. He said that despite the economic obstacles faced by the Region, the pessimism regarding economic growth which one hears was unwarranted, adding that sustained economic growth was not unachievable.

In addressing the gathering, Governors spoke on a range of issues. On Regional Cooperation and Integration, they endorsed the emphasis which the Bank has been placing on regional cooperation and integration-related activities. With regard to Disaster Mitigation/Risk Insurance, they drew attention to the continuing vulnerability of the Region to natural hazards and the need for the Bank to provide assistance in institutional strengthening in the area of natural hazard risk management.

In relation to Internal Efficiencies, they urged the Bank to address those issues which impact on its internal efficiency, in particular those in respect of its human resources management. Governors also encouraged the Bank to focus on those activities in which it has a demonstrable comparative advantage. On the question of Development Effectiveness, they stressed the importance of the Bank continuing to forge partnerships with the wider international development community as well as mainstreaming the principles of the Paris Declaration in its operations as important steps towards increasing its development impact and effectiveness. They also encouraged the Bank to expand its support for private sector lending and pointed to its possible role in seeking to further develop the Caribbean financial sector, especially in relation to capital markets.

In addition, Governors representing the BMCs, called for a scaling-up of the Bank's operations given the



Board of Directors.

Standing: Ms. Wang Lin, Mr. Hartley Coalbrooke, Ms. Nalini Ablack, Mr. Alberto de Brigard, Mrs. June Simpson-Clarke, Amb. Havelock Brewster, Mr. Locksley Smith, Mrs. Janet Harris, Mr. Anthony Bartholomew, Ms. Sandra Pepera, Mr. Uwe Wolff.

Seated: Ms. Kathryn Dunlop, Mr. Crispin Frederick, Dr. Carla Barnett, Dr. Compton Bourne, Mrs. Heidi González, Mr. George Rodgers, Mrs. Vanessa Rubio Márquez.

need for economic transformation of their economies. Governors also endorsed the need for the Bank to engage in more analytical and policy advice work and to provide technical assistance in economic planning and fiscal work.

During the Annual Meeting, Governors participated in a special discussion on expanding the membership base of CDB. They subsequently agreed to a recommendation to amend the Bank's Charter to permit institutions to become members of the Bank. Governors also attended a seminar on monetary cooperation in the Caribbean which was held in conjunction with the CARICOM Secretariat.

The Governor for Venezuela was elected Chairman of the Board of Governors to serve up to the end of the next Annual Meeting. That meeting will be hosted by the Government of Venezuela.

Resolutions passed by the Board of Governors in 2006 are found at Appendix III.

BOARD OF DIRECTORS The Board met on five occasions during the year, and approved a number of loan, technical assistance and loan guarantee operations. Among these were the Bank's first two Policy-Based Loans and its first Policy-Based Guarantee, which were developed

in response to the need to provide a broader range of approaches to address the structural and related issues being experienced by some of CDB's BMCs.

Early in the year, the Board concluded discussions on the Bank's Strategic Plan for the period 2005-2009, and gave approval to the plan. They also considered a Human Resources Management Strategy that seeks to align the Bank's human capital development strategy with its broader corporate strategy.

Approval was also given to several policy and operational matters. Among these were amendments to the Bank's OCR Operational Policies and Guidelines to allow for changes to its policies in relation to Capital Adequacy, Income Targeting, Borrowing Limit and Commitment Authority. These changes are intended to ensure that the Bank's capital needs are better correlated to its risk exposure among its BMCs, that the interest rate setting used in determination of its net income is tied to meeting the required total capital-to-exposure ratio, and to add greater stringency to its borrowing policies.

Additionally, the Board approved revisions to the Bank's Guidelines for Procurement to harmonise its requirements with those of other MDBs, in keeping with the recommendations of a committee of MDBs set up for this purpose. This development should

simplify requirements for the Bank's borrowers as well as reduce transaction costs to them. They also approved a recommendation to seek the approval of the Bank's Board of Governors to allow for institutional membership as a new category within the Bank's membership structure. In addition, the Board received a report on Expansion of CDB's Membership from the Chairman of the Board of Directors' Committee on Membership Expansion.

Directors also considered proposals aimed at broadening the range of markets used by the Bank to mobilise resources, particularly in circumstances where it can achieve more competitive pricing.

BUDGET COMMITTEE The Board met on three occasions during the year as a Budget Committee of the whole to consider the Bank's Work Programme and Administrative and Capital Budgets for 2007.

AUDIT AND POST-EVALUATION COMMITTEE The primary role of the Audit and Post-Evaluation Committee (APEC) is to assist the Board of Directors in fulfilling its oversight responsibility for the financial reporting process, the system of internal control and the internal audit, external audit and the evaluation and oversight functions. Membership of this advisory committee comprises four Directors who are appointed by the Board for a two-year term.

In 2006, two meetings of APEC were held during which members reviewed the 2005 audited Financial Statements and the 2006 Audit Plan which were presented by the external auditors, PricewaterhouseCoopers (PwC), as well as reports prepared by the Internal Audit Unit and the Evaluation and Oversight Division (EOV) of the Bank. The Committee also presented reports to the Board on the audited Financial Statements and on reports submitted by EOV.

Serving on APEC provides members with an in-depth understanding of many aspects of the Bank's operations, including significant financial and related business issues, project implementation experiences, as well as the application of lessons learnt from independent evaluations of projects and programmes.

EVALUATION AND OVERSIGHT The Evaluation and Oversight (EOV) Division of CDB is charged with the responsibility of contributing to the development effectiveness of the Bank's operations by providing independent assurance and consulting services. This is achieved through independent evaluations, performance-based audits and quality assurance.

During the period under review, two evaluations were conducted in the area of Human Resources Development (HRD). The primary objective of the evaluations was to assess the development effectiveness of CDB's response to the HRD needs of the BMCs from the perspective of CDB's mission of poverty reduction.

The Student Loan Scheme (SLS) is one of the widely recognised SDF-supported programmes in the BMCs, filling a very critical need in the HRD sector. The findings of the evaluation indicate that the SLS has been effective in improving the access to tertiary education for more than 5,000 individuals in the Region over the period 2000 – 2004. Although it is not clear that the poorest segments of the population are benefiting from the loans, the Scheme has helped a group of students who would not otherwise have been able to finance their studies, to improve their standard of living. CDB's support for education complements other investments to reduce poverty in the Region, particularly by helping to increase the skills of a cadre of individuals serving in a variety of fields, thereby enhancing their capabilities and reducing vulnerability.

The overall outcome of the project Further Education in Turks and Caicos Islands was highly satisfactory. The major objective of the project, namely the enhancement of the capability to provide improved, post-secondary education and training to a wider cross-section of the TCI population, has been achieved with benefits exceeding appraisal estimates, with more students enrolling in the College than was projected and the cost savings per student being higher than estimated.

In support of enhancing the efficiency of Bank operations, an independent Assessment of the Reorganisation of the Projects Department was undertaken with the aim of reviewing progress towards the overall objective of significantly improving client responsiveness, productivity and internal efficiency, after three years of implementation. Management accepted the findings and conclusions of the report, and has taken the decision to move from a business process structure to one with a sector focus.

The performance of CDB's public and private sector portfolio under implementation was reviewed for the year ending December 31, 2005, and the findings indicate that the loan portfolio maintained a highly satisfactory rating.



PART IV

FINANCE

MANAGEMENT DISCUSSION AND ANALYSIS

OVERVIEW

CDB's main goals are promoting sustainable economic development and reducing poverty. CDB is rated triple-A by Moody's Investor Services and Standard and Poor's. In pursuing its objectives, CDB provides loans and related technical assistance grants for projects and programmes in its BMCs, which are met through various funding resources. Such funding resources include its Ordinary Capital Resources – which is the main topic of this Management Discussion and Analysis – Special Development Funds, and Other Special Funds. CDB's ability to intermediate funds from international capital markets for lending to its BMCs is an important element in achieving its development goals. The Charter requires that each funding resource be kept separate from the other.

ORDINARY CAPITAL RESOURCES OCR funds come from the following sources: private capital markets; international financial institutions in the form of borrowings; paid-in capital provided by member countries; and accumulated retained income (reserves), which provide a buffer for risk arising from operations. CDB's objective is not to maximise profit, but to earn adequate net income to ensure its financial strength and to sustain its development activities.

BASIS OF FINANCIAL REPORTING CDB'S OCR financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS).

FINANCIAL POLICIES The financial strength of CDB is based on the support it receives from its shareholders and on its array of financial policies and practices. Shareholder support for CDB is reflected in the capital backing it has received from its members and in the record of its borrowing members in meeting their debt-service obligations to it. CDB's financial policies and practices have led it to build reserves, to diversify its funding sources, to hold a large portfolio of liquid investments, and to limit a variety of risks, including credit, market and liquidity risks. CDB's principal assets are its loans to its BMCs. To raise funds, CDB issues debt securities in a variety of currencies to both institutional and retail investors. The Bank also accesses lines of credit from other international financial institutions. These borrowings, together with CDB's equity, are used to fund its lending and investment activities, as well as general operations. CDB holds its assets and liabilities primarily in US dollars. CDB mitigates its exposure to exchange

rate risks by matching the currencies of its liabilities and equity with those of its assets. Exchange rate movements of major currencies compared with CDB's reporting currency, the US dollar, affect the reported levels of assets, liabilities, income and expense in the financial statements. However, since CDB matches the currencies of its equity with those of its loans, the fluctuations captured in the cumulative translation adjustment for purposes of financial statement reporting do not significantly impact CDB's risk-bearing capacity.

MANAGEMENT REPORTING CDB's funding operations are designed to meet a major organisational objective of providing lower cost funds to borrowing members. Because of the extent of CDB's long-dated funding, the reported volatility under IFRS 39 may be more pronounced than for many other financial institutions. The effects of applying IFRS 39 may significantly affect reported results in each accounting period, depending on changes in market rates.

FUNDING RESOURCES EQUITY CDB's equity base plays a critical role in securing its financial objectives. By enabling CDB to absorb risk out of its own resources, its equity base protects shareholders from a possible call on callable capital. The adequacy of CDB's equity capital is judged on its ability to generate future net income sufficient to absorb potential risks and to support normal loan growth, without reliance on additional shareholder capital. Total shareholders' equity, as reported in the balance sheet at December 31, 2006, was \$469,850 compared with \$452,149 at December 31, 2005. The increase from 2005 primarily reflects the increase in retained earnings.

In the context of CDB's operating environment, it is management's practice to recommend each year the allocation of net income to augment reserves, and to support developmental activities. In May, 2006, CDB's Board of Governors approved the allocation of the net income of \$6, 835 from the Ordinary Operations of the Bank for the year ended December 31, 2005 to the Ordinary Reserves of the Bank.

CAPITAL Shareholder support for CDB is reflected in the capital backing it has received from its members. At December 31, 2006, the subscribed capital of CDB was \$705,041, of which, \$155,696 had been paid in and \$549,345 was callable.

BORROWINGS CDB diversifies its sources of funding by following a strategy of cost-effective private placements and public offerings of its bond issuance. Funding raised

in any given year is used for CDB's general operations, including loan disbursements, and refinancing of maturing debt. OCR borrowings at December 31, 2006 amounted to \$464,055, compared with \$466,731 mn at the end of the previous year. All proceeds from new funding are initially invested in the liquid assets portfolio until they are required for CDB's operations.

USE OF DERIVATIVES CDB makes use of derivatives to manage the interest rate and currency risks associated with its financial liabilities. CDB enters into currency and interest rate swaps to convert US dollar and non-US dollar fixed-rate borrowings into US dollar variable-rate funding for its loans. CDB uses derivative instruments for liability management to reduce its borrowing costs.

FINANCIAL RISK MANAGEMENT CDB assumes various kinds of risk in the process of providing development banking services. Its activities can give rise to four major types of financial risk: country credit risk; market risk (interest rate and exchange rate); liquidity risk, and operational risk. The major inherent risk to CDB as a multilateral development bank (MDB) is country credit risk. CDB has devised policy instruments that provide the operational framework for addressing this risk, including an income and reserves policy and a liquidity policy. The income and reserves policy addresses the potential losses caused by a major default by borrowers, while the liquidity policy addresses the risks associated with possible delays in access to capital markets.

COUNTRY CREDIT RISK Country credit risk is the risk of loss due to a country not meeting its contractual obligations. CDB continuously reviews its lending operations to estimate the appropriate level of provisions for losses on loans and to assess the adequacy of its income-generating capacity and risk-bearing capital. Portfolio concentration risk, which arises when a small group of borrowers account for a large share of loans outstanding, is a key concern for CDB and is managed, in part, through a single borrower exposure limit. The concentration risk limit is 50% of capital; CDB's largest exposure to a single BMC was 34.0% of capital at December 31, 2006, virtually the same, 33.6%, as at the end of the previous year.

MANAGING RISK-BEARING CAPACITY CDB assesses its risk-bearing capacity using a variety of metrics, including an interest coverage ratio (ICR) and a total equity to exposure ratio (TEER), to measure the adequacy of its capital. The ICR is the ratio of net income to financial expenses plus a factor of one. It measures the extent to which net income can fall without jeopardizing the

Bank's ability to service its financial expenses from current income. At December 31, 2006, the ICR was 1.9 times compared with a minimum policy level for the ICR of 1.5 times. The TEER as at December 31, 2006, stood at 61.8%, compared with the policy maximum of 55%. CDB intends to bring this ratio down to its policy maximum by the controlled use of its lending spread.

INTEREST RATE RISK The main source of potential interest rate risk to CDB is the interest rate spread between the interest rate that CDB earns on its assets, and the cost of its borrowings. Interest rate risk also arises from a variety of other factors, including differences in the timing between the contractual maturity or repricing of CDB's assets, liabilities and derivative financial instruments. On floating rate assets

CDB has devised policy instruments that provide the operational framework for addressing country credit risk...

and liabilities, CDB is exposed to timing mismatches between the re-set dates on its floating rate receivables and payables.

EXCHANGE RATE RISK In order to minimize exchange rate risk in a multicurrency environment, CDB matches its borrowing obligations in any one currency (after swap activities) with assets in the same currency. This policy is designed to minimize the impact of market rate changes, thereby preserving CDB's ability to better absorb potential losses, including losses from arrears.

OPERATIONAL RISK Operational risk is the potential for loss resulting from inadequate or failed internal processes or systems, human factors, or external events, and includes business disruption and systems failure, transaction processing failures and failures in execution of legal, fiduciary and agency responsibilities. Like all financial institutions, CDB is exposed to many types

of operational risks, which it attempts to mitigate by maintaining a system of internal controls that is designed to keep that risk at appropriate levels in view of the financial strength and the characteristics of the activities and markets in which it operates. CDB's seeks to adopt best practice approach to operational risk management and continues to evolve. The Bank monitors and controls operational risk through business process reviews, annual representation letters, and compliance reviews by its external auditors in the finance, operations and information systems areas. These tools are designed to assist departments in identifying key operational risks and assessing the degree to which they mitigate these risks and maintain appropriate controls. CDB plans to enhance its risk management practices by moving towards a comprehensive Bank-wide risk management approach that emphasizes active management of operational risk.

LIQUIDITY MANAGEMENT CDB's liquid assets are held principally in obligations of governments and other official entities, time deposits and other unconditional obligations of banks and financial institutions, currency and interest rate swaps. Liquidity risk arises in the general funding of CDB's activities and in the management of its financial positions. It includes the risk of being unable to fund its portfolio of assets at appropriate maturities and rates and the risk of being unable to liquidate a position in a timely manner at a reasonable price. The objective of liquidity management is to ensure the availability of sufficient cash flows to meet all of the Bank's financial commitments.

As a component of liquidity management, CDB maintains lines of credit with independent financial institutions. One such facility is a line of credit that is used to cover any overnight overdrafts that may occur due to failed trades. Another is a line of credit to meet unexpected financial commitments in its normal operations. Under CDB's liquidity management policy, aggregate liquid asset holdings should be kept at a minimum of 40% of undisbursed commitments. As at December 31, 2006, the minimum liquidity level was \$117,700, while the aggregate size of the OCR liquid assets portfolio stood at \$164,400, or 56% of undisbursed commitments. CDB liquid assets ratio may from time to time fall below the specified minimum due to the timing of its borrowing transactions. As at December 31, 2006, the portfolio was largely comprised of assets denominated in US dollars with net exposure to short-term interest rates.

GOVERNANCE STRUCTURE

BOARD MEMBERSHIP The member governments appoint members of CDB's Board of Directors. The President is the only management member of the Board of Directors, serving as a non-voting member and as Chairman of the Board. There are two standing committees of the Board, viz:

- (i) Audit and Post-Evaluation Committee (APEC);
and
- (ii) Budget Committee Audit

Membership of APEC consists of four members of the Board of Directors, and is appointed by the Board of Directors for a two-year term, with its membership reflecting the geographic diversity of CDB's member countries. Reappointment to a second term, when possible, is desirable for continuity. The Chairman of APEC may speak in that capacity at meetings of the Board of Directors, with respect to discussions held during meetings of the Committee, which are held at least twice per year. APEC's main function is to assist the Board of Directors in discharging its oversight responsibility for the financial reporting process, the system of internal control, the internal and external audit functions, risk management and the project implementation process. The Committee also monitors the evolution of developments in corporate governance. In the execution of its role, the Committee assesses the effectiveness of financial policies and reporting, fiduciary controls, various aspects of financial, business, and operating risk, quality of earnings, and internal controls as well as the efficiency and effectiveness of project activities. In addition, the Committee discusses with management and the external auditors, financial issues and policies that have an important bearing on the institution's financial position and risk-bearing capacity. Work programmes and reports prepared by the Evaluation and Oversight Division and the Internal Audit Unit of the President's Office, are also reviewed by the Committee. APEC meets with management and the external auditors to discuss financial and accounting matters and the proposed annual audit plan and audit fees. The audited financial statements are discussed by APEC along with the management and the external auditors, prior to its recommendation to the Board for their approval.

The Committee also meets with the management of the Evaluation and Oversight Division to discuss projects that were evaluated by the Division with a view to improving the efficiency and effectiveness of project activities. Lessons learnt from these studies are

then fed back into the Bank's system to be drawn upon in similar projects, and where necessary, policies and changes to existing policies are recommended to the Bank's Management. The processes and procedures by which CDB manages its risk continue to evolve as its activities change in response to market, credit, and other developments. Members of APEC periodically review trends in CDB's risk profiles and performance, as well as any significant developments in risk management policies and controls. Primary responsibility for the management of operational risk resides with each of CDB's managers. These individuals are responsible for establishing, maintaining and monitoring appropriate internal control procedures in their respective areas.

FINANCIAL STATEMENTS REPORTING

ORDINARY CAPITAL RESOURCES (OCR)

BASIS OF FINANCIAL REPORTING CDB prepares its OCR financial statements in accordance with International Financial Reporting Standards. Effective January 1, 2001, CDB adopted IAS 39 which requires the Bank to recognise on its balance sheet, all derivatives, whether assets or liabilities, measured at their fair values. Management believes that reporting results by reference to operating income and operating revenues, excluding

the cumulative effect of the change in accounting principles recognised on January 1, 2001 under IAS 39 and its ongoing effects during the reporting years, is beneficial in understanding and analysing the Bank's financial performance. Such information is presented to supplement, not replace, net income, revenues, cash from operations, or any other operating or liquidity performance measures prescribed by IAS 39. Table IV:1 presents a summary of the OCR operations for the year ended December 31, 2006, as well as for the previous four years.

RESULTS OF OPERATIONS

OVERVIEW Reported net income amounted to \$17,701, for the year ended December 31, 2006, an increase of \$12,866, or 159% when compared with \$6,835, in net income recorded for the year ended December 31, 2005. The increase in net income was mainly attributable to a decrease in net trading expenses of \$9,923. It is important to note that the fair value adjustment of derivatives in income is unrealised and therefore does not fundamentally affect the Bank's financial soundness, unless these derivatives are traded. It is the policy of the Bank not to trade its derivatives, but to use these instruments to reduce its funding costs and for asset/liability management purposes. As long as

TABLE IV:1 SELECTED FINANCIAL DATA YEAR ENDED DECEMBER 31 (\$'000)

| | 2006 | 2005 | 2004 | 2003 | 2002 |
|--------------------------------------|---------------|---------------|---------------|---------------|---------------|
| Income | | | | | |
| Interest Income | 49,739 | 43,454 | 35,128 | 29,901 | 29,583 |
| Interest Expense | 23,671 | 17,819 | 10,991 | 8,849 | 11,607 |
| Net Interest Income | 26,068 | 25,635 | 24,137 | 21,052 | 17,976 |
| Operating Expenses / (Income) | | | | | |
| Commitment & other fees | (2,288) | (2,130) | (2,174) | (2,635) | (2,610) |
| Other Income | (319) | (99) | (218) | (2,132) | (135) |
| Administrative expenses | 6,905 | 7,023 | 7,240 | 6,771 | 6,354 |
| Currency Translation | (326) | (312) | - | (942) | (1,261) |
| Net Operating Expenses | 3,972 | 4,482 | 4,848 | 1,062 | 2,348 |
| Operating Income | 22,096 | 21,153 | 19,289 | 19,990 | 15,628 |
| Fair Value adjustment | 4,395 | 14,318 | (191) | (1,951) | (11,553) |
| Net income | 17,701 | 6,835 | 19,480 | 21,941 | 27,181 |



***“Skeldon Sugar
Industry Modernisation”
Guyana
Contracts for 14 equip-
ment packages, six bush
clearing and earthworks
packages and one civil
engineering package have
been let.***

The township of Corriverton in the Berbice region is being transformed in anticipation of increased economic activity. Part of the reason behind the expectation is the coming of a new factory at the Skeldon Sugar estate. This new factory will incorporate some of the best technologies from the world of sugar manufacturing. This factory will have a high efficiency manufacturing process and will be able to harness energy from the raw sugar cane to provide its own power. The factory will have a surplus of electricity which it will provide for sale to the national grid under a co-generation agreement.

The new factory will require an additional 8,850 hectares of new cane lands and around

25% of the total cane production will be provided by private and cooperative farmers. As well as the expanded cane cultivation, the project will deliver two water conservancies, with a combined area of 7,400 hectares. This water storage will not only serve the expanded areas of cane and the farmers, but will also serve rice farmers in the Moleson Creek/Crabwood Creek area. A 12 km link canal will also provide irrigation and transport services to farmers.

The project is eligible for carbon credits because the generation of electricity from a renewable source will benefit the global environment through a reduction in the emission of greenhouse gases.

the Bank does not trade its derivatives, the fair value of the derivatives will not be realised. Operating income before IAS 39 adjustments for the year was \$22,096, an increase of \$943, from \$21,153, in 2005.

NET INTEREST INCOME Net interest income for the year was \$26,068 compared with \$25,635 in 2005. An analysis of the impact of changes in rates and volumes is provided at Table IV:2. Interest income increased by \$6,285, or 14% during the year ended December 31, 2006. The increase was due to higher yields, which accounted for \$3,378, or 54% and an increase in the volume of earning assets accounting for \$2,907, or 46% of the overall increase. Interest expenses, consisting primarily of adjustable-rate LIBOR-based borrowings, and lesser amounts of fixed-rate and institutional borrowings, increased by \$5,852 or 33% during 2006,

when compared with interest expenses for 2005. The change was attributed to an increase of \$5,126, or 88% and \$726, or 12% in rate and volume respectively. The weighted-average rate paid on borrowings increased to 5.28%, an increase of 133 basis points from 3.95% for the year ended December 31, 2005 reflecting the rising interest rates during the year in the international capital markets.

NON-INTEREST EXPENSES Net operating expenses, including fee income, other income, administrative expenses, and translation gains/(losses), for the year was \$3,972, down \$510, or 11% when compared with net operating expenses of \$4,482 at year-end 2005. This was primarily a result of increases in commitment fees and other income combined with a reduction in administrative expenses.

TABLE IV:2 IMPACT OF CHANGES IN RATES AND VOLUME 12 MONTHS ENDED DECEMBER 31
((\$' 000))

| | 2006 | | | 2005 | | |
|--------------------------------------|----------------------------|----------------|--------------|-----------------|----------------|--------------|
| | Average Balance | Income/Expense | Average Rate | Average Balance | Income/Expense | Average Rate |
| Interest Earning Assets | | | | | | |
| Cash & Investments | 175,238 | 7,499 | 4.28% | \$178,333 | \$4,708 | 2.64% |
| Loans | 702,466 | 42,239 | 6.01% | 651,930 | 38,746 | 5.94% |
| Total Earning Assets | 877,704 | 49,738 | 5.67% | 830,263 | 43,454 | 5.23% |
| Interest Bearing Liabilities | 465,392 | 23,671 | 5.09% | 451,114 | 17,819 | 3.95% |
| Net Earning Assets/Spread | <u>412,312</u> | | | <u>379,149</u> | | |
| Net Interest Income | | <u>26,067</u> | | | <u>25,635</u> | |
| Net Interest Spread | | | <u>0.58%</u> | | | <u>1.28%</u> |
| Net Loan Interest Spread | | | <u>0.93%</u> | | | <u>1.99%</u> |
| Net Interest Margin | | | <u>2.97%</u> | | | <u>3.09%</u> |
| | Increase/(Decrease) Due To | | | | | |
| | Rate | Volume | Total | | | |
| Interest Earning Assets | | | | | | |
| Cash & Investments | 2,923 | (132) | 2,791 | | | |
| Loans | 454 | 3,039 | 3,493 | | | |
| Total | 3,378 | 2,906 | 6,284 | | | |
| Interest Bearing Liabilities | 5,126 | 726 | 5,852 | | | |
| Net Change in Interest Income | (1,748) | 2,180 | 432 | | | |

BALANCE SHEET REVIEW

ASSETS At December 31, 2006, total OCR assets were \$961,880, an increase of \$16,978 when compared with \$944,902 at December 31, 2005. The increase in total assets was primarily due to growth in the loan portfolio, which increased by \$30,600, or 4.5% to \$717,764, but offset by changes in:

- (i) Due from Banks and Investments that declined by \$6.0 mn, or 3.4%;
- (ii) Derivative Financial Instruments that declined by \$5.3 mn; and
- (iii) Receivables - Other and Fixed Assets that declined by \$0.3 mn.

LIABILITIES Total liabilities at December 31, 2005 amounted to \$492,030, compared with \$492,753 at December 31, 2005. The decrease in liabilities was primarily due to an increase in current liabilities of \$1,943, offset by a decline of \$2,676 in long-term borrowings.

EQUITY At December 31, 2006, equity totalled \$469,850, compared to \$452,149 at December 31, 2005. The increase was primarily due to net income earned during the year.

LIQUIDITY The funding needs of the Bank's business programmes are driven by the size of its loan commitments, and the maturity profile of its debts. The primary sources of funds to meet these needs are issuances of debt obligations, principal and interest payments on its loan portfolio and net operating cash flows. Because of CDB's status as a AAA-rated institution, the Bank has been able to access the capital markets at favourable rates. The Bank maintains a portfolio of cash equivalents, comprised of government and agency obligations, supnationals and other short-term investments, to draw upon as necessary. At December 31, 2006, the liquidity ratio stood at 56%, compared with the policy minimum of 40%.

SPECIAL FUNDS RESOURCES (SFR)

SPECIAL DEVELOPMENT FUND (SDF)

Net income, for the year ended December 31, 2006, for the two components of the SDF, the Special Development Fund (Unified) – SDF(U), and the Special Development Fund (Other) – SDF(O), was \$5,091 compared with \$702 for the comparative period in 2005. The improved performance was mainly due to an increase in income from investments.

Interest income from loans for the year ended December 31, 2006, was \$8,685, virtually unchanged when compared with \$8,744 as at December 31, 2005.

Interest income from investments for the year was \$7,353, up \$4,114 or 127% when compared with income of \$3,238 at December 31, 2005. SDF investment portfolio recorded returns of 4.58% before and after capital gains and losses. As at December 31, 2006, the value of the portfolio was \$175,783, with duration of 1.10 years. The portfolio continues to be invested in high-grade, fixed-income securities in accordance with policy.

ADMINISTRATIVE EXPENSES SDF administrative expenses at December 31, 2006, amounted to \$10,678, a decrease of \$386 from \$11,064 at December 31, 2005.

OTHER SPECIAL FUNDS (OSF)

Net income for the year ended December 31, 2006, was \$3,147, an increase of \$2,133 from \$1,014 for the year ended December 31, 2005. Total income at December 31, 2006, was \$5,687, an increase of \$2,262, or 66% when compared with income of \$3,425 at December 31, 2005. The growth in income was primarily due to the improved income performance of the investment portfolio, with income of \$3,881, up \$1,618, or 71% when compared with income of \$2,263 in 2005. Income from other sources contributed an additional \$566 during the year. Expenses amounted to \$2,540, an increase of \$129, or 5% when compared with \$2,411 at December 2005.

The OSF investment portfolio earned returns of 4.21% and 4.92% before and after unrealised gains and losses respectively. The value of the portfolio was \$95,959 at the end of the reporting year. The duration on the portfolio was 0.65 years.

FINANCIAL STATEMENTS AND REPORTS OF INDEPENDENT AUDITORS

The Financial Statements and Reports of Independent Auditors in respect of the OCR, SDF and OSF are shown in Part V.



PART V

FINANCIAL STATEMENTS and REPORTS of INDEPENDENT AUDITORS

February 28, 2007

AUDITORS' REPORT
TO THE BOARD OF GOVERNORS
CARIBBEAN DEVELOPMENT BANK

PricewaterhouseCoopers
The Financial Services Centre
Bishop's Court Hill
P.O. Box 111
St. Michael
Barbados, W.I.
Telephone (246) 436-7000
Facsimile (246) 436-1275

We have audited the accompanying financial statements of the Ordinary Capital Resources of the Caribbean Development Bank which comprise the balance sheet as of December 31, 2006 and the income statement, statement of changes in equity and cash flow statement for the year then ended and a summary of significant accounting policies and other explanatory notes as set out on pages 47 to 81.

Management's Responsibility for the Financial Statements Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risks assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness on the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion In our opinion, the financial statements present fairly, in all material respects, the financial position of the Ordinary Capital Resources of the Caribbean Development Bank as of December 31, 2006 and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.


CHARTERED ACCOUNTANTS

| | | | | | | |
|-----------|-------------------------|------------------------|-----------------------|------------------------|-------------------|-----------------|
| Antigua | Charles W. A. Walwyn | Robert J. Wilkinson | | | | |
| Barbados | J. Andrew Marryshow | Philip St. E. Atkinson | R. Michael Bynoe | Ashley R. Clarke | Gloria R. Eduardo | Wayne I. Fields |
| | Maurice A. Franklin | Marcus A. Hatch | Stephen A. Jardine | Lindell E. Nurse | Brian D. Robinson | |
| | Christopher S. Sambrano | R. Charles D. Tibbits | Ann M. Wallace-Elcock | Michelle J. White-Ying | | |
| Grenada | Philip St. E. Atkinson | (resident in Barbados) | | | | |
| St. Lucia | Anthony D. Atkinson | Richard N. C. Peterkin | | | | |

CARIBBEAN DEVELOPMENT BANK
ORDINARY CAPITAL RESOURCES

BALANCE SHEET

As of December 31, 2006

(expressed in thousands of United States dollars)

| | 2006 | 2005 |
|--------------------------------------------------------------------------------|------------------|------------------|
| ASSETS | | |
| Due from banks | \$19,582 | \$16,179 |
| Investments | | |
| Investments – trading (Schedule 1) – Note E | 152,666 | 162,053 |
| Loans | | |
| Loans outstanding (Schedule 2) | 717,764 | 687,164 |
| Derivative financial instruments – Note J | 5,304 | 10,625 |
| Receivable from members | | |
| Non-negotiable demand notes (Schedule 3) – Note F | 50,151 | 50,264 |
| Amounts required to meet maintenance of value on currency holdings – Note G | 4,748 | 6,458 |
| Subscriptions in arrears | - | 163 |
| | 54,899 | 56,885 |
| Receivables – other | 5,813 | 6,065 |
| Other assets | | |
| Property and equipment – Note H | 5,852 | 5,931 |
| Total assets | \$961,880 | \$944,902 |

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS.

CARIBBEAN DEVELOPMENT BANK
ORDINARY CAPITAL RESOURCES

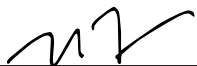
BALANCE SHEET (continued)

As of December 31, 2006

(expressed in thousands of United States dollars)

| | <u>2006</u> | <u>2005</u> |
|-------------------------------------------------------------------------------|------------------|-------------|
| Liabilities | | |
| Liabilities | | |
| Accounts payable | \$20,018 | \$17,472 |
| Amounts payable to meet maintenance of value on currency holdings – Note G | 6,869 | 7,414 |
| Post-employment benefits – Note O | 1,088 | 1,136 |
| Borrowings | | |
| Long-term borrowings (Schedule 4) – Note I | 464,055 | 466,731 |
| Total liabilities | 492,030 | 492,753 |
| Equity | | |
| Capital stock (Schedule 3) – Note K | | |
| Authorised capital - 118,526 (2005 – 118,526) shares | | |
| Subscribed capital - 107,971 (2005 - 107,971) shares | 705,041 | 705,041 |
| Less callable capital - 84,328 (2005 – 84,328) shares | 549,345 | 549,345 |
| Paid-up capital - 23,643 (2005 – 23,643) shares | 155,696 | 155,696 |
| Less subscriptions not yet matured | - | - |
| Subscriptions matured | 155,696 | 155,696 |
| Retained earnings and reserves – Notes L and M | 314,154 | 296,453 |
| Total equity | 469,850 | 452,149 |
| Total liabilities and equity | \$961,880 | \$944,902 |

Approved on February 28, 2007 by:



COMPTON BOURNE, Ph.D., O.E.
PRESIDENT



WM. WARREN SMITH
DIRECTOR, FINANCE & CORPORATE
PLANNING

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS.

CARIBBEAN DEVELOPMENT BANK
ORDINARY CAPITAL RESOURCES

STATEMENT OF CHANGES IN EQUITY
For the year ended December 31, 2006

(expressed in thousands of United States dollars)

| | Capital stock | Retained earnings | Reserves | Total |
|-------------------------------------|--------------------------|------------------------------|-----------------|------------------|
| Balance at January 1, 2005 | \$155,696 | \$277,181 | \$14,110 | \$446,987 |
| Currency translation adjustments | - | (1,673) | - | (1,673) |
| Net income for the year | - | 6,835 | - | 6,835 |
| Balance at December 31, 2005 | 155,696 | 282,343 | 14,110 | 452,149 |
| Balance at January 1, 2006 | 155,696 | 282,343 | 14,110 | 452,149 |
| Net income for the year | - | 17,701 | - | 17,701 |
| Balance at December 31, 2006 | \$155,696 | \$300,044 | \$14,110 | \$469,850 |

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS.

CARIBBEAN DEVELOPMENT BANK
ORDINARY CAPITAL RESOURCES

STATEMENT OF INCOME

For the year ended December 31, 2006

(expressed in thousands of United States dollars)

| | 2006 | (Restated) 2005 |
|----------------------------------------------------------|------------------------|----------------------------|
| Interest and similar income | | |
| Loans | \$42,240 | \$38,746 |
| Investments and cash balances | 7,499 | 4,708 |
| | <u>49,739</u> | <u>43,454</u> |
| Interest expense and similar charges | | |
| Borrowings | 20,577 | 16,636 |
| Other financial expenses | 3,094 | 1,183 |
| | <u>23,671</u> | <u>17,819</u> |
| Net interest income | <u>26,068</u> | <u>25,635</u> |
| Other expenses/(income) | | |
| Commitment fees and other charges | (2,288) | (2,130) |
| Other income | (319) | (99) |
| Administrative expenses– Note N | 6,905 | 7,023 |
| Foreign exchange losses/(gains) | (326) | (312) |
| | <u>3,972</u> | <u>4,482</u> |
| Operating income before derivative fair value adjustment | <u>\$22,096</u> | <u>\$21,153</u> |
| Derivative fair value adjustment– Note J | <u>4,395</u> | <u>14,318</u> |
| Net income for the year | <u>\$17,701</u> | <u>\$6,835</u> |

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS.

CARIBBEAN DEVELOPMENT BANK
ORDINARY CAPITAL RESOURCES

STATEMENT OF CASH FLOWS

For the year ended December 31, 2006

(expressed in thousands of United States dollars)

| | 2006 | (Restated) 2005 |
|---------------------------------------------------------------------------------------|-----------------|--------------------|
| Operating activities | | |
| Net income for the year | \$17,701 | \$6,835 |
| Adjustments for non-cash items | | |
| Unrealised (gain)/loss on trading portfolio | (137) | \$1,055 |
| Depreciation | 1,048 | 1,237 |
| Derivative fair value adjustment | 4,395 | 14,318 |
| Interest income | (49,602) | (44,509) |
| Interest expense | 23,671 | 17,819 |
| Disbursements on loans | (84,481) | (93,928) |
| Principal repayments on loans | 55,912 | 51,848 |
| (Increase)/decrease in loans resulting from exchange rates fluctuations | (965) | 557 |
| Decrease in accounts receivable | 252 | 1,551 |
| Increase in accounts payable | 2,498 | 5,436 |
| Net increase in trading securities | <u>12,438</u> | <u>3,128</u> |
| Total adjustments | (34,971) | (41,488) |
| Interest received | 47,471 | 44,400 |
| Interest paid | <u>(22,738)</u> | <u>(15,839)</u> |
| Net cash provided by/(used in) operating activities | <u>6,686</u> | <u>(6,092)</u> |
| Investing activities | | |
| Purchases of property and equipment | <u>(969)</u> | <u>(573)</u> |
| Net cash used in investing activities | (969) | <u>(573)</u> |
| Financing activities | | |
| Borrowings | | |
| Drawdowns | 37 | 52 |
| Repayments | (2,719) | (2,677) |
| Decrease/(increase) in amounts required to maintain the value of currency holdings | 1,165 | (261) |
| Decrease/(increase) in other receivables from members | <u>275</u> | <u>(474)</u> |
| Net cash used in financing activities | (1,242) | (3,360) |
| Translation adjustments | <u>-</u> | <u>(1,673)</u> |
| Net increase/(decrease) in cash and cash equivalents | 5,252 | (11,698) |
| Cash and cash equivalents at beginning of year | <u>37,742</u> | <u>49,440</u> |
| Cash and cash equivalents at end of year | <u>42,994</u> | <u>37,742</u> |
| Represented by | | |
| Due from banks | 19,582 | 16,179 |
| Time deposits | <u>23,412</u> | <u>21,563</u> |
| | <u>\$42,994</u> | <u>\$37,742</u> |

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS.

CARIBBEAN DEVELOPMENT BANK
ORDINARY CAPITAL RESOURCES

SUMMARY STATEMENT OF INVESTMENTS

SCHEDULE 1

December 31, 2006

(expressed in thousands of United States dollars)

| | 2006 | | | | All Currencies |
|-----------------------------------|------------------|----------------|----------------|----------------|-----------------------|
| | USD | EUR | CAD | Other | |
| Government and Agency Obligations | \$110,002 | \$4,931 | \$5,822 | \$222 | \$120,977 |
| Supranationals | 3,138 | 2,715 | - | - | 5,853 |
| Time deposits | 14,810 | - | 1,369 | 7,233 | 23,412 |
| Sub-total | 127,950 | 7,646 | 7,191 | 7,455 | 150,242 |
| Accrued interest | 2,022 | 206 | 146 | 50 | 2,424 |
| Total | \$129,972 | \$7,852 | \$7,337 | \$7,505 | \$152,666 |

| | 2005 | | | | All Currencies |
|-----------------------------------|------------------|----------------|----------------|----------------|-----------------------|
| | USD | EUR | CAD | Other | |
| Government and Agency Obligations | \$102,899 | \$4,098 | \$5,643 | \$227 | \$112,867 |
| Supranationals | 21,915 | 4,349 | - | - | 26,264 |
| Time deposits | 11,806 | - | 840 | 8,917 | 21,563 |
| Sub-total | 136,620 | 8,447 | 6,483 | 9,144 | 160,694 |
| Accrued interest | 1,085 | 150 | 73 | 51 | 1,359 |
| Total | \$137,705 | \$8,597 | \$6,556 | \$9,195 | \$162,053 |

CARIBBEAN DEVELOPMENT BANK
ORDINARY CAPITAL RESOURCES

SUMMARY STATEMENT OF LOANS

December 31, 2006

SCHEDULE 2

(expressed in thousands of United States dollars)

| Effective Loans | | | | | | | |
|---------------------------------------------------------------|---------------------------------|-------------------------------------------------------------|------------------------------|-----------------------------------------|--------------------------|--------------------------------------|-------------------------------------------------------------|
| Member countries in which loans have been made | Total loans approved | Loans approved but not yet effective | Signed agreements | Principal repaid to bank | Undis- bursed | Out- standing² | % of total loans out- stand- ing |
| Anguilla | \$21,471 | - | \$21,471 | \$4,221 | \$4,199 | \$13,051 | 1.8 |
| Antigua and Barbuda | 24,543 | - | 24,543 | 10,360 | 5,534 | 8,649 | 1.2 |
| Bahamas | 50,073 | - | 50,073 | 34,285 | - | 15,788 | 2.2 |
| Barbados | 211,772 | 16,866 | 194,906 | 61,248 | 41,735 | 91,923 | 13.0 |
| Belize | 130,107 | 35,853 | 94,254 | 22,607 | 11,419 | 60,228 | 8.5 |
| British Virgin Islands | 41,512 | - | 41,512 | 13,666 | 2,065 | 25,781 | 3.6 |
| Cayman Islands | 43,191 | - | 43,191 | 31,533 | 412 | 11,246 | 1.6 |
| Dominica | 30,366 | - | 30,366 | 10,714 | 1,745 | 17,907 | 2.5 |
| Grenada | 48,791 | 3,530 | 45,261 | 9,924 | 2,240 | 33,097 | 4.7 |
| Guyana | 52,579 | - | 52,579 | 17,448 | 15,158 | 19,973 | 2.8 |
| Jamaica | 326,772 | 11,000 | 315,772 | 120,039 | 51,775 | 143,958 | 20.3 |
| Montserrat | 485 | - | 485 | 485 | - | - | - |
| St. Kitts and Nevis | 87,342 | 20,433 | 66,909 | 8,351 | 15,565 | 42,993 | 6.1 |
| St. Lucia | 137,606 | - | 137,606 | 25,254 | 14,462 | 97,890 | 13.8 |
| St. Vincent and the Grenadines | 68,322 | - | 68,322 | 9,875 | 22,216 | 36,231 | 5.1 |
| Trinidad and Tobago | 154,426 | - | 154,426 | 71,519 | 6,211 | 76,696 | 10.8 |
| Turks and Caicos Islands | 13,323 | - | 13,323 | 2,918 | 4,903 | 5,502 | 0.8 |
| Regional | 24,644 | 3,500 | 21,144 | 10,519 | 3,397 | 7,228 | 1.0 |
| Sub-total | \$1,467,325 | \$91,182 | \$1,376,143 | \$464,966 | \$203,036 | \$708,141 | 100 |
| Accrued interest | - | - | - | - | - | 9,623 | |
| Total – December 31, 2006 | \$1,467,325 | \$91,182 | \$1,376,143 | \$464,966 | \$203,036 | \$717,764 | |
| Total – December 31, 2005 | \$1,367,707 | \$17,950 | \$1,349,757 | \$393,685 | \$277,465 | \$687,164 | |

¹ Net of lapses and cancellations

² Includes overdue instalments of principal amounting to \$1,482 (2005 - \$785)

CARIBBEAN DEVELOPMENT BANK
ORDINARY CAPITAL RESOURCES

SUMMARY STATEMENT OF LOANS (continued)

SCHEDULE 2

December 31, 2006

(expressed in thousands of United States dollars)

| Currencies Receivable | Loans out- standing 2005 | Trans- lation adjust- ment | Disburse- ments | Sub- total | Repay- ments | Loans out- standing 2006 | % of total loans out- standing |
|----------------------------------|---------------------------------------------|-----------------------------------------------|----------------------------|-----------------------|-------------------------|-----------------------------------------|-------------------------------------------------------|
| Bahamian dollars | \$7 | - | - | \$7 | \$(7) | - | - |
| Barbados dollars | 77 | - | - | 77 | (36) | \$41 | - |
| Belize dollars | 91 | - | - | 91 | (14) | 77 | - |
| Canadian dollars | 3,627 | 8 | 50 | 3,685 | (585) | 3,100 | 0.4 |
| Euros | 1,239 | 144 | 83 | 1,466 | (399) | 1,067 | 0.2 |
| East Caribbean dollars | 2,103 | - | 84 | 2,187 | (187) | 2,000 | 0.3 |
| IBRD Units | 4,473 | - | - | 4,473 | (677) | 3,796 | 0.5 |
| Jamaican dollars | 420 | (16) | - | 404 | (1) | 403 | 0.1 |
| Pounds sterling | 5,743 | 808 | 164 | 6,715 | (343) | 6,372 | 0.9 |
| Trinidad and Tobago dollars | 2,007 | 21 | - | 2,028 | (249) | 1,779 | 0.3 |
| United States dollars | 658,820 | - | 84,100 | 742,920 | (53,414) | 689,506 | 97.3 |
| Sub-total | \$678,607 | \$965 | \$84,481 | \$764,053 | \$(55,912) | \$708,141 | 100 |
| Accrued interest | - | - | - | - | - | 9,623 | |
| Total – December 31, 2006 | \$678,607 | \$965 | \$84,481 | \$764,053 | \$(55,912) | \$717,764 | |
| Total – December 31, 2005 | \$637,084 | \$(557) | \$93,928 | \$730,455 | \$(51,848) | \$687,164 | |

MATURITY STRUCTURE OF LOANS OUTSTANDING

| | |
|--------------------------------------|------------------|
| January 1, 2007 to December 31, 2007 | 46,867 |
| January 1, 2008 to December 31, 2008 | 60,954 |
| January 1, 2009 to December 31, 2009 | 61,934 |
| January 1, 2010 to December 31, 2010 | 61,838 |
| January 1, 2011 to December 31, 2011 | 60,841 |
| January 1, 2012 to December 31, 2016 | 249,081 |
| January 1, 2017 to December 31, 2021 | 126,962 |
| January 1, 2022 to December 31, 2030 | 39,664 |
| Total | <u>\$708,141</u> |

CARIBBEAN DEVELOPMENT BANK
ORDINARY CAPITAL RESOURCES

SCHEDULE 3

STATEMENT OF SUBSCRIPTIONS TO CAPITAL STOCK AND VOTING POWER

December 31, 2006

(expressed in thousands of United States dollars)

| Member | No. of Shares | % of Total | Total subscribed Capital | Callable Capital | Paid up Capital | Subscriptions matured | Voting Power | | Receivable from members non-negotiable demand notes |
|----------------------------------------|---------------|------------|--------------------------|------------------|-----------------|-----------------------|--------------|------------------|-----------------------------------------------------|
| | | | | | | | No. of votes | % of total votes | |
| Regional States and Territories | | | | | | | | | |
| Jamaica | 19,342 | 17.91 | \$116,666 | \$91,122 | \$25,544 | \$25,544 | \$19,492 | 17.54 | \$12,613 |
| Trinidad and Tobago | 19,342 | 17.91 | 116,666 | 91,122 | 25,544 | 25,544 | 19,492 | 17.54 | 11,028 |
| Bahamas | 5,703 | 5.28 | 34,399 | 26,865 | 7,534 | 7,534 | 5,853 | 5.27 | 1,720 |
| Guyana | 4,167 | 3.85 | 25,134 | 19,633 | 5,501 | 5,501 | 4,317 | 3.88 | 3,040 |
| Colombia | 3,118 | 2.89 | 18,807 | 14,687 | 4,120 | 4,120 | 3,268 | 2.93 | 627 |
| Mexico | 3,118 | 2.89 | 18,807 | 14,687 | 4,120 | 4,120 | 3,268 | 2.93 | - |
| Venezuela | 3,118 | 2.89 | 18,807 | 14,687 | 4,120 | 4,120 | 3,268 | 2.93 | 3,203 |
| Barbados | 3,630 | 3.36 | 21,895 | 17,100 | 4,795 | 4,795 | 3,780 | 3.40 | 1,070 |
| Belize | 859 | 0.80 | 5,181 | 4,047 | 1,134 | 1,134 | 1,009 | 0.91 | - |
| Dominica | 859 | 0.80 | 5,181 | 4,047 | 1,134 | 1,134 | 1,009 | 0.91 | 286 |
| Grenada | 736 | 0.68 | 4,439 | 3,468 | 971 | 971 | 886 | 0.80 | 213 |
| St. Lucia | 859 | 0.80 | 5,181 | 4,047 | 1,134 | 1,134 | 1,009 | 0.91 | 360 |
| St. Vincent and the Grenadines | 859 | 0.80 | 5,181 | 4,047 | 1,134 | 1,134 | 1,009 | 0.91 | 97 |
| Antigua and Barbuda | 859 | 0.80 | 5,181 | 4,047 | 1,134 | 1,134 | 1,009 | 0.91 | 296 |
| St. Kitts and Nevis | 859 | 0.80 | 5,181 | 4,047 | 1,134 | 1,134 | 1,009 | 0.91 | 255 |
| Anguilla ^{1/} | 182 | 0.17 | 1,098 | 857 | 241 | 241 |) |) | 14 |
| Montserrat ^{1/} | 213 | 0.20 | 1,285 | 1,002 | 283 | 283 | 1,184 | 1.07 | - |
| British Virgin Islands ^{1/} | 213 | 0.20 | 1,285 | 1,002 | 283 | 283 |) |) | - |
| Cayman Islands ^{1/} | 213 | 0.20 | 1,285 | 1,002 | 283 | 283 |) |) | 9 |
| Turks and Caicos Islands ^{1/} | 213 | 0.20 | 1,285 | 1,002 | 283 | 283 |) |) | - |
| | 68,462 | 63.43 | \$412,944 | \$322,518 | \$90,428 | \$90,428 | \$70,862 | 63.75 | \$34,831 |

¹ In accordance with Article 3 of the Agreement establishing the Bank and Board of Governors Resolution No. 4/81, these territories are considered as a single member of the Bank for the purpose of Articles 26 and 32 of the Agreement.

CARIBBEAN DEVELOPMENT BANK
ORDINARY CAPITAL RESOURCES

STATEMENT OF SUBSCRIPTIONS TO CAPITAL STOCK AND VOTING POWER (continued)

December 31, 2006

(expressed in thousands of United States dollars)

| Member | No. of Shares | % of Total | Total subscribed capital | Callable Capital | Paid up Capital | Subscriptions matured | Voting Power | | Receivable from members non-negotiable demand notes |
|----------------------------------|----------------|---------------|--------------------------|------------------|------------------|-----------------------|----------------|------------------|-----------------------------------------------------|
| | | | | | | | No. of votes | % of total votes | |
| Non-Regional States | | | | | | | | | |
| Canada | 10,402 | 9.63 | \$62,742 | \$49,002 | \$13,740 | \$13,740 | 10,552 | 9.50 | \$6,896 |
| United Kingdom | 10,402 | 9.63 | 62,742 | 49,002 | 13,740 | 13,740 | 10,552 | 9.50 | 2,150 |
| Italy | 6,235 | 5.77 | 37,608 | 29,374 | 8,234 | 8,234 | 6,385 | 5.75 | 725 |
| Germany | 6,235 | 5.77 | 37,608 | 29,374 | 8,234 | 8,234 | 6,385 | 5.75 | 5,549 |
| China | 6,235 | 5.77 | 37,608 | 29,374 | 8,234 | 8,234 | 6,385 | 5.75 | - |
| | 39,509 | 36.57 | 238,308 | 186,126 | 52,182 | 52,182 | 40,259 | 36.25 | 15,320 |
| Sub-total | 107,971 | 100.00 | 651,252 | 508,644 | 142,608 | 142,611 | 111,121 | 100.00 | 50,151 |
| Additional subscriptions | | | | | | | | | |
| China | - | - | 18,804 | 14,688 | 4,116 | 4,116 | - | - | - |
| Colombia | - | - | 1,810 | 905 | 905 | 905 | - | - | - |
| Germany | - | - | 12,546 | 9,681 | 2,865 | 2,865 | - | - | - |
| Italy | - | - | 12,546 | 9,681 | 2,865 | 2,865 | - | - | - |
| Mexico | - | - | 6,273 | 4,841 | 1,432 | 1,432 | - | - | - |
| Venezuela | - | - | 1,810 | 905 | 905 | 905 | - | - | - |
| Sub-total | - | - | 53,789 | 40,701 | 13,088 | 13,088 | - | - | - |
| Total – December 31, 2006 | 107,971 | 100.00 | \$705,041 | \$549,345 | \$155,696 | \$155,696 | 111,121 | 100.00 | \$50,151 |
| Total – December 31, 2005 | 107,971 | 100.00 | \$705,041 | \$549,345 | \$155,696 | \$155,696 | 111,121 | 100.00 | \$50,264 |

¹ In accordance with Article 3 of the Agreement establishing the Bank and Board of Governors Resolution No. 4/81, these territories are considered as a single member of the Bank for the purpose of Articles 26 and 32 of the Agreement.

CARIBBEAN DEVELOPMENT BANK
ORDINARY CAPITAL RESOURCES

SCHEDULE 4

SUMMARY STATEMENT OF BORROWINGS

December 31, 2006

(expressed in thousands of United States dollars)

| | Original amounts ¹ | Repay - ments to date | Cur - rency swap agree - ments | Un - drawn | Outstan - ding | Due dates |
|------------------------------------------------------------------|-------------------------------|-----------------------------|--------------------------------------------|------------------|-------------------|-----------|
| CDB Market Borrowings | | | | | | |
| 6.00% Notes - US\$ | \$50,000 | - | - | - | \$50,000 | 2008 |
| 4.35% Notes – Yen | 60,000 | - | - | - | 60,000 | 2030 |
| 2.75% Notes – Yen | 100,000 | - | 14,831 | - | 114,831 | 2022 |
| Floating Rate Note – US\$ | 60,000 | - | - | - | 60,000 | 2013 |
| Floating Rate Note – US\$ | 149,658 | - | - | - | 149,658 | 2014 |
| | <u>419,658</u> | <u>-</u> | <u>14,831</u> | <u>-</u> | <u>434,489</u> | |
| European Investment Bank | | | | | | |
| Global Loan 11 - A - US\$ | <u>13,034</u> | <u>(5,367)</u> | <u>-</u> | <u>-</u> | <u>7,667</u> | 2011 |
| International Bank for Reconstruction and Development | | | | | | |
| Loan 3200 CRG – US \$ | <u>3,332</u> | <u>(3,217)</u> | <u>-</u> | <u>-</u> | <u>115</u> | 2007 |
| Inter-American Development Bank | | | | | | |
| Loan 926/OC-RG -US\$ | <u>20,000</u> | <u>(3,235)</u> | <u>-</u> | <u>(1,130)</u> | <u>15,635</u> | 2021 |
| Sub-total | <u>456,024</u> | <u>(11,819)</u> | <u>14,831</u> | <u>(1,130)</u> | <u>457,906</u> | |
| Accrued interest | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>6,149</u> | |
| Total – December 31, 2006 | <u>\$456,024</u> | <u>\$(11,819)</u> | <u>\$14,831²</u> | <u>\$(1,130)</u> | <u>\$464,055</u> | |
| Total – December 31, 2005 | <u>\$455,988</u> | <u>\$(9,100)</u> | <u>\$15,758</u> | <u>\$(1,131)</u> | <u>\$466,731</u> | |

¹ Net of cancellations and borrowings fully paid

² 6 month LIBOR + 20 basis points

³ 3 month LIBOR + 15 basis points

⁴ Net of amortization of \$927

CARIBBEAN DEVELOPMENT BANK
ORDINARY CAPITAL RESOURCES

SUMMARY STATEMENT OF BORROWINGS (continued)

December 31, 2006

(expressed in thousands of United States dollars)

| Currencies Repayable | Out-standing borrowings December 2005 | Trans-lation adjust-ment | Draw-downs | Currency swap agree-ments | Repay-ments | Out-standing borrowings December 2006 |
|----------------------------------|----------------------------------------------|---------------------------------|-------------------|----------------------------------|--------------------|----------------------------------------------|
| United States dollars | \$285,757 | - | \$37 | - | \$(2,719) | \$283,075 |
| Japanese yen | 175,758 | - | - | (927) | - | 174,831 |
| Sub-total | 461,515 | - | 37 | (927) | (2,719) | 457,906 |
| Accrued interest | - | - | - | - | - | 6,149 |
| Total – December 31, 2006 | \$461,515 | | \$37 | \$(927) | \$(2,719) | \$464,055 |
| Total – December 31, 2005 | \$465,067 | - | \$ 52 | \$(927) | \$(2,677) | \$466,731 |

MATURITY STRUCTURE OF BORROWINGS OUTSTANDING ¹

| | |
|--------------------------------------|------------------|
| January 1, 2007 to December 31, 2007 | 2,637 |
| January 1, 2008 to December 31, 2008 | 52,566 |
| January 1, 2009 to December 31, 2009 | 2,610 |
| January 1, 2010 to December 31, 2010 | 2,682 |
| January 1, 2011 to December 31, 2011 | 2,679 |
| January 1, 2012 to December 31, 2016 | 215,049 |
| January 1, 2017 to December 31, 2021 | 4,852 |
| January 1, 2022 to December 31, 2032 | 160,000 |
| TOTAL | \$443,075 |

¹ Without effect of currency swap agreements

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2006

(expressed in thousands of United States dollars)

A. Nature of operations and limitations on Loans, Guarantees and Equity

The Caribbean Development Bank (CDB) is a regional financial institution established by an Agreement signed in Kingston, Jamaica, in 1969. The Bank was established for the purpose of contributing to the harmonious economic growth and development of the member countries in the Caribbean, having special and urgent regard to the needs of the Less Developed Countries (LDCs) of the Region.

With the adoption of its poverty reduction strategy at the end of 2000, CDB made reducing poverty in the Region its main goal. CDB provides financial and technical assistance (TA) for projects and programmes, which will contribute to achieving this purpose.

Mobilising financial resources is an integral part of CDB's operational activities. In addition, CDB, alone or jointly, administers on behalf of donors, including members, their agencies and other development institutions, funds restricted for specific uses, which include TA grants as well as regional programs.

CDB finances its ordinary operations through borrowings, paid-in capital and retained earnings.

Limitations on Loans, Guarantees, and Equity Investments

Article 14, paragraph 1 of the Charter provides that the total amount outstanding of loans, equity investments, and guarantees made by CDB shall not exceed the total of CDB's unimpaired subscribed capital, reserves, and surplus, and any other funds included in its ordinary capital resources, exclusive of the special reserve. At December 31, 2006, there were no equity investments or guarantees outstanding; the total loans outstanding were approximately 70% (68% - 2005) of the total subscribed capital, reserves, and surplus as defined.

B. Summary of significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented.

Basis of presentation

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and under the historical cost convention, as modified by the revaluation of financial assets and liabilities held at fair value through profit and loss and all derivative contracts.

The preparation of financial statements in conformity with IFRS requires management to make estimates. It also requires management to exercise its judgement in the process of applying the Bank's accounting policies. The areas involving a higher degree of judgement or complexity or areas when assumptions and estimates are significant to the financial statements are disclosed in Note C.

Amendments to published standards and interpretations effective January 1, 2006

The following interpretations and amendments became mandatory for accounting periods beginning January 1, 2006. However, the Bank has assessed these interpretations and amendments and the application of amendments below did not result in substantial changes to the Bank's accounting policies.

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2006

(expressed in thousands of United States dollars)

B. Summary of significant accounting policies...continued

Amendments to published standards and interpretations effective January 1, 2006

- (a) IFRS 4 – Financial Guarantee Contracts;
- (b) IFRS 6 – Exploration for and Evaluation of Mineral Resources;
- (c) IAS 19 (Amendment) – Actuarial Gains and Losses, Group Plans and Disclosures;
- (d) IAS 21 (Amendment) – Net Investment in a Foreign Operation;
- (e) IAS 39 (Amendment) – Cash Flow Hedge Accounting of Forecast Intragroup Transactions;
- (f) IAS 39 (Amendment re IFRS 4) - Fair Value Option and Financial Guarantee Contracts;
- (g) IFRIC 4 – Determining whether an Arrangement contains a Lease;
- (h) IFRIC 5 – Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds;
- (i) IFRIC 6 – Liabilities arising from Participation in a Specific Market – Waste Electrical and Electronic Equipment;

IAS 19 Amendment introduces the option of an alternative recognition approach for actuarial gains and losses. It also adds new disclosure requirements. As the Bank does not intend to change the accounting policy adopted for recognition of actuarial gains and losses and does not participate in any multi-employer plans, adoption of this amendment only impacts the format and extent of disclosures presented in the accounts.

Standards and Interpretations issued but not yet effective

- (a) IFRS 7 – Financial Instruments: Disclosures. This standard introduces additional qualitative and quantitative information on each type of risk arising from financial instruments. Additional sensitivity analyses may be undertaken to comply with this standard. It replaces IAS 30: Disclosures in the Financial Statements of Banks and Similar Financial Institutions;
- (b) IFRS 8 – Operating Segments;
- (c) IAS 1 (Amendment) – Presentation of Financial Statements. This amendment requires disclosure on an entity's objectives, policies and processes for managing capital. Qualitative and quantitative information will be required as well as compliance with externally imposed requirements. IFRIC 11 – Group and Treasury Share Transactions. This will not have any impact on the Bank's operations.
- (d) IFRIC 7 – Applying the Restatement Approach under IAS 29 (Financial Reporting in Hyperinflationary Economies);
- (e) IFRIC 8 – Scope of IFRS 2 (Share based Payment);
- (f) IFRIC 9 – Reassessment of Embedded Derivatives;
- (g) IFRIC 10 – Interim Financial Reporting and Impairment;
- (h) IFRIC 11 – Group Treasury Share Transactions; and
- (i) IFRIC 12 – Service Concession Arrangements.

Foreign currency translation

Functional and translation currency

The functional currency of the Bank is the United States dollar and the Bank's financial statements are expressed in thousands of United States dollars.

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2006

(expressed in thousands of United States dollars)

B. Summary of significant accounting policies...continued

Transactions and balances

Assets and liabilities in currencies other than United States dollars are translated into United States dollars either at the par values established for those currencies with the International Monetary Fund, or where no par values are maintained, at rates which have been determined by the Bank to be appropriate for translation. In general, the rates so determined will be the approximate market rates of exchange prevailing at the dates of the financial statements. Differences in the United States dollar equivalents of opening reserves arising from changes in exchange rates applied at the beginning of the year and at the end of the year are included in income.

Income and expenses in currencies other than United States dollars are translated into United States dollars at applicable rates of exchange on the transaction dates. This practice approximates the application of average rates in effect during the year. Any gains or losses arising as a result of differences in rates applied to income and expenses and to assets and liabilities are shown as an exchange gain or loss in the determination of net income for the year.

Capital stock

In the Agreement establishing the Bank (the Agreement), the capital stock of the Bank is expressed in terms of United States dollars of the weight and fineness in effect on September 1, 1969 (the 1969 dollar). However, with effect from April 1, 1978, the Second Amendment to the Articles of Agreement of the International Monetary Fund came into force, as a result of which currencies no longer have par values in terms of gold. Prior to December 1986, the Bank had not taken a decision on the implications of this change on the valuation of its capital stock and had translated its capital stock into current United States dollars at the rate of 1.206348 current United States dollars (current dollars) per 1969 dollar. On December 11, 1986, the Board of Directors of the Bank agreed that, until such time as the Agreement may be amended in respect of the standard of value, the expression "United States dollars of the weight and fineness in effect on September 1, 1969" be interpreted, pursuant to Article 59 of the Agreement, to mean the "Special Drawing Right" (SDR) introduced by the International Monetary Fund as the SDR was valued in terms of United States dollars immediately before the introduction of the basket method of valuing the SDR on July 1, 1974, such value being 1.206348 current dollars for one SDR as at June 30, 1974 (the 1974 SDR).

For the purposes of the financial statements, the Bank has expressed the value of its capital stock on the basis of the 1974 SDR. This has no effect on the financial position or results of the operations of the Bank.

Financial assets

The Bank classifies its financial assets as: financial assets at fair value through profit and loss and loans and receivables. Financial assets are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit and loss. Financial assets are derecognized when the rights to receive cash flows from the financial assets have expired or when the Bank has transferred substantially all risk and rewards of ownership. Management determines the classification of its investments at initial recognition.

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2006

(expressed in thousands of United States dollars)

B. Summary of significant accounting policies...continued

Financial assets at fair value through profit and loss

This category has two sub-categories: financial assets held for trading, and those designated at fair value through profit and loss at inception. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by management. Derivatives are categorized as held for trading. Regular-way purchases and sales of financial assets at fair value through profit or loss are recognised on the trade date and that is the date on which the Bank commits to purchase and sell these assets.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Bank provides money, goods or services directly to a debtor with no intention of trading the receivable.

Loans and receivables are carried at amortised cost using the effective interest rate method. At December 31, 2006, the effective interest rate on loans was 6.44%.

Impairment of financial assets

CDB assesses at each balance sheet date whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a "loss event") and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. Objective evidence that a financial asset or a group of financial assets is impaired includes observable data that comes to the attention of the Bank about the following loss events:

- (i) significant financial difficulty of the issuer or obligor;
- (ii) a breach of contract, such as a default or delinquency in interest or principal payments;
- (iii) the Bank granting to the borrower, for economic or legal reasons relating to the borrower's financial difficulty, a concession that the Bank would not otherwise consider;
- (iv) it becoming probable that the borrower will enter bankruptcy or other financial reorganisation;
- (v) the disappearance of an active financial market for that financial asset because of financial difficulties;
- or
- (vi) observable data indicating that there is a measurable decrease in the estimated future cash flows from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial asset in the group, including:
 - adverse changes in the payment status of borrowers in the group; or
 - national or local economic conditions that correlate with defaults on the assets in the group.

A provision for loan impairment is established if there is objective evidence that the Bank will not be able

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2006

(expressed in thousands of United States dollars)

B. Summary of significant accounting policies...continued

Impairment of financial assets...continued

to collect all amounts due according to the original contractual terms of loans. The amount of the provision is the difference between the carrying amount and the recoverable amount, being the present value of expected cash flows, including amounts recoverable from guarantees and collateral, discounted at the original effective interest rate for fixed rate loans and the current interest rate for variable rate loans.

Cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents comprise cash in banks and other depositories and time deposits with less than 90 days maturity from the date of acquisition.

Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

Property and equipment

Property and equipment are stated at cost less depreciation. Depreciation is provided on the straight-line basis at rates considered adequate to write-off cost of the assets, less salvage, over their useful lives as follows:

| | Years |
|-------------------------|-------|
| Buildings | 25 |
| Furniture and equipment | 4-8 |
| Computers | 4 |
| Motor vehicles | 4 |

Land is not depreciated as it is deemed to have an indefinite life.

The assets residual value and useful lives are reviewed and adjusted if appropriate at each balance sheet date. 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 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 expenses in the income statement.

Borrowings

To ensure funds are available for lending and liquidity purposes, the Bank borrows institutionally and from the private placement market. The Bank issues medium and long-term debt instruments with fixed and floating interest rates. Borrowings are recognised initially at fair value, being their issue proceeds (fair value of consideration received) net of transaction costs incurred. Borrowings are subsequently stated at amortized cost; any difference between proceeds net of transaction costs and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest rate method.

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2006

(expressed in thousands of United States dollars)

B. Summary of significant accounting policies...continued

Derivative financial instruments and hedging

The Bank uses interest rate and currency swaps in its borrowings and liability management to take advantage of cost-saving opportunities in the capital markets to lower its funding costs and ultimately the onlending rate to its borrowers. These derivatives are used to modify the interest rate and/or currency characteristics of the borrowing portfolio. Derivative financial instruments are initially recognised in the balance sheet at cost (including transaction costs) and subsequently are remeasured at their fair value. Fair values are obtained from quoted market prices and discounted cash flow models as appropriate. All derivatives are carried as assets when fair value is positive and as liabilities when fair value is negative. Changes in the fair value of derivatives are included in net income.

Employee benefits

Pension obligations

CDB has both a contributory defined benefit New Pension Plan (the Plan) and a hybrid Old Pension Scheme (the Scheme) for securing pensions and other benefits for eligible employees of the Bank. Both the Plan and the Scheme are final salary defined benefit. Every employee, as defined under the Plan, shall, as a condition of service, become a participant from the first day of service, provided that at such a date, the employee has not reached the normal retirement age of 62. Retirement benefits are based on length of service and highest average remuneration during three years of eligible service.

The Plan assets are segregated and are not included in the accompanying Balance Sheet. The costs of administering the Plan are absorbed by CDB, except for fees paid to the investment managers and related charges, including custodian fees, which are borne by the Plan.

The liability recognised in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the balance sheet date minus the fair value of plan assets, together with adjustments for unrecognised actuarial gains/losses and past service cost. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by the estimated future cash outflows using interest rates of government securities which have terms to maturity approximating the terms of the related liability that are denominated in the currency in which the benefits will be paid. The pension plans are final salary plans and the charge for such pension plans, representing the net periodic pension cost less employee contributions is included in staff costs.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to income over the employees' expected average remaining working lives. Past service costs are recognized immediately in income, unless the changes to the pension plan are conditional on the employee remaining in service for a specified period of time (the vesting period). In this case, the past service costs are amortised on a straight-line basis over the vesting period.

Other post-retirement obligations

The Bank provides post-retirement medical benefits to its retirees. The expected costs of these benefits are

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2006

(expressed in thousands of United States dollars)

B. Summary of significant accounting policies...continued

Other post-retirement obligations...continued

accrued over the period using an accounting methodology similar to that for defined benefit pension plans. Actuarial gains and losses arising from experience adjustments, and changes in actuarial assumptions in excess of the greater of 10% of the value of plan assets or 10% of the defined benefit obligation and have terms to maturity approximating the terms of the related pension liability, are charged or credited to income over the expected average remaining working lives of the related employees. These obligations are valued annually by independent qualified actuaries.

Administrative expenses

Administrative expenses incurred by the Bank are allocated between the Ordinary Capital Resources and the Special Funds Resources in accordance with a method of allocation approved by the Board of Directors.

Interest income and expense

Interest income and expense are recognised in the income statement for all interest-bearing instruments except for those classified as trading on an accrual basis using the effective yield method.

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.

Fee income

Loan commitment fees are deferred and recognised as an adjustment to the effective interest rate on the loan. Fees are generally recognised on an accrual basis when the service has been provided.

Comparatives

Where necessary comparative figures have been adjusted to conform with changes in presentation in the current year.

C. Critical accounting estimates and judgments

The preparation of financial statements in conformity with International Financial Reporting Standards requires Management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities at the end of the year and the reported amounts of revenues and expenses during the year. The actual results could differ from those estimates. Significant judgments have been used in the valuation of certain financial instruments, the determination of the adequacy of the provision for loan losses, the determination of the net periodic income from pension and other post-retirement benefit plans, and the present value of benefit obligations. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2006

(expressed in thousands of United States dollars)

B. Summary of significant accounting policies...continued

Impairment of financial assets

CDB assesses at each balance sheet date whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a "loss event") and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. Objective evidence that a financial asset or a group of financial assets is impaired includes observable data that come to the attention of the Bank that there has been an adverse change in the payment status of borrowers.

Fair value of derivatives

The fair value of financial instruments that are not quoted in active markets are determined by using valuation techniques, for example, models. All models are calibrated to ensure that outputs reflect actual data and comparative market prices. To the extent practical, models use only observable data; however, areas such as credit risks (both own and counterparty), volatilities and correlations require management to make estimates. Changes in assumptions about these factors could affect reported fair value financial instruments.

Post retirement medical benefits

The responsibility for selecting the assumptions used in the calculations rests with the Bank. The discount rate is determined by reference to current market yield on government bonds. The increase in medical expenses is assumed to be in line with the level of inflation.

D. Financial risk management

CDB assumes various kinds of risk in the process of providing development banking services. Its activities can give rise to four major types of financial risk: country credit risk; market risk (interest rate and exchange rate); liquidity risk, and operational risk. The major inherent risk to CDB as a multilateral development bank (MDB) is credit risk, or loan portfolio risk. CDB has devised policy instruments that provide the operational framework for addressing this risk, as well as an income and reserves policy and a liquidity policy. The income and reserves policy addresses the potential losses caused by a major default by borrowers, while the liquidity policy addresses the risks associated with delays in access to capital markets.

In March 2006, the Board of Directors approved a new capital adequacy framework in order to:

- (a) establish a reliable framework and methodology for determining the appropriate levels of capital that the Bank should carry based on changes in the risk profile of its exposures;
- (b) assess the level of credit risk associated with lending to the Bank's sovereign and private sector borrowers;
- (c) introduce an income-targeting policy that would enable the Bank to safeguard and further strengthen its level of capitalisation.

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2006

(expressed in thousands of United States dollars)

D. Financial risk management...continued

As a result of this framework, the following changes were made to the financial policies and operating guidelines:

- (a) Net income targeting policy is changed to require that the net income is sufficient to meet the required equity to exposure ratio;
- (b) Total equity to exposure ratio (TEER) with a policy range of 50%-55% is introduced to replace the existing policy of reserves to loans ratio (RLR) of 30%;
- (c) The Bank's variable interest rate is based on the weighted cost of the borrowing pool in the previous months plus a variable spread;
- (d) The Bank's operating policy on its borrowing portfolio is changed to establish that the limit is not to exceed 100% of the subscribed callable capital of investment grade non-borrowing members, plus paid-up capital and retained earnings less receivable from members; and
- (e) The current policy on commitment authority is cancelled.

The TEER as at December 31, 2006, stood at 61.8% compared with the policy range of 50%-55%. To ensure the adequacy of its risk-bearing capacity, CDB's management reviews its income outlook annually and the Board of Directors recommends to the Board of Governors the portion of the previous year's actual net income for allocation to reserves, to ensure that the level of reserves is commensurate with the policy level. At its meeting in May 18 – 19, 2006, the Board of Governors approved the net income of \$6,800 for the year ended December 31, 2005, from the Ordinary Operations of the Bank be allocated to the Ordinary Reserve.

CDB also uses an interest coverage ratio (ICR) to measure the extent to which net income can fall without jeopardizing the Bank's ability to service its financial expenses from current income. At December 31, 2006, the ICR was 1.9 times, compared with a minimum policy level of 1.5 times.

Credit risk

Country credit risk is the risk of loss due to a country not meeting its contractual obligations. CDB continuously reviews its lending operations, to estimate the appropriate level of provisions for losses on loans and to assess the adequacy of its income-generating capacity and risk-bearing capital.

Portfolio concentration risk, which arises when a small group of borrowers account for a large share of loans outstanding, is a key concern for CDB and is managed, in part, through a single borrower exposure limit. The concentration risk limit is 50% of capital; CDB's largest exposure to a single BMC was 34.0% of capital at December 31, 2006, compared to 33.6% at the end of the previous year.

Credit related commitments

The primary purpose of these instruments is to ensure that funds are available to a borrower as required. Guarantees and standby letters of credit, which represent irrevocable assurances that the Bank will make payment in the event that a borrower cannot meet its obligations to third parties, carry the same credit risk as loans. Documentary and commercial letters of credit, which are written undertakings by the Bank on behalf of a borrower authorizing a third party to draw drafts on the Bank up to a stipulated amount under specific terms and conditions, are collateralized by the underlying shipments of goods to which they relate and therefore carry less risk than a direct borrowing.

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2006

(expressed in thousands of United States dollars)

D. Financial risk management...continued

Credit related commitments...continued

Commitments to extend credit represent unused portions of authorizations to extend credit in the form of loans, guarantees or letters of credit. With respect to credit risk on commitments to extend credit, the Bank is potentially exposed to loss in an amount equal to the total unused commitments. However, the likely amount of loss is less than the total unused commitments since most commitments to extend credit are contingent upon borrowers maintaining specific credit standards. The Bank monitors the term of maturity of credit commitments because longer-term commitments generally have a greater degree of credit risk than short-term commitments.

Master netting arrangements

The Bank further restricts its exposure to credit losses by entering into master netting arrangements with counterparties with which it undertakes a significant volume of transactions. Master netting arrangements do not generally result in an offset of balance sheet assets and liabilities as transactions are usually settled on a gross basis. However, the credit risk associated with favourable contracts is reduced by a master netting arrangement to the extent that if an event of default occurs, all amounts with the counterparty are terminated and settled on a net basis. The Bank's overall exposure to credit risk on derivative instruments subject to master netting arrangements can change substantially within a short period since it is affected by each transaction subject to the arrangement.

Investments

The main investment management objective is to maintain security and liquidity. Subject to these parameters, CDB seeks the highest possible return on its investments. CDB is restricted by its Investment Policy to invest in government and government-related debt instruments and in time deposits. Investments may be made in corporate bonds rated A or better, AAA-rated asset-backed securities, and AAA-rated mortgage-backed securities.

Borrowings

Borrowings by the Bank for use in the Ordinary operations are limited by resolution of the Board of Governors to the extent of the investment grade callable capital plus paid-up capital and retained earnings amounting to approximately \$841,060 (2005 - \$818,965). The Board of Directors has established an operating guideline which restricts such borrowings to the total of subscribed callable capital of investment grade non-borrowing members plus paid-up capital and retained earnings less receivables from members. At December 31, 2006, the policy limit was \$656,941 and the borrowings outstanding were 67% of this operating guideline.

Derivatives

Certain derivative transactions, while providing effective economic hedges under the Bank's risk management position, do not qualify for hedge accounting under the specific rules in IAS 39 and are therefore treated as derivatives held for trading with fair value gains and losses reported in income.

The Bank has a potential risk of loss if a swap counterparty fails to perform its obligations, and in order to reduce such credit risk, the Bank only enters into long-term swap transactions with counterparties eligible under the

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2006

(expressed in thousands of United States dollars)

D. Financial risk management...continued

Bank's swap guidelines which include the requirement that counterparties have a credit rating of AA or higher. The Bank does not anticipate that any of its counterparties will fail to perform their obligations under such agreements.

CDB uses financial derivative instruments in connection with its borrowing activities to increase cost efficiency, while achieving risk management objectives. Currency swaps are used to convert a currency borrowed under advantageous terms into CDB's operational currency, taking advantage of the opportunities offered in different financial markets.

The Bank's credit risk represents the potential cost to replace the swap contracts if counterparties fail to perform their obligation. This risk is monitored on an on-going basis with reference to the current fair value, a proportion of the notional amount of the contracts and the liquidity of the market. To control the level of credit risk taken, the Bank assesses counterparties using the same techniques as for its lending activities.

Currency risk

All loans by the Bank are made either from currencies available from members' subscriptions or from currencies borrowed and the principal amounts are repayable to the Bank in the currencies lent. The balances outstanding on loans to members and their agencies are secured by guarantees of the governments of the member countries in which the loans are made. Other forms of securities deemed appropriate by the Bank secure loans to the private sector.

Market risk

Interest rate risk

The main source of potential interest rate risk to CDB is the interest rate spread between the rate CDB earns on its assets and the cost of its borrowings. Interest rate risk also arises from a variety of other factors, including differences in the timing between the contractual maturity or repricing of CDB's assets, liabilities and derivative financial instruments. On floating rate assets and liabilities, CDB is exposed to timing mismatches between the re-set dates on its floating rate receivables and payables.

The matching and controlled mismatching of the maturities and interest rates of assets and liabilities is fundamental to the management of the Bank. It is unusual for banks to be completely matched, as transacted business is often of uncertain term and of different types. The table below analyses the major financial assets and liabilities into relevant groupings based on the remaining period at December 31, 2006, to the contractual maturity date.

CARIBBEAN DEVELOPMENT BANK
ORDINARY CAPITAL RESOURCES

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2006

(expressed in thousands of United States dollars)

D. Financial risk management...continued

Interest rate risk...continued

| At December 31, 2006 | 0-3 months | 3-12 months | 1-5 years | Over 5 years | Non- interest bearing | Total |
|---------------------------------------|-----------------------|------------------------|----------------------|-------------------------|--------------------------------------|------------------|
| Assets | | | | | | |
| Due from banks | 19,582 | - | - | - | - | 19,582 |
| Investments | 47,813 | 32,894 | 66,868 | 5,091 | - | 152,666 |
| Loans | 21,340 | 35,150 | 245,567 | 415,707 | - | 717,764 |
| Derivative financial instruments | 4,090 | 1,214 | - | - | - | 5,304 |
| Receivable from members | - | - | - | - | 54,899 | 54,899 |
| Other receivables | - | - | - | - | 5,813 | 5,813 |
| Property and equipment | - | - | - | - | 5,852 | 5,852 |
| Total Assets | 92,825 | 69,258 | 312,435 | 420,798 | 66,564 | 961,880 |
| Liabilities | | | | | | |
| Accounts payable | - | - | - | - | 21,106 | 21,106 |
| Payable to members | - | - | - | - | 6,869 | 6,869 |
| Borrowings | 6,689 | 2,098 | 60,535 | 394,733 | - | 464,055 |
| Total Liabilities | 6,689 | 2,098 | 60,535 | 394,733 | 27,975 | 492,030 |
| Total interest sensitivity gap | 86,136 | 67,160 | 251,900 | 26,065 | | |
| At December 31, 2005 | | | | | | |
| Assets | | | | | | |
| Due from banks | 16,179 | - | - | - | - | 16,179 |
| Investments | 59,821 | 47,411 | 49,483 | 5,338 | - | 162,053 |
| Loans | 20,541 | 35,950 | 234,038 | 396,635 | - | 687,164 |
| Derivative financial instruments | 8,842 | 1,783 | - | - | - | 10,625 |
| Receivable from members | - | - | - | - | 56,885 | 56,885 |
| Other receivables | - | - | - | - | 6,065 | 6,065 |
| Property and equipment | - | - | - | - | 5,931 | 5,931 |
| Total Assets | \$105,383 | \$85,144 | \$283,521 | \$401,973 | \$68,881 | \$944,902 |
| Liabilities | | | | | | |
| Accounts payable | - | - | - | - | 18,608 | 18,608 |
| Payable to members | - | - | - | - | 7,414 | 7,414 |
| Borrowings | 4,608 | 3,326 | 60,469 | 398,328 | - | 466,731 |
| Total Liabilities | \$4,608 | \$3,326 | \$60,469 | \$398,328 | \$26,022 | \$492,753 |
| Total interest sensitivity gap | \$100,775 | \$81,818 | \$223,052 | \$3,645 | | |

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2006

(expressed in thousands of United States dollars)

D. Financial risk management...continued

Interest rate risk...continued

Assuming the financial assets and liabilities at December 31, 2006 were to remain until maturity or settlement without any action by the Bank to alter the resulting interest rate risk exposure, an immediate and sustained increase of 1% in market interest rates across all maturities would increase net income for the following year by \$4,100.

Exchange rate risk

In order to minimize exchange rate risk in a multicurrency environment, CDB matches its borrowing obligations in any one currency (after swap activities) with assets in the same currency. This policy is designed to minimize the impact of market rate changes, thereby preserving CDB's ability to better absorb potential losses, including losses from arrears.

Liquidity risk

CDB's liquid assets are held principally in obligations of governments and other official entities, time deposits and other unconditional obligations of banks and financial institutions, currency and interest rate swaps. Liquidity risk arises in the general funding of CDB's activities and in the management of its financial positions. It includes the risk of being unable to fund its portfolio of assets at appropriate maturities and rates and the risk of being unable to liquidate a position in a timely manner at a reasonable price. The objective of liquidity management is to ensure the availability of sufficient cash flows to meet all of the Bank's financial commitments.

As a component of liquidity management, CDB maintains lines of credit with independent financial institutions. One such facility is a line of credit that is used to cover any overnight overdrafts and the other is a line of credit to meet unexpected financial commitments in its normal operations.

Under CDB's liquidity management policy, aggregate liquid asset holdings should be kept at the minimum of 40% of undisbursed commitments. At the end of 2006, the minimum liquidity level was \$117,700, while the aggregate size of the OCR liquid asset portfolio stood at \$164,400, or 56% of undisbursed commitments. CDB liquid assets may from time to time fall below the specified minimum due to the timing of its borrowing transactions. At December 31, 2006, the portfolio was largely comprised of assets denominated in US dollars with net exposure to short-term interest rates.

CARIBBEAN DEVELOPMENT BANK
ORDINARY CAPITAL RESOURCES

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2006

(expressed in thousands of United States dollars)

D. Financial risk management...continued

Liquidity risk...continued

| At December 31, 2006 | 0-3 months | 3-12 months | 1-5 years | Over 5 years | Total |
|----------------------------------|-----------------------|------------------------|----------------------|-------------------------|------------------|
| Assets | | | | | |
| Due from banks | \$19,582 | - | - | - | \$19,582 |
| Investments | 47,813 | 32,894 | 66,868 | 5,091 | 152,666 |
| Loans | 21,340 | 35,150 | 245,567 | 415,707 | 717,764 |
| Derivative financial instruments | - | - | - | 5,304 | 5,304 |
| Receivable from members | - | - | - | 54,899 | 54,899 |
| Other receivables | 4,748 | 141 | 692 | 232 | 5,813 |
| Property and equipment | - | - | - | 5,852 | 5,852 |
| Total Assets | 93,483 | 68,185 | 313,127 | 487,085 | 961,880 |
| Liabilities | | | | | |
| Accounts payable | 15,612 | 806 | 2,582 | 2,106 | 21,106 |
| Payable to members | - | - | - | 6,869 | 6,869 |
| Borrowings | 6,689 | 2,098 | 60,535 | 394,733 | 464,055 |
| Total Liabilities | 22,301 | 2,904 | 63,117 | 403,708 | 492,030 |
| Total net liquidity gap | 71,182 | 65,281 | 250,010 | 83,377 | 469,850 |
| At December 31, 2005 | | | | | |
| Assets | | | | | |
| Due from banks | 16,179 | - | - | - | 16,179 |
| Investments | 59,821 | 47,411 | 49,483 | 5,338 | 162,053 |
| Loans | 20,541 | 35,950 | 234,038 | 396,635 | 687,164 |
| Derivative financial instruments | - | - | - | 10,625 | 10,625 |
| Receivable from members | - | - | - | 56,885 | 56,885 |
| Other receivables | 5,792 | 273 | - | - | 6,065 |
| Property and equipment | - | - | - | 5,931 | 5,931 |
| Total Assets | \$102,333 | \$83,634 | \$283,521 | \$475,414 | \$944,902 |
| Liabilities | | | | | |
| Accounts payable | 12,464 | - | 4,055 | 2,089 | 18,608 |
| Payable to members | - | - | - | 7,414 | 7,414 |
| Borrowings | 4,608 | 3,326 | 60,469 | 398,328 | 466,731 |
| Total Liabilities | \$17,072 | \$3,326 | \$64,524 | \$407,831 | \$492,753 |
| Total net liquidity gap | \$85,261 | \$80,308 | \$218,997 | \$67,583 | \$452,149 |

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2006

(expressed in thousands of United States dollars)

D. Financial risk management...continued

Fair value of financial assets and liabilities

The following table summarises the carrying amounts and fair values of those financial assets and liabilities not presented on the Bank's balance sheet at their fair value. Bid prices are used to estimate fair values of assets, whereas offer prices are applied for liabilities.

| | Carrying value | | Fair value | |
|------------------------------|----------------|-----------|------------|-----------|
| | 2006 | 2005 | 2006 | 2005 |
| Financial assets | | | | |
| Due from banks | \$19,582 | \$16,179 | \$19,582 | \$16,179 |
| Loans | 717,764 | 687,164 | 717,764 | 687,164 |
| Non-negotiable demand notes | 50,151 | 50,264 | 50,151 | 50,264 |
| Financial liabilities | | | | |
| Borrowings | \$457,906 | \$461,515 | \$510,444 | \$521,741 |

Due from banks

Due from banks includes cash and overnight deposits. The fair value of floating rate placements and overnight deposits is their carrying amount.

Loans and receivables

Loans are net of provisions for impairment. The estimated fair value of loans and advances represents the discounted amount of estimated future cash flows expected to be received. Expected cash flows are discounted at current market rates to determine fair value.

Non-negotiable demand notes

Non-negotiable demand notes are due on demand and their fair values are deemed to be equal to their carrying amount.

Borrowings

The estimated fair values are based on quoted market prices where such prices are available. Where no quoted market price is available, the fair value is estimated based on the cost at which the Bank could currently undertake borrowings with similar terms and remaining maturities. The fair value of swaps represents the estimated cost of replacing these contracts at that date.

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2006

(expressed in thousands of United States dollars)

E. Investments - Trading

The annualised rate of return on the average investments including realised and unrealised gains and losses was 4.59% (2005 – 2.64%). Net realised gains on investments traded during 2006 totalled \$139.4 (2005 – losses of \$17.2), while unrealised gains for 2006 were \$137.0 (2005 – losses of \$1.1).

Cash equivalents included in investments at December 31, 2006, amounted to \$23,412 (2005 - \$21,563).

F. Non-negotiable demand notes

The Agreement permits the Bank to accept from a member non-negotiable, non-interest bearing demand notes in place of part of the member's subscription to the paid-up capital which shall be payable in the member's currency and maintenance of value in respect of such part, provided that such currency is not required for the conduct of the operations of the Bank. A member which has issued such demand notes may, at the request of the Bank, convert any of them into interest-bearing notes or into cash to be invested in government securities of that member.

G. Maintenance of value

In accordance with Article 24 of the Agreement, each member is required to maintain the value of its currency held by the Bank and consisting of or derived as repayments of principal from currencies originally paid to the Bank by the member in respect of capital subscriptions. The Bank is also required to repay to any member an amount of currency equal to the increase in value of its currency which is held by the Bank in respect of capital subscriptions. The Agreement expressed the standard of value for those purposes in terms of the 1969 dollar and, as indicated in Note A above, on December 11, 1986, the Board of Directors, pursuant to Article 59 of the Agreement, agreed that, until the Agreement be amended in respect of the standard value, the 1969 dollar be interpreted to mean the 1974 SDR, valued as aforesaid. Maintenance of value (MOV) is therefore being determined on the basis of the 1974 SDR, and is treated in the financial statements on this basis. For the purposes of effecting settlement, MOV obligations are established at December 31 in each year. The Board of Directors has agreed that MOV obligations on any part of a member's paid-up capital which is represented by loans outstanding be postponed and become payable on each portion of the principal of such loans when such portion is repaid to the Bank. MOV obligations which are not so deferred are due for settlement within 12 months of the date established.

CARIBBEAN DEVELOPMENT BANK
ORDINARY CAPITAL RESOURCES

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2006

(expressed in thousands of United States dollars)

H. Property and equipment

| | Buildings | Computers | Furniture and equipment | Motor vehicles | Total |
|---------------------------------|------------------|------------------|----------------------------------------|---------------------------|-----------------|
| Cost | | | | | |
| At January 1, 2006 | 9,091 | 5,886 | 4,423 | 146 | 19,546 |
| Additions | 138 | 342 | 489 | - | 969 |
| At December 31, 2006 | \$9,229 | \$6,228 | \$4,912 | \$146 | \$20,515 |
| Accumulated depreciation | | | | | |
| At January 1, 2006 | 4,530 | 5,091 | 3,914 | 80 | 13,615 |
| Depreciation expense | 363 | 417 | 236 | 32 | 1,048 |
| At December 31, 2006 | \$4,893 | \$5,508 | \$4,150 | \$112 | \$14,663 |
| Net book values | | | | | |
| At December 31, 2006 | \$4,336 | \$720 | \$762 | \$34 | \$5,852 |
| Cost | | | | | |
| At January 1, 2005 | 8,991 | 5,589 | 4,277 | 140 | 18,997 |
| Additions | 100 | 297 | 146 | 30 | 573 |
| Disposals | - | - | - | (24) | (24) |
| At December 31, 2005 | \$9,091 | \$5,886 | \$4,423 | \$146 | \$19,546 |
| Accumulated depreciation | | | | | |
| At January 1, 2005 | 4,174 | 4,486 | 3,672 | 70 | 12,402 |
| Disposals | - | - | - | (24) | (24) |
| Depreciation expense | 356 | 605 | 242 | 34 | 1,237 |
| At December 31, 2005 | \$4,530 | \$5,091 | \$3,914 | \$80 | \$13,615 |
| Net book values | | | | | |
| At December 31, 2005 | \$4,561 | \$795 | \$509 | \$ 66 | \$5,931 |

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2006

(expressed in thousands of United States dollars)

I. Borrowings

As at December 31, 2006, the borrowings contracted were \$443,075 (2005 - \$445,757). The effective cost of borrowings during the year ended December 31, 2006, was 5.28% (2005 – 3.95%).

J. Derivative financial instruments

The fair values of derivative instruments held at December 31, 2006 are as follows:

| | Notional Amount | 2006 | 2005 |
|-----------------------------------|--------------------|----------------|-----------------|
| | | Fair values | |
| | | Assets | Assets |
| Cross currency interest rate swap | \$160,000 | \$4,091 | \$ 8,842 |
| Interest rate swap | 50,000 | 1,213 | 1,783 |
| | <u>\$210,000</u> | <u>\$5,304</u> | <u>\$10,625</u> |

Derivative fair value adjustment of \$4,395 (2005 - \$14,318) included in the statement of income comprises:

| | 2006 | 2005 |
|-----------------------------------|----------------|-----------------|
| Cross currency interest rate swap | \$3,825 | \$13,718 |
| Interest rate swap | 570 | 600 |
| | <u>\$4,395</u> | <u>\$14,318</u> |

K. Capital stock

In the Agreement the capital stock of the Bank is expressed in terms of the 1969 dollar. On December 11, 1986, the Board of Directors, pursuant to its powers of interpretation under Article 59 of the Agreement, agreed that the 1969 dollar be interpreted to mean the 1974 SDR valued as set out in Note B – Capital Stock, and that the value of the capital stock be expressed on the basis of the 1974 SDR.

The Bank's capital stock is divided into paid-up and callable shares. Callable capital is subject to call only as and when required by the Bank to meet its obligations incurred on borrowings included in, or guarantees chargeable to, the Ordinary Capital Resources of the Bank. Each share has a par value of \$6,031.74. As at December 31, 2006, the value of the subscribed capital was \$705,041 comprising of paid-in shares of \$155,696 and callable shares of \$549,345.

Some members admitted subsequent to the establishment of the Bank are required to pay additional capital subscriptions. As at December 31, 2006, the value of the additional subscriptions was \$53,789 of which \$40,701 is callable and \$13,088 is paid-up. The additional subscriptions are subject to the MOV provisions described in Note G.

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2006

(expressed in thousands of United States dollars)

K. Capital stock...continued

Paid-up capital is payable in instalments and of each instalment 50% is payable in gold or in a freely convertible currency which is freely and effectively usable in the operations of the Bank, or in a currency which is freely and fully convertible into such currency, provided that, if the currency of the member meets either of these requirements, such payments shall be made in the currency of that member, and 50% shall be paid in the currency of the member subject to the option outlined in Note F.

Member Countries Subscriptions

The Agreement establishing the Bank allows for a member country to withdraw from the Bank, in which case the Bank is required to repurchase the former member's shares. Since the establishment of the Bank while only one member has ever withdrawn its membership, there has been no indication from any existing member that it intends to do so. The withdrawal of membership has significant financial disincentive. The stability of the membership reflects the fact that the members are 25 countries, and the purpose of the Bank is to contribute to the harmonious economic growth and development of the Region.

Were a member to withdraw, the Bank may set dates in respect of payments of shares repurchased. If, for example, paying a former member would have adverse consequences for the Bank's financial position, the Bank could defer payment until the risk had passed. In any event, no amount due to a former member for its shares shall be paid until at least six months after the date on which its membership ceases.

If a payment was then made to a former member, and at a date subsequent to the termination date, it became evident that losses were incurred by the Bank on any guarantees or loans which were outstanding on the date of cessation of membership and the amount of losses exceeded the amount of the reserve provided against losses on that date, then the former member is required to pay on demand, the amount by which the repurchase price of its shares would have been reduced if the losses had been taken into account when the repurchase price was determined. In addition, the former member remains liable on any call, subsequent to the termination date, for unpaid subscriptions, to the extent that it would have been required to respond if the impairment of capital had occurred and the call had been made at the time the repurchase price of its shares was determined.

L. Retained earnings

Retained earnings comprise the following elements at December 31, 2006, and December 31, 2005:

| | 2006 | 2005 |
|------------------------|------------------|------------------|
| Ordinary reserves | \$270,695 | \$263,860 |
| Surplus | 11,648 | 11,648 |
| Unallocated net income | 17,701 | 6,835 |
| Special reserve | 14,110 | 14,110 |
| | <u>\$314,154</u> | <u>\$296,453</u> |

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2006

(expressed in thousands of United States dollars)

L. Retained earnings...continued

In accordance with Article 39 of the Agreement, the Board of Governors shall determine at least annually the disposition of the net income of the Bank arising from its Ordinary operations. In previous years the net income has been allocated to the Ordinary Reserves of the Bank which may be used, *inter alia*, to meet possible future losses on loans and guarantees made by the Bank in its Ordinary operations and possible future losses from currency devaluations.

M. Reserves

Special reserve

In accordance with Article 18 of the Agreement, commissions and guarantee fees received on loans made out of the Ordinary Capital Resources of the Bank are required to be set aside in a Special Reserve which shall be kept for meeting liabilities of the Bank. The assets of the Special Reserve are to be held in such liquid form as the Board of Directors may decide.

At the One Hundred and Nineteenth Meeting of the Board of Directors held on July 21, 1988, the Board decided that appropriations to the Special Reserve should be discontinued with effect from January 1, 1989. Pursuant thereto, no commission is charged on loans approved after January 1, 1989, and all amounts received after that date as commission on loans approved before that date are treated as interest and accounted for as such. During 1993, the Special Reserve was converted into United States dollars and is valued at \$6,254.

General banking reserve

Loan loss provisions amounting to \$7,856 are deemed to be a provision for general banking risks and are reported as a general banking reserve.

N. Administrative expenses

During the year administrative expenses were allocated as follows:

| | 2006 | 2005 |
|---------------------------------------------------|----------------|-----------------|
| Gross administrative expenses | \$19,103 | \$19,365 |
| Less Amounts allocated to Special Funds Resources | (12,198) | (12,342) |
| Net OCR administration expenses | <u>\$6,905</u> | <u>\$ 7,023</u> |

Staff costs are analysed as follows:

| | 2006 | 2005 |
|-----------------------------------------------|-----------------|-----------------|
| Salaries and allowances | \$9,287 | \$9,066 |
| Pension costs - hybrid scheme - Note O | 311 | 335 |
| Pension costs - defined benefit plan - Note O | 1801 | 2,064 |
| Other post retirement benefits - Note O | 217 | 215 |
| | <u>\$11,616</u> | <u>\$11,680</u> |

CARIBBEAN DEVELOPMENT BANK
ORDINARY CAPITAL RESOURCES

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2006

(expressed in thousands of United States dollars)

O. Pensions and other post-retirement obligations

| | 2006 | 2005 |
|----------------------------------|----------------|----------------|
| Balance sheet obligations for: | | |
| Pension benefits | \$(190) | \$46 |
| Post-employment medical benefits | 1,278 | 1,090 |
| | <u>\$1,088</u> | <u>\$1,136</u> |
| Income statement charge for: | | |
| Pensions benefits | \$2,112 | \$2,399 |
| Post-employment medical benefits | 217 | 215 |
| | <u>\$2,329</u> | <u>\$2,614</u> |

The amounts recognised in the balance sheet are determined as follows:

| | Pensions | | Post retirement | |
|-----------------------------------------------------------------|-----------------|-------------|------------------------|----------------|
| | 2006 | 2005 | 2006 | 2005 |
| Present value of funded obligations | \$41,019 | \$38,517 | \$1,799 | \$1,686 |
| Fair value of plan assets | (40,994) | (36,654) | - | - |
| | 25 | 1,863 | 1,799 | 1,686 |
| Unrecognised actuarial losses | (215) | (1,817) | (521) | (596) |
| Liability/(asset) on balance sheet included in accounts payable | <u>\$(190)</u> | <u>\$46</u> | <u>\$1,278</u> | <u>\$1,090</u> |

Unrecognised actuarial gains and losses result from differences between actuarial assumptions and the actual performance of the plan in the year under review. Actuarial gains and losses are recognised only if they exceed 10% of the present value of the defined benefit obligation and 10% of the fair value of any plan asset at the end of the previous reporting period.

The amounts recognised in the income statement are as follows:

| | Pensions | | Post retirement | |
|--------------------------------|-----------------|----------------|------------------------|--------------|
| | 2006 | 2005 | 2006 | 2005 |
| Current service cost | \$2,253 | \$2,242 | \$91 | \$88 |
| Interest cost | 1,898 | 1,820 | 92 | 86 |
| Expected return on plan assets | (2,046) | (1,850) | - | - |
| Amortization of actuarial cost | 7 | 187 | 34 | 41 |
| | <u>\$2,112</u> | <u>\$2,399</u> | <u>\$217</u> | <u>\$215</u> |
| Return on the plan assets | <u>\$2,492</u> | <u>\$1,405</u> | | |

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2006

(expressed in thousands of United States dollars)

O. Pensions and other post retirement obligations.....continued

Movement in the (asset)/liability recognised in the balance sheet:

| | Pensions | | Post-retirement | |
|----------------------|-----------------|-------------|------------------------|----------------|
| | 2006 | 2005 | 2006 | 2005 |
| January 1 | \$46 | \$(56) | \$1,090 | \$898 |
| Pension/benefit cost | 2,112 | 2,399 | 217 | 215 |
| Contributions paid | (2,348) | (2,297) | (29) | (23) |
| December 31 | \$190 | \$46 | \$1,278 | \$1,090 |

Movement in the defined benefit obligation over the year is as follows:

| | Pensions | | Post-retirement | |
|------------------------|-----------------|-----------------|------------------------|----------------|
| | 2006 | 2005 | 2006 | 2005 |
| January 1 | \$38,517 | \$36,851 | \$1,686 | \$1,565 |
| Current service cost | 2,253 | 2,242 | 91 | 88 |
| Interest cost | 1,898 | 1,820 | 92 | 85 |
| Members' contributions | 629 | 633 | - | - |
| Experience (gain)/loss | (1,149) | (2,124) | (41) | (29) |
| Benefits paid | (1,129) | (905) | (29) | (23) |
| December 31 | \$41,019 | \$38,517 | \$1,799 | \$1,686 |

Movement in the fair value of plan assets over the year is as follows:

| | Pensions | |
|--------------------------------|-----------------|-----------------|
| | 2006 | 2005 |
| January 1 | \$36,654 | \$33,226 |
| Expected return on plan assets | 2,046 | 1,850 |
| Experience loss | 446 | (446) |
| Employer's contributions | 2,348 | 2,296 |
| Members' contributions | 629 | 633 |
| Benefits paid | (1,129) | (905) |
| December 31 | \$40,994 | \$36,654 |

CARIBBEAN DEVELOPMENT BANK
ORDINARY CAPITAL RESOURCES

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2006

(expressed in thousands of United States dollars)

O. Pensions and other post-retirement obligations.....continued

The principal actuarial assumptions used for accounting purposes were:

| | Pensions | | Post retirements | |
|--------------------------------|-----------------|-------------|-------------------------|-------------|
| | 2006 | 2005 | 2006 | 2005 |
| | (%) | (%) | (%) | (%) |
| Discount rate | 5.5 | 5.0 | 7.0 | 5.5 |
| Expected return on plan assets | 5.0-6.0 | 5.0 – 6.0 | 5.0 | 4.0 |
| Future salary increases | 5.0 | 4.0 | 5.0 | 4.0 |
| Future pension increases | 0-2.5 | 0 – 2.5 | 5.0 | 4.0 |
| Annual increase in benefit | - | - | 5.0 | 4.0 |

A one-percentage-point change in assumed health care trend rates would have the following effects:

| | 1 % point increase | 1 % point decrease |
|------------------------------------------------------|-----------------------------------|-----------------------------------|
| Effect on total service and interest cost components | 46 | (28) |
| Effect on post-retirement benefit obligations | 339 | (268) |

P. Related-party transactions

The movement in interfund receivables in accounts receivables at December 31 is as follows:

| | 2006 | 2005 |
|----------------------------|-------------|-------------|
| January 1 | \$4,113 | \$5,447 |
| Advances during the year | 27,012 | 27,221 |
| Repayments during the year | (26,923) | (28,555) |
| December 31 | \$4,202 | \$4,113 |

| | 2006 | 2005 |
|-----------------------------|-------------|-------------|
| Key management compensation | | |
| Salaries and allowances | \$978 | \$851 |
| Post-employment benefits | 430 | 299 |
| | \$1,408 | \$1,150 |

Q. Commitments

At December 31, 2006, CDB approved a partial guarantee for \$8,200 and had undisbursed loan balances of \$203,000.

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February 28, 2007

AUDITORS' REPORT
TO THE BOARD OF GOVERNORS
CARIBBEAN DEVELOPMENT BANK

We have audited the accompanying special purpose financial statements of the Special Development Fund of the Caribbean Development Bank as of December 31, 2006 as set out on pages 83 to 101. These special purpose financial statements are the responsibility of the Bank's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with International Standards on Auditing. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the accompanying special purpose financial statements of the Special Development Fund of the Caribbean Development Bank as of December 31, 2006, have been properly prepared in all material respects, in accordance with the accounting policies set out in Note A.

Without qualifying our opinion, we emphasise that the accounting policies used and disclosures made are not intended to, and do not, comply with all the requirements of International Financial Reporting Standards.


CHARTERED ACCOUNTANTS

Antigua Charles W. A. Walwyn Robert J. Wilkinson
Barbados J. Andrew Marryshow Philip St. E. Atkinson R. Michael Bynoe Ashley R. Clarke Gloria R. Eduardo Wayne I. Fields
Maurice A. Franklin Marcus A. Hatch Stephen A. Jardine Lindell E. Nurse Brian D. Robinson
Christopher S. Sambrano R. Charles D. Tibbits Ann M. Wallace-Elcock Michelle J. White-Ying
Grenada Philip St. E. Atkinson (resident in Barbados)
St. Lucia Anthony D. Atkinson Richard N. C. Peterkin

CARIBBEAN DEVELOPMENT BANK
SPECIAL FUNDS RESOURCES - SPECIAL DEVELOPMENT FUND

BALANCE SHEET
December 31, 2006

(expressed in thousands of United States dollars)

| | 2006 | | | 2005 | | |
|------------------------------------------|-----------------|---------------|-----------------|----------|---------|----------|
| | Unified | Other | Total | Unified | Other | Total |
| Assets | | | | | | |
| Due from banks | \$4,982 | \$1,729 | \$6,711 | \$17,249 | \$4,066 | \$21,315 |
| Investments | | | | | | |
| Investments – Trading (Schedule 1) | 109,867 | 65,917 | 175,784 | 62,809 | 63,575 | 126,384 |
| Loans | | | | | | |
| Loans (Schedule 2) – Note A | 363,334 | 23,046 | 386,380 | 352,060 | 23,595 | 375,655 |
| Receivables – other | | | | | | |
| Accounts receivable | 164 | 26 | 190 | 1,164 | 12 | 1,176 |
| | 478,347 | 90,718 | 569,065 | 433,282 | 91,248 | 524,530 |
| Receivable from contributors | | | | | | |
| Non-negotiable demand notes (Schedule 3) | 129,115 | - | 129,115 | 120,208 | - | 120,208 |
| Contribution in arrears | 535 | - | 535 | 598 | - | 598 |
| | 129,650 | - | 129,650 | 120,806 | - | 120,806 |
| | 607,997 | 90,718 | 698,715 | 554,088 | 91,248 | 645,336 |
| Liabilities and Funds | | | | | | |
| Liabilities | | | | | | |
| Accounts payable | 63,889 | 474 | 64,363 | 35,599 | 386 | 35,985 |
| Accrued charges on contributions | - | 24 | 24 | - | 27 | 27 |
| | \$63,889 | \$498 | \$64,387 | \$35,599 | \$413 | \$36,012 |

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS.

CARIBBEAN DEVELOPMENT BANK
SPECIAL FUNDS RESOURCES - SPECIAL DEVELOPMENT FUND

BALANCE SHEET
December 31, 2006

(expressed in thousands of United States dollars)

| | 2006 | | | 2005 | | |
|--------------------------------------------------------|------------------|-----------------|------------------|-----------|----------|-----------|
| | Unified | Other | Total | Unified | Other | Total |
| Contributed resources (Schedule 3) | | | | | | |
| Contributions | \$752,205 | \$49,368 | \$801,573 | \$667,619 | \$50,096 | \$717,715 |
| Less amounts not yet made available | (90,016) | - | (90,016) | (62,970) | - | (62,970) |
| Amounts made available | 662,189 | 49,368 | 711,557 | 604,649 | 50,096 | 654,745 |
| Allocation to technical assistance and grant resources | (217,000) | (2,266) | (219,266) | (126,000) | (2,266) | (128,266) |
| | 445,189 | 47,102 | 492,291 | 478,649 | 47,830 | 526,479 |
| Accumulated net income (Schedule 4) | 21,093 | 41,820 | 62,913 | 18,619 | 41,206 | 59,825 |
| Technical assistance and grant resources | 77,826 | 1,298 | 79,124 | 21,221 | 1,799 | 23,020 |
| | \$544,108 | \$90,220 | \$634,328 | \$518,489 | \$90,835 | \$609,324 |
| Total liabilities and funds | \$607,997 | \$90,718 | \$698,715 | \$554,088 | \$91,248 | \$645,336 |

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS.

CARIBBEAN DEVELOPMENT BANK
SPECIAL FUNDS RESOURCES - SPECIAL DEVELOPMENT FUND

STATEMENT OF INCOME AND ACCUMULATED INCOME

For the year ended December 31, 2006

(expressed in thousands of United States dollars)

| | 2006 | | | 2005 | | |
|------------------------------------|----------------|----------------|----------------|---------|---------|----------|
| | Unified | Other | Total | Unified | Other | Total |
| Income | | | | | | |
| From loans | \$8,154 | \$531 | \$8,685 | \$8,142 | \$602 | \$8,744 |
| From investments and cash balances | 4,558 | 2,794 | 7,352 | 1,599 | 1,639 | 3,238 |
| Gross income | 12,712 | 3,325 | 16,037 | 9,741 | 2,241 | 11,982 |
| Expenses | | | | | | |
| Administrative expenses | 9,575 | 1,103 | 10,678 | 9,688 | 1,376 | 11,064 |
| Charges on contributions | - | 250 | 250 | - | 285 | 285 |
| Exchange | 1 | 17 | 18 | 21 | (90) | (69) |
| Total expenses | 9,576 | 1,370 | 10,946 | \$9,709 | \$1,571 | \$11,280 |
| Net income for the year | \$3,136 | \$1,955 | \$5,091 | \$32 | \$670 | \$702 |

Statement of Changes in Accumulated Net Income

Accumulated net income – beginning of year

| | | | | | | |
|---------------------------------------------|-----------------|-----------------|-----------------|----------|----------|----------|
| | 18,619 | 41,206 | 59,825 | \$17,877 | \$41,586 | \$59,463 |
| Appropriations | - | (2,130) | (2,130) | - | - | - |
| Currency translation adjustments | (662) | 789 | 127 | 710 | (1,050) | (340) |
| Net income for the year | 3,136 | 1,955 | 5,091 | 32 | 670 | 702 |
| Accumulated net income – end of year | \$21,093 | \$41,820 | \$62,913 | \$18,619 | \$41,206 | \$59,825 |

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS.

CARIBBEAN DEVELOPMENT BANK
SPECIAL FUNDS RESOURCES - SPECIAL DEVELOPMENT FUND

STATEMENT OF CASH FLOWS

For the year ended December 31, 2006

(expressed in thousands of United States dollars)

| | <u>2006</u> | <u>2005</u> |
|------------------------------------------------------------------------------------|-----------------|-------------|
| Operating activities | | |
| Net income for the year | \$3,136 | \$32 |
| Adjustments for non-cash items | | |
| Unrealised (gain)/loss on trading portfolio | \$(89) | \$417 |
| Interest income | (12,623) | (10,158) |
| Decrease/(increase) in accounts receivable | 1,000 | (506) |
| Increase in accounts payable | 28,290 | 683 |
| Disbursements on loans | (26,962) | (30,221) |
| Principal repayments on loans | 15,842 | 14,246 |
| (Increase)/decrease in loans resulting from exchange rates fluctuations | (27) | 29 |
| Technical assistance disbursements | (2,424) | (2,013) |
| Cash provided by/(used in) operations | 3,007 | (27,523) |
| Interest received | 11,649 | 10,054 |
| Net decrease in trading securities | (37,724) | (5,670) |
| Net cash used in operating activities | (19,932) | (23,107) |
| Financing activities | | |
| Contributions | | |
| (Decrease)/increase in contributions for loans | (40,504) | 11,401 |
| Increase/(decrease) in contributions resulting from exchange rates fluctuations | 7,044 | (5,651) |
| (Decrease)/increase in receivables from contributors | (8,844) | 24,802 |
| Technical assistance allocation | 59,029 | 20 |
| Net cash provided by financing activities | 16,725 | 30,572 |
| Translation adjustments | (662) | 710 |
| Net (decrease)/increase in cash and cash equivalents | (3,869) | 8,175 |
| Cash and cash equivalents at beginning of year | 25,082 | 16,907 |
| Cash and cash equivalents at end of year | \$21,213 | \$25,082 |
| Represented by | | |
| Due from banks | 4,982 | \$17,249 |
| Time deposits | 16,231 | 7,833 |
| | \$21,213 | \$25,082 |

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS.

CARIBBEAN DEVELOPMENT BANK
SPECIAL FUNDS RESOURCES - SPECIAL DEVELOPMENT FUND

STATEMENT OF CASH FLOWS

For the year ended December 31, 2006

(expressed in thousands of United States dollars)

| | <u>2006</u> | <u>2005</u> |
|---------------------------------------------------------------------------------|----------------|-----------------|
| Operating activities | | |
| Net income for the year | \$1,955 | \$670 |
| Adjustments for non-cash items | | |
| Unrealised loss on trading portfolio | \$92 | 516 |
| Interest income | (3,417) | (2,757) |
| Interest expense | 250 | 285 |
| (Increase)/decrease in accounts receivable | (14) | 82 |
| Increase/(decrease) in accounts payable | 88 | (586) |
| Appropriations for technical assistance | - | (700) |
| Disbursements on loans | (309) | (88) |
| Principal repayments on loans | 906 | 1,605 |
| (Increase)/decrease in loans resulting from exchange rates fluctuations | (45) | 125 |
| Technical assistance disbursements | (501) | (15) |
| Cash used in operations | (2,950) | (1,533) |
| Interest received | 3,133 | 3,119 |
| Interest paid | (253) | (287) |
| Net decrease in trading securities | (4,105) | <u>6,017</u> |
| Net cash (used in)/provided by operating activities | (2,220) | 7,986 |
| Financing activities | | |
| Borrowings | | |
| Interest paid | (1,381) | (1,551) |
| Increase/(decrease) in contributions resulting from exchange rates fluctuations | 653 | (945) |
| Technical assistance allocation | - | <u>700</u> |
| Net cash used in financing activities | (728) | (1,796) |
| Appropriations of accumulated net income | (2,130) | - |
| Translation adjustments | 789 | (1,050) |
| Net (decrease)/increase in cash and cash equivalents | (4,289) | 5,140 |
| Cash and cash equivalents at beginning of year | 13,183 | <u>8,043</u> |
| Cash and cash equivalents at end of year | \$8,894 | <u>\$13,183</u> |
| Represented by | | |
| Due from banks | 1,729 | \$4,066 |
| Time deposits | 7,165 | <u>9,117</u> |
| | \$8,894 | <u>\$13,183</u> |

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS.

CARIBBEAN DEVELOPMENT BANK
SPECIAL FUNDS RESOURCES - SPECIAL DEVELOPMENT FUND

SUMMARY STATEMENT OF INVESTMENTS

December 31, 2006

(expressed in thousands of United States dollars)

SCHEDULE 1

| | 2006 | | | 2005 | | |
|-----------------------|------------------|-----------------|------------------|-----------------|-----------------|------------------|
| | Market value | | | Market value | | |
| | Unified | Other | Total | Unified | Other | Total |
| Government and Agency | | | | | | |
| Obligations | \$89,331 | \$54,551 | \$143,882 | \$50,768 | \$47,723 | \$98,491 |
| Supranationals | 3,029 | 3,292 | 6,321 | 3,779 | 6,107 | 9,886 |
| Time deposits | 16,231 | 7,165 | 23,396 | 7,833 | 9,117 | 16,950 |
| Sub-total | \$108,591 | \$65,008 | \$173,599 | 62,380 | 62,947 | \$125,327 |
| Accrued interest | 1,276 | 909 | 2,185 | 429 | 628 | 1,057 |
| Total | \$109,867 | \$65,917 | \$175,784 | \$62,809 | \$63,575 | \$126,384 |

RESIDUAL TERM TO CONTRACTUAL MATURITY

| | 2006 | 2005 |
|-------------------------------|------------------|------------------|
| One month to three months | \$52,409 | \$42,507 |
| Over three months to one year | 40,292 | 20,321 |
| From one year to five years | 78,917 | 65,566 |
| From five years to ten years | 1,981 | (3,067) |
| Total | \$173,599 | \$125,327 |

CARIBBEAN DEVELOPMENT BANK
SPECIAL FUNDS RESOURCES - SPECIAL DEVELOPMENT FUND

SUMMARY STATEMENT OF LOANS

December 31, 2006

(expressed in thousands of United States dollars)

SCHEDULE 2

Effective Loans

| Member countries in which loans have been made | Total loans approved ¹ | Loans approved but not yet effective | Signed agree- ments | Principal repaid to bank | Undis- bursed | Out- standing ^{2/} | % of total loans out- standing |
|------------------------------------------------------|-----------------------------------------|--------------------------------------------------|---------------------------|--------------------------------|------------------|--------------------------------|--------------------------------------|
| Anguilla | \$9,747 | - | \$9,747 | \$4,267 | \$576 | \$4,904 | 1.4 |
| Antigua and Barbuda | 11,510 | - | 11,510 | 6,147 | 1,692 | 3,671 | 1.0 |
| Bahamas | 1,605 | - | 1,605 | 1,605 | - | - | - |
| Barbados | 5,308 | 500 | 4,808 | 4,246 | - | 562 | 0.2 |
| Belize | 61,539 | 10,000 | 51,539 | 16,638 | 9,291 | 25,610 | 7.1 |
| British Virgin Islands | 10,688 | - | 10,688 | 8,004 | - | 2,684 | 0.7 |
| Cayman Islands | 4,275 | - | 4,275 | 3,902 | 362 | 11 | - |
| Dominica | 70,908 | - | 70,908 | 22,206 | 3,087 | 45,615 | 12.6 |
| Grenada | 85,957 | 7,501 | 78,456 | 20,141 | 12,850 | 45,465 | 12.6 |
| Guyana | 121,292 | - | 121,292 | 12,313 | 20,917 | 88,062 | 24.3 |
| Jamaica | 78,982 | - | 78,982 | 19,799 | 16,613 | 42,570 | 11.8 |
| Montserrat | 7,879 | - | 7,879 | 4,121 | - | 3,758 | 1.0 |
| St. Kitts and Nevis | 57,600 | 8,000 | 49,600 | 12,750 | 4,987 | 31,863 | 8.8 |
| St. Lucia | 57,726 | - | 57,726 | 16,206 | 8,449 | 33,071 | 9.1 |
| St. Vincent and the Grenadines | 46,408 | - | 46,408 | 17,700 | 5,379 | 23,329 | 6.4 |
| Trinidad and Tobago | 5,018 | 1,000 | 4,018 | 3,715 | - | 303 | 0.1 |
| Turks and Caicos Islands | 11,241 | - | 11,241 | 2,451 | 3,024 | 5,766 | 1.6 |
| Regional | 8,892 | - | 8,892 | 4,072 | - | 4,820 | 1.3 |
| Sub-total | \$656,575 | \$27,001 | \$629,574 | \$180,283 | \$87,227 | \$362,064 | 100.0 |
| Accrued interest | - | - | - | - | - | 1,270 | |
| Total – December 31, 2006 | \$656,575 | \$27,001 | \$629,574 | \$180,283 | \$87,227 | \$363,334 | |
| Total – December 31, 2005 | \$631,378 | \$15,752 | \$615,626 | \$165,067 | \$98,499 | \$352,060 | |

¹ Net of lapses and cancellations

² Includes overdue instalments of principal amounting to \$376,000 (2005 - \$323,000)

CARIBBEAN DEVELOPMENT BANK
SPECIAL FUNDS RESOURCES - SPECIAL DEVELOPMENT FUND

SUMMARY STATEMENT OF LOANS (continued)

December 31, 2006

(expressed in thousands of United States dollars)

SCHEDULE 2

| Member countries in which loans have been made | Effective Loans | | | | | | |
|------------------------------------------------------|--------------------------------------|--------------------------------------------------|---------------------------|--------------------------------|------------------|-------------------------------|--------------------------------------|
| | Total loans approved ¹ | Loans approved but not yet effective | Signed agree- ments | Principal repaid to bank | Undis- bursed | Out- standing ² | % of total loans out- standing |
| Anguilla | \$1,432 | - | \$1,432 | \$1,432 | - | - | - |
| Antigua and Barbuda | 3,769 | - | 3,769 | 3,204 | - | 565 | 2.5 |
| Bahamas | 774 | - | 774 | 774 | - | - | - |
| Barbados | 1,614 | - | 1,614 | 1,614 | - | - | - |
| Belize | 27,865 | - | 27,865 | 17,606 | 108 | 10,151 | 44.3 |
| British Virgin Islands | 4,575 | - | 4,575 | 4,028 | - | 547 | 2.4 |
| Cayman Islands | 615 | - | 615 | 615 | - | - | - |
| Dominica | 14,124 | - | 14,124 | 11,732 | 257 | 2,135 | 9.3 |
| Grenada | 4,914 | - | 4,914 | 4,744 | - | 170 | 0.7 |
| Guyana | 22 | - | 22 | 22 | - | - | - |
| Jamaica | 6,873 | - | 6,873 | 4,636 | 2 | 2,235 | 9.7 |
| Montserrat | 785 | - | 785 | 785 | - | - | - |
| St. Kitts and Nevis | 11,887 | - | 11,887 | 5,514 | 1,775 | 4,598 | 20.1 |
| St. Lucia | 21,974 | - | 21,974 | 20,013 | 677 | 1,284 | 5.6 |
| St. Vincent and the Grenadines | 12,349 | - | 12,349 | 10,830 | 267 | 1,252 | 5.5 |
| Turks and Caicos Islands | 1,535 | - | 1,535 | 1,535 | - | - | - |
| Regional | 2,519 | - | 2,519 | 2,519 | - | - | - |
| Sub-total | 117,626 | - | 117,626 | 91,603 | 3,086 | 22,937 | 100.0 |
| Accrued interest | - | - | - | - | - | 109 | |
| Total – December 31, 2006 | \$117,735 | | \$117,735 | \$91,603 | \$3,086 | \$23,046 | |
| Total – December 31, 2005 | \$115,622 | | \$115,622 | \$88,043 | \$3,984 | \$23,595 | |

¹ Net of lapses and cancellations

² Includes overdue instalments of principal amounting to \$28,000 (2005 - Nil)

CARIBBEAN DEVELOPMENT BANK
SPECIAL FUNDS RESOURCES - SPECIAL DEVELOPMENT FUND

SUMMARY STATEMENT OF LOANS (continued)

December 31, 2006

(expressed in thousands of United States dollars)

SCHEDULE 2

Effective Loans

| Analysis by contributor | Total loans approved¹ | Loans approved but not yet effective | Signed agreements | Principal repaid to bank | Undisbursed | Outstanding² | % of total loans outstanding |
|-----------------------------------------|-----------------------------------------|---------------------------------------------|--------------------------|---------------------------------|--------------------|--------------------------------|-------------------------------------|
| Special Development Fund Unified | | | | | | | |
| Members/Contributors | \$656,575 | \$27,001 | \$629,574 | \$180,283 | \$87,227 | \$362,064 | 100.0 |
| Accrued interest | - | - | - | - | - | 1,270 | |
| Total SDF – (Unified) | \$657,845 | \$27,001 | \$630,844 | \$180,283 | \$87,227 | \$363,334 | |
| Special Development Fund Other | | | | | | | |
| Members | | | | | | | |
| Colombia | \$8,535 | - | \$8,535 | \$7,898 | - | \$637 | 2.8 |
| Germany | 18,938 | - | 18,938 | 18,692 | - | 246 | 1.1 |
| Mexico | 8,816 | - | 8,816 | 5,945 | - | 2,871 | 12.4 |
| Venezuela | 53,160 | - | 53,160 | 30,928 | 3,086 | 19,146 | 83.5 |
| | 89,449 | - | 89,449 | 63,463 | 3,086 | 22,900 | |
| Other contributors | | | | | | | |
| Sweden | 5,346 | - | 5,346 | 5,309 | - | 37 | 0.2 |
| United States of America | 22,831 | - | 22,831 | 22,831 | - | - | - |
| | 28,177 | - | 28,177 | 28,140 | - | 37 | 100.0 |
| Sub-total – SDF (Other) | 117,626 | - | 117,626 | 91,603 | 3,086 | 22,937 | |
| Accrued interest | - | - | - | - | - | 109 | |
| Total – SDF (Other) | \$117,735 | - | \$117,735 | \$ 91,603 | \$3,086 | \$23,046 | |
| Total SDF – December 31, 2006 | \$775,580 | \$27,001 | \$748,579 | \$271,886 | \$90,313 | \$386,380 | |
| Total SDF – December 31, 2005 | \$747,000 | \$15,752 | \$731,248 | \$253,110 | \$102,483 | \$375,655 | |

¹ Net of lapses and cancellations

² Includes overdue instalments of principal amounting to \$404,000 (2005 - \$323,000)

CARIBBEAN DEVELOPMENT BANK
SPECIAL FUNDS RESOURCES - SPECIAL DEVELOPMENT FUND

SUMMARY STATEMENT OF LOANS (continued)

December 31, 2006

(expressed in thousands of United States dollars)

SCHEDULE 2

| Currencies receivable | Loans out-standing 2005 | Trans-lation adjust-ment | Disburse-ments | Sub-total | Repay-ments | Loans out-standing 2006 |
|-----------------------------------------------|-------------------------|--------------------------|-----------------|------------------|-------------------|-------------------------|
| (a) Special Development Fund – Unified | | | | | | |
| Canadian dollars | \$153 | - | \$39 | \$192 | \$(58) | \$134 |
| Pounds sterling | 20 | 2 | - | 22 | - | 22 |
| Euros | 207 | 25 | 58 | 290 | (18) | 272 |
| United States dollars | 350,537 | - | 26,865 | 377,402 | (15,766) | 361,636 |
| Sub-total | 350,917 | 27 | 26,962 | 377,906 | (15,842) | 362,064 |
| Accrued interest | 1,143 | - | - | - | - | 1,270 |
| Total – December 31, 2006 | \$352,060 | \$27 | \$26,962 | \$377,906 | \$(15,842) | \$363,334 |
| Total – December 31, 2005 | \$336,114 | (\$29) | \$30,221 | \$366,306 | \$(14,246) | \$352,060 |
| (b) Special Development Fund – Other | | | | | | |
| Euros | 341 | 39 | - | 380 | (136) | 244 |
| Swedish kroners | 35 | 6 | - | 41 | (4) | 37 |
| United States dollars | 23,113 | - | 309 | 23,422 | (766) | 22,656 |
| Sub-total | 23,489 | 45 | 309 | 23,843 | (906) | 23,937 |
| Accrued interest | 106 | - | - | - | - | 109 |
| Total – December 31, 2006 | \$23,595 | \$45 | \$309 | \$23,843 | \$(906) | \$23,046 |
| Total – December 31, 2005 | \$25,237 | \$(125) | \$88 | \$25,200 | \$(1,605) | \$23,595 |

Maturity structure of loans outstanding

| | |
|--------------------------------------|------------------|
| January 1, 2007 to December 31, 2007 | \$13,716 |
| January 1, 2008 to December 31, 2008 | 16,210 |
| January 1, 2009 to December 31, 2009 | 16,163 |
| January 1, 2010 to December 31, 2010 | 16,156 |
| January 1, 2011 to December 31, 2011 | 17,313 |
| January 1, 2012 to December 31, 2016 | 86,932 |
| January 1, 2017 to December 31, 2021 | 83,480 |
| January 1, 2022 to December 31, 2026 | 62,077 |
| January 1, 2027 to December 31, 2042 | 72,954 |
| Total | \$385,001 |

CARIBBEAN DEVELOPMENT BANK
SPECIAL FUNDS RESOURCES - SPECIAL DEVELOPMENT FUND

STATEMENT OF CONTRIBUTED RESOURCES

December 31, 2006

(expressed in thousands of United States dollars)

SCHEDULE 3

| Contributors | Total approved¹ | Approved but not yet effective² | Total contribution agreed | Amounts not yet made available | Amounts made available | Receivable from members non-negotiable demand notes |
|-------------------------------------------|-----------------------------------|---------------------------------------------------|----------------------------------|---------------------------------------|-------------------------------|------------------------------------------------------------|
| Special Development Fund - Unified | | | | | | |
| Members | | | | | | |
| Trinidad and Tobago | \$25,200 | - | \$25,200 | \$4,875 | \$20,325 | \$3,179 |
| Bahamas | 14,144 | - | 14,144 | - | 14,144 | 7,876 |
| Barbados | 14,140 | - | 14,140 | 2,105 | 12,035 | 2,415 |
| Jamaica | 23,020 | - | 23,020 | 5,625 | 17,395 | 5,381 |
| Guyana | 14,145 | 4,215 | 9,930 | - | 9,930 | 3,232 |
| Antigua and Barbuda | 1,652 | - | 1,652 | 740 | 912 | 32 |
| Belize | 3,740 | - | 3,740 | 550 | 3,190 | 1,615 |
| Dominica | 3,480 | - | 3,480 | 560 | 2,920 | 803 |
| St. Kitts and Nevis | 3,740 | - | 3,740 | 550 | 3,190 | 1,615 |
| St. Lucia | 3,740 | - | 3,740 | 550 | 3,190 | 550 |
| St. Vincent and the Grenadines | 3,752 | - | 3,752 | 550 | 3,202 | 1,643 |
| Grenada | 2,740 | 940 | 1,800 | - | 1,800 | 1,167 |
| Montserrat | 1,650 | - | 1,650 | 420 | 1,230 | 112 |
| British Virgin Islands | 1,440 | - | 1,440 | 105 | 1,335 | 298 |
| Turks and Caicos Islands | 1,440 | - | 1,440 | 420 | 1,020 | - |
| Cayman Islands | 1,340 | - | 1,340 | 420 | 920 | 442 |
| Anguilla | 1,440 | 740 | 700 | - | 700 | 160 |
| Colombia | 23,533 | - | 23,533 | 2,700 | 20,833 | - |
| Venezuela | 18,382 | 3,600 | 14,782 | - | 14,782 | 4,385 |
| Canada | 190,487 | - | 190,487 | 23,410 | 167,077 | 40,044 |
| United Kingdom | 162,130 | - | 162,130 | 34,595 | 127,535 | 36,144 |
| Germany | 64,841 | - | 64,841 | 6,241 | 58,600 | 13,411 |
| Italy | 55,907 | 4,946 | 50,961 | - | 50,961 | 4,611 |
| China | 33,200 | - | 33,200 | 2,600 | 30,600 | - |
| Mexico | 14,000 | - | 14,000 | 3,000 | 11,000 | - |
| | 683,283 | 14,441 | 668,842 | 90,016 | 578,826 | 129,115 |
| Other contributors | | | | | | |
| France | 58,607 | - | 58,607 | - | 58,607 | - |
| Netherlands | 24,756 | - | 24,756 | - | 24,756 | - |
| Haiti | 650 | 650 | - | - | - | - |
| | 767,296 | 15,091 | 752,205 | 90,016 | 662,189 | 129,115 |
| Technical assistance allocation | (217,000) | - | (217,000) | - | (217,000) | - |
| Sub-total | \$550,846 | \$16,191 | \$534,655 | \$89,466 | \$445,189 | \$129,115 |

CARIBBEAN DEVELOPMENT BANK
SPECIAL FUNDS RESOURCES - SPECIAL DEVELOPMENT FUND

STATEMENT OF CONTRIBUTED RESOURCES

December 31, 2006

(expressed in thousands of United States dollars)

SCHEDULE 3

| Contributors | Total approved ¹ | Approved but not yet effective ² | Total contribution agreed | Amounts not yet made available | Amounts made available | Receivable from members non-negotiable demand notes |
|-------------------------------------------------|-----------------------------|---------------------------------------------|---------------------------|--------------------------------|------------------------|-----------------------------------------------------|
| Sub-total b/fwd | \$550,846 | \$16,191 | \$534,655 | \$89,466 | \$445,189 | \$129,115 |
| Special Development Fund - Other Members | | | | | | |
| Colombia | \$5,000 | - | \$5,000 | - | \$5,000 | - |
| Germany ^{3/} | 767 | - | 767 | - | 767 | - |
| Mexico ^{4/} | 13,067 | - | 13,067 | - | 13,067 | - |
| Venezuela | 17,474 | - | 17,474 | - | 17,474 | - |
| | 36,308 | - | 36,308 | - | 36,308 | - |
| Other contributors | | | | | | |
| Sweden | 3,790 | - | 3,790 | - | 3,790 | - |
| United States of America ^{3/} | 7,004 | - | 7,004 | - | 7,004 | - |
| | 10,794 | - | 10,794 | - | 10,794 | - |
| Sub-total | 47,102 | - | 47,102 | - | 47,102 | - |
| Total – SDF – 2006 | \$597,948 | \$16,191 | \$581,757 | \$89,466 | \$492,291 | \$129,115 |
| Summary | | | | | | |
| Members | 503,141 | 15,541 | 487,600 | 89,466 | 398,134 | 129,115 |
| Other contributors | 94,807 | 650 | 94,157 | - | 94,157 | - |
| Total – SDF – 2006 | \$597,948 | \$16,191 | \$581,757 | \$89,466 | \$492,291 | \$129,115 |
| Total – SDF – 2005 | \$596,012 | \$6,563 | \$589,449 | \$62,970 | \$526,479 | \$120,208 |

¹ Net of repayments

² Contributions not yet firmly pledged by Governments

³ Contributions with fixed repayment dates

⁴ Net of appropriation for Technical Assistance of \$2,266,000

CARIBBEAN DEVELOPMENT BANK
SPECIAL FUNDS RESOURCES - SPECIAL DEVELOPMENT FUND

STATEMENT OF CONTRIBUTED RESOURCES (continued)

December 31, 2006

(expressed in thousands of United States dollars)

SCHEDULE 3

| Currencies | Amounts made available 2005 | Translation adjustment | Draw-downs/ Appropriations from Capital ² | Sub-total | Repay-ments | Amounts made available 2006 |
|-----------------------------------------------|-----------------------------|------------------------|------------------------------------------------------|------------------|------------------|-----------------------------|
| (a) Special Development Fund – Unified | | | | | | |
| Canadian dollars | \$47,742 | \$103 | \$(2,670) | \$45,175 | - | \$45,175 |
| Euros | 15,559 | 1,805 | 7,268 | 24,632 | - | 24,632 |
| Pounds sterling | 36,489 | 5,136 | (5,530) | 36,095 | - | 36,095 |
| United States dollars | 378,859 | - | (39,572) | 339,287 | - | 339,287 |
| Total – December 31, 2006 | \$478,649 | \$7,044 | (\$40,504) | \$445,189 | | \$445,189 |
| Total – December 31, 2005 | \$472,899 | (\$5,651) | \$11,401 | \$478,649 | - | \$478,649 |
| (b) Special Development Fund – Other | | | | | | |
| Euros | \$1,141 | \$132 | - | \$1,273 | (\$505) | \$768 |
| Swedish kroners | 3,269 | 521 | - | 3,790 | - | 3,790 |
| United States dollars | 43,420 | - | - | 43,420 | (876) | 42,544 |
| Total – December 31, 2006 | \$47,830 | \$653 | - | \$48,483 | \$(1,381) | \$47,102 |
| Total – December 31, 2005 | \$51,026 | \$(945) | (\$700) | \$49,381 | \$(1,551) | \$47,830 |

¹ Subject to maintenance of value provision on the contribution to the second tranche of the Unified Special Development Fund.

² Net of conversion to the United States dollars in accordance with the funding rules of the Unified Special Development Fund.

Maturity structure of repayable contributions outstanding*

| | |
|--------------------------------------|----------------|
| January 1, 2007 to December 31, 2007 | \$1,408 |
| January 1, 2008 to December 31, 2008 | 1,192 |
| January 1, 2009 to December 31, 2009 | 958 |
| January 1, 2010 to December 31, 2010 | 987 |
| January 1, 2011 to December 31, 2011 | 1,017 |
| January 1, 2012 to December 31, 2014 | 2,210 |
| Total | \$7,772 |

* Relates to SDF(O) contributions by Germany and the United States of America only.

CARIBBEAN DEVELOPMENT BANK
SPECIAL FUNDS RESOURCES - SPECIAL DEVELOPMENT FUND

STATEMENT OF ACCUMULATED NET INCOME

December 31, 2006

(expressed in thousands of United States dollars)

SCHEDULE 4

| Contributors | Brought forward 2005 | Translation adjustments | Net income 2006 | Appropriations | Carried forward 2006 |
|-------------------------------------------------|-----------------------------|--------------------------------|------------------------|-----------------------|-----------------------------|
| Special Development Fund – Unified | \$18,619 | \$(662) | \$ 3,136 | - | \$21,093 |
| Special Development Fund - Other Members | | | | | |
| Colombia | \$3,689 | - | \$267 | (\$2,130) | \$1,826 |
| Germany | (105) | (5) | (135) | - | (245) |
| Mexico | 4,373 | - | 644 | - | 5,017 |
| Venezuela | 19,217 | - | 591 | - | 19,808 |
| | 27,174 | (5) | 1,367 | (2,130) | 26,406 |
| Other contributors | | | | | |
| Sweden | 5,072 | 794 | 43 | - | 5,909 |
| United States of America | 8,960 | - | 545 | - | 9,505 |
| | 14,032 | 794 | 588 | - | 15,414 |
| | 41,206 | 789 | 1,955 | (2,130) | 41,820 |
| Total SDF | \$59,825 | \$127 | \$5,091 | (\$2,130) | \$62,913 |
| Summary | | | | | |
| Members | 45,793 | (667) | 4,503 | (2,130) | 47,499 |
| Other contributors | 14,032 | 794 | 588 | - | 15,414 |
| Total SDF – December 31, 2006 | \$59,825 | \$127 | \$5,091 | (\$2,130) | \$62,913 |
| Total SDF – December 31, 2005 | \$59,463 | (\$340) | \$ 702 | - | \$59,825 |

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2006

(expressed in thousands of United States dollars)

A. Nature of operations and summary of significant accounting policies

Nature of operations

The Special Development Fund (SDF) was established to carry out the special operations of the Bank by providing resources on concessional terms to assist borrowing members primarily for poverty reduction. Resources are provided by contributions from members and other contributors.

Summary of significant accounting policies

Due to the nature of the SDF, these financial statements have been prepared for the specific purpose of reflecting the sources and applications of member subscriptions and contributions and other development resources. These financial statements are not intended to be a presentation in accordance with International Financial Reporting Standards. These special purpose financial statements have been prepared in accordance with the accounting policies outlined below.

Preparation of these special purpose financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reported period. Actual results could differ from these estimates.

Translation of currencies

The financial statements are expressed in United States dollars solely for the purpose of summarising the Caribbean Development Bank's (the "Bank's") financial position and the results of its operations.

Assets and liabilities in currencies other than United States dollars are translated into United States dollars either at the par values established for those currencies with the International Monetary Fund, or where no par values are maintained, at rates which have been determined by the Bank to be appropriate for translation. In general, the rates so determined will be the approximate market rates of exchange prevailing at the dates of the financial statements. Differences in the United States dollar equivalents of opening accumulated net income arising from changes in exchange rates applied at the beginning of the year and at the end of the year are included as translation adjustments in accumulated net income.

Income and expenses in currencies other than United States dollars are translated into United States dollars at applicable rates of exchange on the transaction dates. This practice approximates the application of average rates in effect during the year. Any gains or losses arising as a result of differences in rates applied to income and expenses and to assets and liabilities are shown as an exchange gain or loss in the determination of net income for the year.

Investments

All investment securities are held in a trading portfolio and reported at fair market value. Trading securities are initially recognised at cost (which includes transaction costs) and subsequently re-measured at fair value based on quoted market prices. All related realised and unrealised gains and losses are included in investment income. Interest earned whilst holding trading securities is reported as interest income.

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2006

(expressed in thousands of United States dollars)

A. Nature of operations and summary of significant accounting policies...continued

Investments...continued

All purchases and sales of trading securities that require delivery within the time frame established by regulation or market convention ("regular way" purchases and sales) are recognised at trade date, which is the date that the Bank commits to purchase or sells the asset. Otherwise such transactions are treated as derivatives until settlement occurs.

Loans

All loans by the Bank are made either from currencies available from members' subscriptions or from currencies borrowed and the principal amounts are repayable to the Bank in the currencies lent. The balances outstanding on loans to members and their agencies are secured by guarantees of the governments of the member countries in which the loans are made. Loans to the private sector are secured by other forms of securities deemed appropriate by the Bank.

The Bank is one of very few lenders of development and structural adjustment loans to Caribbean countries. There is no secondary market for development loans nor does the Bank intend to sell these loans. As a result, the use of market data to arrive at the fair value of loans will not yield any meaningful results.

The Bank does not make provisions for losses on impaired loans as any loss that may occur is taken in profit and loss for that year.

The average interest rate earned on loans outstanding was 2.29% (2005 - 2.37%). There were no impaired loans at December 31, 2006.

Cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents comprise cash in banks and other depositories and time deposits with less than 90 days maturity from the date of acquisition.

Technical assistance and grants

Technical assistance and grants for capital projects to borrowing member countries are provided either from grants received from contributors or from other resources specifically allocated for this purpose.

Administrative expenses

Administrative expenses incurred by the Bank which cannot be directly charged to individual funds are allocated between the Ordinary Capital Resources, the Other Special Funds and the Special Development Fund in accordance with a method of allocation notified to the Board of Directors.

CARIBBEAN DEVELOPMENT BANK
SPECIAL FUNDS RESOURCES - SPECIAL DEVELOPMENT FUND

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2006

(expressed in thousands of United States dollars)

B. Investments

As part of its overall portfolio management strategy, the Bank invests in Government, agency, supranational and bank obligations, including time deposits. The Bank limits its activities of investing in securities to well established dealers and counterparties meeting minimum credit rating standards set by the Bank.

The annualised rate of return on the average investments held during the year, including realised and unrealised gains and losses was 4.58% (2005 – 2.78%). Net realised gains on investments traded during 2006 totalled \$53.9 (2005 – gains of \$1.6) while net unrealised losses totalled \$3.6 (2005 –\$932).

C. Funds

In accordance with the Agreement establishing the Bank (the Agreement), Special Funds Resources comprise the Special Development Fund and Other Special Funds established or administered by the Bank, including technical assistance and other grant resources contributed on a non-reimbursable basis. The Special Development Fund was established to receive contributions or loans which may be used to make or guarantee loans of high developmental priority, with longer maturities, longer deferred commencement of repayment and lower interest rates than those determined by the Bank for its Ordinary Operations. As a result of Rules adopted by the Bank in May 1983 for the Special Development Fund, contributions to the Special Development Fund currently comprise funds made available to the Bank under the rules applicable to the old Special Development Fund (referred to herein as "Other") and shown separately from funds made available to the Bank from the Unified SDF (referred to herein as "Unified").

Details of contributions and loan resources to the Special Development Fund are stated at the equivalent in thousands of United States dollars where such contributions and loans have been made in currencies other than United States dollars and are as follows:

(i) Special Development Fund – Unified

| | 2006 | 2005 |
|-----------------------------------|------------------|-------------|
| Contributions (as per Schedule 3) | \$445,189 | \$478,649 |

All contributions to the Special Development Fund - Unified are interest-free with no date for repayment.

Effective October 27, 2000, France ceased to be a member of the Bank, but under the Rules of the Special Development Fund, its contributions are non-reimbursable.

(ii) Special Development Fund – Other

| | 2006 | 2005 |
|-----------------|----------------|-------------|
| Colombia | \$5,000 | \$5,000 |

The contribution is interest-free and was not repayable before 2000. The agreement with the contributor provides that not less than 5% or more than 10% of the contribution may be used for technical assistance. To date \$39.0 (2005 - \$39.0) has been incurred on technical assistance and has been charged against the income from the contribution.

CARIBBEAN DEVELOPMENT BANK
SPECIAL FUNDS RESOURCES - SPECIAL DEVELOPMENT FUND

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2006

(expressed in thousands of United States dollars)

C. Funds...continued

(ii) Special Development Fund – Other...continued

| | <u>2006</u> | <u>2005</u> |
|---------------------|----------------|-------------|
| Germany | | |
| First Contribution | \$9,960 | \$9,960 |
| Less repayments | (9,960) | (9,960) |
| | - | - |
| Second Contribution | 7,026 | 7,026 |
| Less repayments | (6,259) | (5,886) |
| | 767 | 1,140 |
| | \$767 | \$1,140 |

The contributions consist of two loans which are subject to interest at the rate of 2% on the amounts drawn and a commitment fee of 0.25% per annum on the amounts undrawn. The first contribution is repayable during the period 1985 to 2005 and the second contribution is repayable during the period 1993 to 2012.

| | <u>2006</u> | <u>2005</u> |
|--------------------------------|-----------------|-------------|
| Mexico | | |
| First contribution | \$7,000 | \$7,000 |
| Less technical assistance | (2,266) | (2,266) |
| | 4,734 | 4,734 |
| Second contribution | 5,000 | 5,000 |
| Third contribution | 3,333 | 3,333 |
| | \$13,067 | \$13,067 |
| Technical assistance resources | \$2,266 | \$2,266 |

The contributions are interest-free and are not subject to call before 2009.

| | <u>2006</u> | <u>2005</u> |
|---------------------------|-----------------|-------------|
| Venezuela | | |
| First contribution | \$10,000 | \$10,000 |
| Less technical assistance | (176) | (176) |
| | 9,824 | 9,824 |
| Second contribution | 7,650 | 7,650 |
| | \$17,474 | \$17,474 |

CARIBBEAN DEVELOPMENT BANK
SPECIAL FUNDS RESOURCES - SPECIAL DEVELOPMENT FUND

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2006

(expressed in thousands of United States dollars)

C. Funds...continued

(ii) Special Development Fund – Other...continued

The contributions are interest-free and were not subject to calls before 1999 and 2006 respectively. The agreement with the contributor provides that up to 10% of the first contribution may be used to finance technical assistance on the basis of contingent recovery.

| | 2006 | 2005 |
|---------------|----------------|-------------|
| Sweden | \$3,790 | \$3,269 |

The contribution is interest-free with no definite date for repayment.

| | 2006 | 2005 |
|---------------------------------|-----------------|-------------|
| United States of America | | |
| First contribution | \$10,000 | \$10,000 |
| Less repayments | (7,258) | (6,847) |
| | 2,742 | 3,153 |
| Second contribution | 12,000 | 12,000 |
| Less repayments | 7,738 | (7,273) |
| | 4,262 | 4,727 |
| | \$7,004 | \$7,880 |

The contributions are subject to interest at the rate of 2% per annum on the amounts outstanding for the first ten years after first disbursement and thereafter at the rate of 3% per annum. The first contribution is repayable during the period 1982 to 2012 and the second contribution during the period 1984 to 2014.

D. Accumulated net income and net income for the year

In accordance with the rules of the Special Development Fund, the accumulated net income and net income for the current year form part of the contributed resources of the fund and are not available for allocation by the Board of Governors.

E. Technical assistance and grant resources

In accordance with paragraph 4.9.2 of the Rules for the Special Development Fund, allocations/appropriations of income and capital of the Fund may be made for the purpose of the Bank's technical assistance and grant operations. The movements (expressed in thousands of United States dollars) during the years ended December 31, 2006 and 2005 were as follows:

| | |
|-------------------------------------|-----------------|
| Balance at January 1, 2005 | \$24,328 |
| Allocations for the year | 720 |
| Expenditure for the year | (2,028) |
| Balance at December 31, 2005 | 23,020 |
| Allocations for the year | 59,029 |
| Expenditure for the year | (2,925) |
| Balance at December 31, 2006 | \$79,124 |

February 28, 2007

**AUDITORS' REPORT
TO THE BOARD OF GOVERNORS
CARIBBEAN DEVELOPMENT BANK**

We have audited the accompanying special purpose financial statements of the Other Special Funds of the Caribbean Development Bank as of December 31, 2006 as set out on pages 103 to 121. These special purpose financial statements are the responsibility of the Bank's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with International Standards on Auditing. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the accompanying special purpose financial statements of the Other Special Funds of the Caribbean Development Bank as of December 31, 2006, have been properly prepared in all material respects, in accordance with the accounting policies set out in Note A.

Without qualifying our opinion, we emphasise that the accounting policies used and disclosures made are not intended to, and do not, comply with all the requirements of International Financial Reporting Standards.


CHARTERED ACCOUNTANTS

Antigua Charles W. A. Walwyn Robert J. Wilkinson
Barbados J. Andrew Marryshow Philip St. E. Atkinson R. Michael Bynoe Ashley R. Clarke Gloria R. Eduardo Wayne I. Fields
Maurice A. Franklin Marcus A. Hatch Stephen A. Jardine Lindell E. Nurse Brian D. Robinson
Christopher S. Sambrano R. Charles D. Tibbits Ann M. Wallace-Elcock Michelle J. White-Ying
Grenada Philip St. E. Atkinson (resident in Barbados)
St. Lucia Anthony D. Atkinson Richard N. C. Peterkin

CARIBBEAN DEVELOPMENT BANK
SPECIAL FUNDS RESOURCES - OTHER SPECIAL FUNDS

BALANCE SHEET
December 31, 2006

(expressed in thousands of United States dollars)

| | <u>2006</u> | <u>2005</u> |
|-------------------------------------------------------------|------------------|-------------|
| Assets | | |
| Due from banks | \$1,226 | \$2,612 |
| Investments | | |
| Investments (Schedule 1) | 94,959 | 94,151 |
| Loans | | |
| Loans (Schedule 2) | 68,494 | 63,478 |
| Receivables – other | | |
| Accounts receivable | 58,508 | 30,064 |
| | \$223,187 | \$190,305 |
| Liabilities and Funds | | |
| Liabilities | | |
| Accounts payable | 883 | 859 |
| Accrued charges on contributions | 307 | 224 |
| | 1,190 | 1,083 |
| Funds | | |
| Contributed resources (Schedule 3) | | |
| Contributions | 101,775 | 97,672 |
| Less amounts not yet made available | 24,214 | 22,622 |
| Amounts made available | 77,561 | 75,050 |
| Accumulated net income (Schedule 4) | 39,311 | 36,417 |
| | 116,872 | 111,467 |
| Technical assistance and other grant resources (Schedule 5) | 105,125 | 77,755 |
| | \$223,187 | \$190,305 |

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS.

CARIBBEAN DEVELOPMENT BANK
SPECIAL FUNDS RESOURCES - OTHER SPECIAL FUNDS

STATEMENT OF INCOME AND ACCUMULATED NET INCOME
For the year ended December 31, 2006

(expressed in thousands of United States dollars)

| | 2006 | 2005 |
|-------------------------------------------------------|-----------------|-------------|
| Income | | |
| From loans | \$1,240 | \$1,157 |
| From investments and cash balances | 3,881 | 2,263 |
| From other sources | 566 | 5 |
| | \$5,687 | \$3,425 |
| Expenses | | |
| Administrative expenses | 1,520 | 1,278 |
| Charges on contributions | 1,091 | 961 |
| Exchange | (71) | 172 |
| Total expenses | 2,540 | 2,411 |
| Net income for the year | \$3,147 | \$1,014 |
| <hr/> | | |
| Statement of Changes in Accumulated Net Income | | |
| Accumulated net income – beginning of year | \$36,417 | \$35,249 |
| Currency translation adjustments | (253) | 154 |
| Appropriations | - | - |
| Net income for the year | 3,147 | 1,014 |
| Accumulated net income – end of year | \$39,311 | \$36,417 |

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS.

CARIBBEAN DEVELOPMENT BANK
SPECIAL FUNDS RESOURCES - OTHER SPECIAL FUNDS

STATEMENT OF CASH FLOWS

For the year ended December 31, 2006

(expressed in thousands of United States dollars)

| | 2006 | 2005 |
|---------------------------------------------------------------------------------|-----------------|-------------|
| Operating activities | | |
| Net income for the year | \$3,147 | \$1,014 |
| Adjustments for non-cash items | | |
| Unrealised gains on trading portfolio | (72) | (872) |
| Interest income | (5,049) | (2,548) |
| Interest expense | 1,091 | 961 |
| Disbursements on loans | (5,302) | (3,834) |
| Principal repayments on loans | 1,818 | 2,011 |
| (Increase)/decrease in loans resulting from exchange rates fluctuations | (1,505) | 2,361 |
| Technical assistance disbursements | (11,903) | (11,534) |
| Net cash used in lending activities | (20,922) | (13,455) |
| Increase in accounts receivable | (28,444) | (471) |
| Increase/(decrease) in accounts payable | 24 | (65) |
| Cash used in operations | (28,420) | (536) |
| Interest received | 4,297 | 2,759 |
| Interest paid | (1,008) | (983) |
| Net (decrease)/increase in trading securities | (4,161) | 8,904 |
| Net cash used in operating activities | (47,067) | (2,297) |
| Financing activities | | |
| Contributions | | |
| Increase in contributions for loans | 3,807 | 3,300 |
| Repayments | (3,300) | (3,182) |
| Increase/(decrease) in contributions resulting from exchange rates fluctuations | 2,004 | (2,969) |
| Technical assistance contributions | 39,273 | 9,739 |
| Net cash provided by financing activities | 41,784 | 6,888 |
| Translation adjustments | (253) | 154 |
| Net (decrease)/increase in cash and cash equivalents | (5,536) | \$4,745 |
| Cash and cash equivalents at beginning of year | 13,623 | 8,878 |
| Cash and cash equivalents at end of year | \$8,077 | \$13,623 |
| Represented by | | |
| Due from banks | 1,226 | 2,612 |
| Time deposits | 6,861 | 11,011 |
| | \$8,087 | \$13,623 |

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS.

CARIBBEAN DEVELOPMENT BANK
SPECIAL FUNDS RESOURCES - OTHER SPECIAL FUNDS

SUMMARY STATEMENT OF INVESTMENTS

December 31, 2006

(expressed in thousands of United States dollars)

SCHEDULE 1

| | 2006 | 2005 |
|-----------------------------------|---------------------|---------------------|
| Trading | Market value | Market value |
| Government and Agency obligations | \$71,206 | \$63,133 |
| Suprationals | 3,270 | 7,140 |
| Time deposits | 6,861 | 11,011 |
| | 81,337 | 81,284 |
| Available for sale | | |
| Equity investments | 12,215 | 12,185 |
| Sub-total | \$93,552 | \$93,469 |
| Accrued interest | 1,407 | 682 |
| Total | \$94,959 | \$94,151 |

Residual Term to Contractual Maturity

| | 2006 | 2005 |
|-------------------------------|-----------------|-------------|
| One month to three months | \$28,460 | \$40,572 |
| From three months to one year | 26,917 | 27,212 |
| From one year to five years | 23,868 | 20,262 |
| From five years to ten years | 14,307 | 5,423 |
| Total | \$93,552 | \$93,469 |

CARIBBEAN DEVELOPMENT BANK
SPECIAL FUNDS RESOURCES - OTHER SPECIAL FUNDS

SUMMARY STATEMENT OF LOANS

December 31, 2006

(expressed in thousands of United States dollars)

SCHEDULE 2

| Member countries in which loans have been made | Effective Loans | | | | | | % of total loans out- standing |
|------------------------------------------------------|-----------------------------------------|-------------------------------------------------------|---------------------------|--------------------------------|------------------|-------------------------------|--------------------------------------|
| | Total loans approved ¹ | Loans approved but not yet effect- ive | Signed agree- ments | Principal repaid to bank | Undis- bursed | Out- standing ² | |
| Anguilla | \$500 | - | \$500 | \$275 | - | \$225 | 0.3 |
| Antigua and Barbuda | 3,015 | - | 3,015 | 2,511 | - | 504 | 0.7 |
| Barbados | 17,888 | - | 17,888 | 17,441 | - | 447 | 0.7 |
| Belize | 8,951 | - | 8,951 | 8,951 | - | - | - |
| British Virgin Islands | 1,893 | - | 1,893 | 1,893 | - | - | - |
| Cayman Islands | 2,956 | - | 2,956 | 2,956 | - | - | - |
| Dominica | 34,892 | - | 34,892 | 10,434 | 5,440 | 19,018 | 27.9 |
| Grenada | 28,656 | - | 28,656 | 5,682 | 10,091 | 12,883 | 18.9 |
| Guyana | 20,749 | - | 20,749 | 15,902 | - | 4,847 | 7.1 |
| Jamaica | 39,007 | - | 39,007 | 37,256 | - | 1,751 | 2.6 |
| Montserrat | 1,236 | - | 1,236 | 1,236 | - | - | - |
| St. Kitts and Nevis | 8,339 | - | 8,339 | 3,651 | 95 | 4,593 | 6.7 |
| St. Lucia | 33,855 | - | 33,855 | 11,847 | 5,591 | 16,417 | 24.1 |
| St. Vincent and the Grenadines | 19,659 | - | 19,659 | 10,417 | 4,658 | 4,584 | 6.7 |
| Trinidad and Tobago | 3,448 | - | 3,448 | 1,659 | - | 1,789 | 2.6 |
| Regional | 2,264 | - | 2,264 | 1,139 | 36 | 1,089 | 1.6 |
| Sub-total | 227,308 | - | 227,308 | 133,250 | 25,911 | 68,147 | 100 |
| Accrued interest | - | - | - | - | - | 347 | |
| Total – December 31, 2006 | \$227,308 | - | \$227,308 | \$133,250 | \$25,911 | \$68,494 | |
| Total – December 31, 2005 | \$224,842 | \$10,627 | \$214,215 | \$130,126 | \$20,611 | \$63,478 | |

¹ Net of lapses and cancellations

² There are no overdue instalments of principal amounting to \$9,000 (2005 - Nil)

CARIBBEAN DEVELOPMENT BANK
SPECIAL FUNDS RESOURCES - OTHER SPECIAL FUNDS

SUMMARY STATEMENT OF LOANS (continued)

December 31, 2006

(expressed in thousands of United States dollars)

SCHEDULE 2

| Analysis by Special Fund | Total Loans approved | Loans approved but not yet effective | Signed agreements | Principal repaid to Bank | Undisbursed | Outstanding² | % of total loans outstanding |
|---------------------------------------|-----------------------------|---------------------------------------------|--------------------------|---------------------------------|--------------------|--------------------------------|-------------------------------------|
| Members | | | | | | | |
| Trinidad and Tobago | \$1,360 | - | \$1,360 | \$1,356 | - | \$4 | 0.0 |
| Other contributors | | | | | | | |
| Caribbean Development Bank | 23,162 | - | 23,162 | 8,905 | 446 | 13,811 | 20.3 |
| Nigeria | 9,636 | - | 9,636 | 3,738 | - | 5,898 | 8.7 |
| United States of America | 93,005 | - | 93,005 | 92,224 | - | 781 | 1.2 |
| Inter-American Development Bank | 58,029 | - | 58,029 | 13,572 | 25,053 | 19,404 | 28.5 |
| European Union | 10,793 | - | 10,793 | 6,485 | 36 | 4,272 | 6.3 |
| International Development Association | 31,323 | - | 31,323 | 6,970 | 376 | 23,977 | 35.2 |
| Sub-total | 227,308 | - | 227,308 | 133,250 | 25,911 | 68,147 | 100 |
| Accrued interest | - | - | - | - | - | 347 | |
| Total – December 31, 2006 | \$227,308 | - | \$227,308 | \$133,250 | \$25,911 | \$68,494 | |
| Total – December 31, 2005 | \$224,842 | \$10,627 | \$214,215 | \$130,126 | \$20,611 | \$63,478 | |

¹ Net of lapses and cancellations

² There are no overdue instalments of principal amounting to \$9,000 (2005 - Nil)

CARIBBEAN DEVELOPMENT BANK
SPECIAL FUNDS RESOURCES - OTHER SPECIAL FUNDS

SUMMARY STATEMENT OF LOANS (continued)

December 31, 2006

(expressed in thousands of United States dollars)

SCHEDULE 2

| Currencies receivable | Loans out- standing 2005 | Trans- lation adjust- ment | Disburse- ments | Sub- total | Repay- ments | Loans out- standing 2006 |
|----------------------------------|-----------------------------------------|-----------------------------------------------|----------------------------|-----------------------|-------------------------|-----------------------------------------|
| Canadian dollars | \$73 | - | \$91 | \$164 | (\$58) | \$106 |
| Euros | 4,477 | 520 | - | 4,997 | (259) | 4,738 |
| Japanese yen | - | - | - | - | - | - |
| Pounds sterling | 223 | 31 | - | 254 | (51) | 203 |
| Special Drawing Rights | 18,358 | 949 | - | 19,307 | (535) | 18,772 |
| Trinidad & Tobago dollars | 4 | - | - | 4 | (1) | 3 |
| United States dollars | 39,987 | - | 5,211 | 45,198 | (895) | 44,303 |
| Others | 36 | 5 | - | 41 | (19) | 22 |
| Sub-total | 63,158 | 1,505 | 5,302 | 69,965 | (1,818) | 68,147 |
| Accrued interest | 320 | - | - | - | - | 347 |
| Total – December 31, 2006 | \$63,478 | \$1,505 | \$5,302 | \$69,965 | \$(1,818) | \$68,494 |
| Total – December 31, 2005 | \$64,016 | (\$2,361) | \$3,834 | \$65,489 | \$(2,011) | \$63,478 |

Maturity structure of loans outstanding

| | |
|--------------------------------------|-----------------|
| January 1, 2007 to December 31, 2007 | \$ 2,518 |
| January 1, 2008 to December 31, 2008 | 2,651 |
| January 1, 2009 to December 31, 2009 | 2,763 |
| January 1, 2010 to December 31, 2010 | 3,286 |
| January 1, 2011 to December 31, 2011 | 3,450 |
| January 1, 2012 to December 31, 2016 | 15,658 |
| January 1, 2017 to December 31, 2021 | 14,572 |
| January 1, 2022 to December 31, 2026 | 11,175 |
| January 1, 2027 to December 31, 2031 | 7,743 |
| January 1, 2032 to December 31, 2049 | 4,331 |
| Total | \$68,147 |

CARIBBEAN DEVELOPMENT BANK
SPECIAL FUNDS RESOURCES - OTHER SPECIAL FUNDS

STATEMENT OF CONTRIBUTIONS

December 31, 2006

(expressed in thousands of United States dollars)

SCHEDULE 3

| Contributors | Contributions | | |
|-----------------------------------------------|--------------------|--------------------------------|------------------------|
| | Total ¹ | Amounts not yet made available | Amounts made available |
| Members | | | |
| Canada ^{2/} | \$1,723 | - | \$1,723 |
| Trinidad and Tobago | 189 | - | 189 |
| | 1,912 | - | 1,912 |
| Other contributors | | | |
| Nigeria | 400 | | 400 |
| Inter-American Development Bank ^{2/} | 41,721 | 10,946 | 30,775 |
| European Investment Bank | 1,318 | - | 1,318 |
| United States of America | 14,000 | 2,225 | 11,775 |
| European Union | 10,975 | 4,809 | 6,166 |
| International Development Association | 31,449 | 6,234 | 25,215 |
| | 99,863 | 24,214 | 75,649 |
| Total – December 31, 2006 | \$101,775 | \$24,214 | \$77,561 |
| Total – December 31, 2005 | \$97,672 | \$22,622 | \$75,050 |

¹ Net of cancellations and repayments

² Contributions (\$000's) with no fixed date of repayment - \$2,530

Maturity structure of repayable contributions outstanding

| | |
|--------------------------------------|-----------------|
| January 1, 2006 to December 31, 2007 | \$ 3,410 |
| January 1, 2008 to December 31, 2008 | 3,524 |
| January 1, 2009 to December 31, 2009 | 3,245 |
| January 1, 2010 to December 31, 2010 | 3,343 |
| January 1, 2011 to December 31, 2011 | 3,236 |
| January 1, 2012 to December 31, 2017 | 15,928 |
| January 1, 2018 to December 31, 2022 | 13,615 |
| January 1, 2023 to December 31, 2047 | 28,730 |
| Total | \$75,031 |

CARIBBEAN DEVELOPMENT BANK
SPECIAL FUNDS RESOURCES - OTHER SPECIAL FUNDS

STATEMENT OF CONTRIBUTIONS (continued)

December 31, 2006

(expressed in thousands of United States dollars)

SCHEDULE 3

| Currencies repayable | Contributions made available 2005 | Translation adjustment | Draw-downs/ Appropriations from Capital | Sub-total | Repayments | Contributions made available 2006 |
|----------------------------------|------------------------------------------|-------------------------------|------------------------------------------------|------------------|-------------------|------------------------------------------|
| Canadian dollars | \$2,136 | \$5 | - | \$2,141 | \$(44) | \$2,097 |
| Euros | 7,480 | 867 | - | 8,347 | (382) | 7,965 |
| Japanese yen | 300 | (4) | - | 296 | (30) | 266 |
| Pounds sterling | 693 | 97 | - | 790 | (70) | 720 |
| Special Drawing Rights | 19,541 | 1,010 | - | 20,551 | (482) | 20,069 |
| Swedish kroners | 163 | 26 | - | 189 | (20) | 169 |
| Trinidad and Tobago dollars | 240 | 3 | - | 243 | (54) | 189 |
| United States dollars | 44,497 | - | 3,807 | 48,304 | (2,218) | 46,086 |
| Total – December 31, 2006 | \$75,050 | \$2,004 | \$3,807 | \$80,861 | (\$3,300) | \$77,561 |
| Total – December 31, 2005 | \$77,901 | (\$2,969) | \$3,300 | \$78,232 | (\$3,182) | \$75,050 |

CARIBBEAN DEVELOPMENT BANK
SPECIAL FUNDS RESOURCES - OTHER SPECIAL FUNDS

STATEMENT OF ACCUMULATED INCOME

December 31, 2006

SCHEDULE 4

(expressed in thousands of United States dollars)

| Contributors | Accumulated Net Income | | | | |
|---------------------------------------|-------------------------------|---------------------------------|------------------------|-----------------------|-----------------------------|
| | Brought forward 2005 | Trans-lation adjustments | Net Income 2005 | Appropriations | Carried forward 2006 |
| General Funds | \$1,068 | (\$23) | \$2,177 | - | \$3,222 |
| European Investment Bank | 65 | (109) | (526) | - | (570) |
| European Union | 1,584 | 34 | 470 | - | 2,088 |
| Inter-American Development Bank | 1,673 | (99) | (207) | - | 1,367 |
| International Development Association | 303 | (53) | 43 | - | 293 |
| Nigeria | 6,563 | (3) | 97 | - | 6,657 |
| United States of America | 25,161 | - | 1,093 | - | 26,254 |
| Total – December 31, 2006 | \$36,417 | \$253 | \$3,147 | - | \$39,311 |
| Total – December 31, 2005 | \$35,249 | \$154 | \$1,014 | - | \$36,417 |

CARIBBEAN DEVELOPMENT BANK
SPECIAL FUNDS RESOURCES - OTHER SPECIAL FUNDS

STATEMENT OF TECHNICAL ASSISTANCE AND OTHER GRANT RESOURCES

December 31, 2006

(expressed in thousands of United States dollars)

SCHEDULE 5

| Contributors | Contributors | | | | |
|----------------------------------|--------------------|--------------------------------|------------------------|------------------|-----------------------|
| | Total ¹ | Amounts not yet made available | Amounts made available | Amounts utilised | Net Amounts available |
| Members | | | | | |
| Canada | \$30,830 | \$13,432 | \$17,398 | \$10,771 | \$6,627 |
| United Kingdom | 4,350 | - | 4,350 | 3,188 | 1,162 |
| Italy | 488 | - | 488 | 252 | 236 |
| | 35,668 | 13,432 | 22,236 | 14,211 | 8,025 |
| Other contributors | | | | | |
| Caribbean Development Bank | 166,718 | - | 166,718 | 70,897 | 95,821 |
| United States of America | 22,899 | 551 | 22,348 | 22,348 | - |
| Inter-American Development Bank | 1,950 | - | 1,950 | 1,816 | 134 |
| China | 636 | - | 636 | 66 | 570 |
| Venezuela | 529 | - | 529 | - | 529 |
| Nigeria | 193 | - | 193 | 147 | 46 |
| | 192,925 | 551 | 192,374 | 95,274 | 97,100 |
| Total – December 31, 2006 | \$228,593 | \$13,983 | \$214,610 | \$109,485 | \$105,125 |
| Total – December 31, 2005 | \$195,959 | \$20,481 | \$175,478 | \$97,723 | \$77,755 |
| Summary | | | | | |
| Basic Needs Trust Fund | 125,200 | - | 125,200 | 66,030 | 59,170 |
| Other resources | 103,393 | 13,983 | 89,410 | 43,455 | 45,955 |
| Total – December 31, 2006 | \$228,593 | \$13,983 | \$214,610 | \$109,485 | \$105,125 |
| Basic Needs Trust Fund | 93,200 | - | 93,200 | 62,777 | 30,423 |
| Other resources | 102,759 | 20,481 | 82,278 | 34,946 | 47,332 |
| Total – December 31, 2005 | \$195,959 | \$20,481 | \$175,478 | \$97,723 | \$77,755 |

¹/Net of cancellation and resources fully utilized and expended in non-reimbursable operations

NOTES TO SPECIAL PURPOSE FINANCIAL STATEMENTS

December 31, 2006

(expressed in thousands of United States dollars)

A. Nature of operations and summary of significant accounting policies

Nature of operations

The Other Special Funds (OSF) were established to carry out the special operations of the Bank by providing resources on concessional terms to assist borrowing members primarily for poverty reduction. Resources are provided by contributions from members and other contributors.

Summary of significant accounting policies

Due to the nature of the OSF, these financial statements have been prepared for the specific purpose of reflecting the sources and applications of member subscriptions and contributions and other development resources. These financial statements are not intended to be a presentation in accordance with International Financial Reporting Standards. These special purpose financial statements have been prepared in accordance with the accounting policies outlined below.

Preparation of these special purpose financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reported period. Actual results could differ from these estimates.

Translation of currencies

The financial statements are expressed in United States dollars solely for the purpose of summarising the Caribbean Development Bank's (the "Bank's") financial position and the results of its operations.

Assets and liabilities in currencies other than United States dollars are translated into United States dollars either at the par values established for those currencies with the International Monetary Fund, or where no par values are maintained, at rates which have been determined by the Bank to be appropriate for translation. In general, the rates so determined will be the approximate market rates of exchange prevailing at the dates of the financial statements. Differences in the United States dollar equivalents of opening accumulated net income arising from changes in exchange rates applied at the beginning of the year and at the end of the year are included as translation adjustments in accumulated net income.

Income and expenses in currencies other than United States dollars are translated into United States dollars at applicable rates of exchange on the transaction dates. This practice approximates the application of average rates in effect during the year. Any gains or losses arising as a result of differences in rates applied to income and expenses and to assets and liabilities are shown as an exchange gain or loss in the determination of net income for the year.

Investments

All investment securities are held in a trading portfolio and reported at fair market value. Trading securities are initially recognised at cost (which includes transaction costs) and subsequently re-measured at fair value based on quoted market prices. All related realised and unrealised gains and losses are included in investment income. Interest earned whilst holding trading securities is reported as interest income.

NOTES TO SPECIAL PURPOSE FINANCIAL STATEMENTS

December 31, 2006

(expressed in thousands of United States dollars)

A. Nature of operations and summary of significant accounting policies...continued

Investments...continued

All purchases and sales of trading securities that require delivery within the time frame established by regulation or market convention ("regular way" purchases and sales) are unrealised at trade date, which is the date that the Bank commits to purchase or sell the asset. Otherwise such transactions are treated as derivatives until settlement occurs.

Loans

All loans by the Bank are made either from currencies available from members' subscriptions or from currencies borrowed and the principal amounts are payable to the Bank in the currencies lent. The balances outstanding on loans to members and their agencies are secured by guarantees of the governments of the member countries in which the loans are made. Loans to the private sector are secured by other forms of security deemed appropriate by the Bank.

The Bank is one of very few lenders of development and structural adjustment loans to Caribbean countries. There is no secondary market for development loans, nor does the Bank intend to sell these loans. As a result, the use of market data to arrive at the fair value of loans will not yield any meaningful results.

The Bank does not make provisions for losses on impaired loans as any loss that may occur is taken in profit and loss for that year.

The average interest rates earned on loans outstanding was 1.89% (2005 – 1.87%). There were no impaired loans at December 31, 2006 and 2005.

Cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents comprise cash in banks and other depositories and time deposits with less than 90 days maturity from the date of acquisition.

Technical assistance and grants

Technical assistance and grants for capital projects to borrowing member countries are provided either from non-reimbursable grants received from contributors or from other resources specifically allocated for this purpose. An amount of \$20,700 has been included to assist in the relief of Guyana's debt service under the Heavily Indebted Poor Countries Initiative.

Administrative expenses

Administrative expenses incurred by the Bank which cannot be directly charged to individual funds are allocated between the Ordinary Capital Resources, the Other Special Funds and the Special Development Fund in accordance with a method of allocation notified to the Board of Directors.

B. Investments

As part of its overall portfolio management strategy, the Bank invests in Government agency, supranational

CARIBBEAN DEVELOPMENT BANK
SPECIAL FUNDS RESOURCES - OTHER SPECIAL FUNDS

NOTES TO SPECIAL PURPOSE FINANCIAL STATEMENTS

December 31, 2006

(expressed in thousands of United States dollars)

B. Investments...continued

and bank obligations, including time deposits. The Bank limits its activities of investing in securities to well established dealers and counterparties meeting minimum credit rating standards set by the Bank.

The annualised rate of return on the average investments held during the year, including realised and unrealised gains and losses was 4.92% (2005 – 2.35%). Net realised losses on investments amounted to \$22 (2005 – gain of \$134), while net unrealised gains amounted to \$766 (2005 – losses of \$646).

C. Funds

In accordance with the Agreement establishing the Bank (the Agreement), Special Funds Resources comprise the Special Development Fund and Other Special Funds established or administered by the Bank, including technical assistance and other grant resources contributed on a non-reimbursable basis. For the purposes of these financial statements, the Other Special Funds have been presented separately from the Special Development Fund. The Other Special Funds are established in accordance with agreements between the Bank and contributors and, in general, are for specific types of projects as agreed between the Bank and the contributors. In accordance with the Agreement, each Special Fund, its resources and accounts are kept entirely separate from other Special Funds, their resources and accounts.

For the purpose of presentation in these financial statements, the financial statements of each of the Other Special Funds have been aggregated.

Technical assistance and other grant resources include resources for the Basic Needs Trust Fund and other resources established for specific purposes as determined between the Bank and contributors.

Details of contributions, loans and technical assistance resources of the Other Special Funds are stated at the equivalent in thousands of United States dollars where such contributions, loans and technical assistance grants have been made in currencies other than United States dollars and are as follows:

| | 2006 | 2005 |
|----------------------------------------------------------------|-----------------|-------------|
| Canada | | |
| Agricultural | \$1,723 | \$1,720 |
| The contributions are interest-free with no date for repayment | | |
| Technical assistance resources | \$17,398 | \$10,920 |
| Italy | | |
| Technical assistance resources | \$478 | \$457 |
| Trinidad and Tobago | | |
| Counterpart contribution | 1,342 | 1,328 |
| Less repayments | 1,153 | 1,088 |
| | \$189 | \$240 |

CARIBBEAN DEVELOPMENT BANK
SPECIAL FUNDS RESOURCES - OTHER SPECIAL FUNDS

NOTES TO SPECIAL PURPOSE FINANCIAL STATEMENTS

December 31, 2006

(expressed in thousands of United States dollars)

B. Investments...continued

The contribution is subject to interest at the rate of 2.5% and is repayable during the period 1985-2010.

| Nigeria | 2006 | 2005 |
|--------------------------------|----------------|-------------|
| Contribution | \$5,000 | \$5,000 |
| Less repayments | (4,600) | (4,400) |
| | \$400 | \$600 |
| Technical assistance resources | \$193 | \$193 |

The contribution from Nigeria is subject to interest at the rate of 3% per annum and is repayable during the period 1984-2008.

| United Kingdom | 2006 | 2005 |
|----------------------------------------|-----------------|-------------|
| Technical assistance resources | \$4,350 | \$4,314 |
| Inter-American Development Bank | | |
| First Global loan | \$8,035 | \$7,857 |
| Less repayments | (8,035) | (7,857) |
| | - | - |
| Second Global loan | 4,920 | 4,696 |
| Less repayments | (3,108) | (2,785) |
| | 1,812 | 1,911 |
| Pre-investment loan | 454 | 454 |
| Less repayments | (454) | (454) |
| | - | - |
| 975/SF-RG | 17,000 | 17,000 |
| Less repayments | (1,803) | (1,288) |
| | 15,197 | 15,712 |
| 1108/SF-RG Global Credit | 8,820 | 6,660 |
| 1637/SF-RG Credit | 4,946 | 3,300 |
| | \$30,775 | \$27,583 |
| Technical assistance resources | \$1,950 | \$1,940 |

CARIBBEAN DEVELOPMENT BANK
SPECIAL FUNDS RESOURCES - OTHER SPECIAL FUNDS

NOTES TO SPECIAL PURPOSE FINANCIAL STATEMENTS

December 31, 2006

(expressed in thousands of United States dollars)

C. Funds...continued

The first global loan was subject to interest at the rate of 1% per annum until 1983 and thereafter at 2% per annum and was repayable during the period 1985 to 2003. The second global loan was subject to interest at the rate of 1% per annum until 1994 and thereafter at 2% per annum and is repayable during the period 1995 to 2015.

The pre-investment loan was subject to interest at the rate of 1% per annum up to 1982 and subsequently at 2% per annum and was repayable during the period 1983 to 2002.

Loan 975/SF-RG is subject to interest at the rate of 1% per annum until 2006 and thereafter at 2% per annum and is repayable during the period 2003 to 2036.

Global Credit 1108/SF-RG is subject to interest at the rate of 1% for the first ten years and 2% thereafter and is repayable during the period 2012 to 2042.

Grenada Reconstruction 1637/SF-RG is subject to interest at the rate of 1% per annum until 2015 and thereafter at 2% per annum and is repayable during the period 2016 to 2045.

The loans are subject to a credit fee of 0.5% per annum on any undrawn balance.

| | 2006 | 2005 |
|---------------------------------|----------------|-------------|
| European Investment Bank | | |
| Global loan II – B | \$1,318 | \$1,181 |

Repayable in full in a single instalment on September 30, 2016.

| | 2006 | 2005 | Due dates |
|---------------------------------|----------------|-------------|------------------|
| United States of America | | | |
| Contributions | | | |
| Agricultural | 7,052 | \$7,052 | 1988-2018 |
| Less repayments | (3,626) | (3,379) | |
| | 3,426 | 3,673 | |
| Basic Human Needs | 2,000 | 2,000 | 1991-2001 |
| Less repayments | (2,000) | (2,000) | |
| | - | - | |

CARIBBEAN DEVELOPMENT BANK
SPECIAL FUNDS RESOURCES - OTHER SPECIAL FUNDS

NOTES TO SPECIAL PURPOSE FINANCIAL STATEMENTS

December 31, 2006

(expressed in thousands of United States dollars)

C. Funds...continued

| | 2006 | 2005 | Due dates |
|---------------------------------------------|-----------------|-------------|------------------|
| United States of America...continued | | | |
| Caribbean Development Facility | | | |
| First contribution | | | |
| Part 1 | 17,870 | 17,870 | 1988 - 1998 |
| Part 2 | 2,000 | 2,000 | 1988 - 2008 |
| Sub-total | 19,870 | 19,870 | |
| Less repayments | (19,633) | (19,520) | |
| | 237 | 350 | |
| Second contribution | 17,500 | 17,500 | 1990-2000 |
| Less repayments | (17,500) | (17,500) | |
| | - | - | |
| Third contribution | 16,000 | 16,000 | 1991-2001 |
| Less repayments | (16,000) | (16,000) | |
| | - | - | |
| Fourth contribution | 12,000 | 12,000 | 1992-2001 |
| Less repayments | (12,000) | (12,000) | |
| | - | - | |
| | 237 | 350 | |
| Employment Investment Promotion | 6,732 | 6,732 | 1990-2000 |
| Less repayments | (2,998) | (2,777) | |
| | \$3,734 | \$3,955 | |
| Housing | 8,400 | 8,400 | 1983-2012 |
| Less repayments | (5,752) | (5,461) | |
| | 2,648 | 2,984 | |

CARIBBEAN DEVELOPMENT BANK
SPECIAL FUNDS RESOURCES - OTHER SPECIAL FUNDS

NOTES TO SPECIAL PURPOSE FINANCIAL STATEMENTS

December 31, 2006

(expressed in thousands of United States dollars)

C. Funds...continued

| | <u>2006</u> | <u>2005</u> | <u>Due dates</u> |
|---------------------------------------------|-----------------|-------------|------------------|
| United States of America...continued | | | |
| Regional Agri-business Development | 6,300 | 6,300 | 1991-2021 |
| Less repayments | (4,570) | (4,217) | |
| | 1,730 | 2,083 | |
| | \$11,775 | \$13,045 | |

All contributions are subject to interest at the rate of 2% per annum on the amount outstanding for the first ten years after first disbursement and thereafter, at the rate of 3% per annum.

| | | |
|--------------------------------|-----------------|-------------|
| Technical assistance resources | \$22,348 | \$22,348 |
| | 2006 | 2005 |
| European Union | | |
| First contribution | \$7,708 | \$6,907 |
| Less repayments | (3,617) | (2,967) |
| | 4,091 | 3,940 |
| Second contribution | 19,111 | 17,126 |
| Less cancellation | (15,844) | (15,125) |
| | 3,267 | 2,001 |
| Less repayments | (1,192) | (93) |
| | 2,075 | 1,908 |
| | \$6,166 | \$5,848 |

The contributions are subject to interest at the rate of 1% per annum. The first contribution is repayable during the period 1992 to 2021 and the second contribution during the period 1994 to 2024.

CARIBBEAN DEVELOPMENT BANK
SPECIAL FUNDS RESOURCES - OTHER SPECIAL FUNDS

NOTES TO SPECIAL PURPOSE FINANCIAL STATEMENTS

December 31, 2006

(expressed in thousands of United States dollars)

C. Funds...continued

International Development Association

| | 2006 | | 2005 | | Due dates |
|-------------------------|-----------------|--------------|-----------------|-------|------------------|
| Credit No. 960/CRG | 6,481 | | 6,481 | - | 1990-2029 |
| Less repayments | (2,009) | 4,472 | (1,815) | 4,666 | |
| Credit No. 37/CRG (EEC) | 977 | | 871 | | |
| Less repayments | (303) | 674 | (244) | 627 | |
| Credit No. 1364/CRG | 8,154 | | 7,753 | | |
| Less repayments | (1,672) | 6,482 | (1,357) | 6,396 | 1993-2033 |
| Credit No. 1785/CRG | 6,964 | | 6,622 | | |
| Less repayments | (661) | 6,303 | (563) | 6,059 | 1997-2030 |
| Credit No. 2135/CRG | 8,372 | | 7,961 | | 2000-2030 |
| Less repayments | (1,088) | 7,284 | (876) | 7,085 | |
| Credit No. 2640/CRG | - | - | - | - | 2004-2034 |
| | \$25,215 | | \$24,833 | | |

The credits are subject to a service charge of 0.75% per annum on amounts outstanding. In addition, the credits totalling \$42,387 (2005 - \$40,303) representing 28,200,000 Special Drawing Rights are subject to a commitment fee not exceeding 0.5% per annum on amounts eligible for withdrawal but remain undrawn.

The credit of \$674 (2005 - \$627) consisting of various currencies represents resources from the Special Action Credit of the European Commission.

Caribbean Development Bank

Technical assistance resources

| | 2006 | 2005 |
|--|------------------|-------------|
| | \$166,718 | \$134,184 |

D. Accumulated net income and net income for the year

It is normal for the Board of Governors to determine the disposition of the accumulated net income and net income for the current year of each of the Other Special Funds, subject to any rules and regulations governing each Fund and any agreement relating thereto.



PART VI

APPENDICES

APPENDIX I - A

DISTRIBUTION OF LOANS, CONTINGENT LOANS, EQUITY AND GRANTS APPROVED (NET) BY COUNTRY AND BY FUND - 2006 (\$'000)

| Country | Ordinary Capital Resources | Special Develop- ment Fund | Other Special Funds | Total | Percentage of Total |
|--------------------------------|----------------------------------|----------------------------------|---------------------------|----------------|------------------------|
| Anguilla | - | (26) | - | (26) | (0.0) |
| Antigua and Barbuda | - | 44 | - | 44 | 0.0 |
| Bahamas | - | 20 | - | 20 | 0.0 |
| Barbados | 16,366 | 560 | - | 16,926 | 14.4 |
| Belize | 27,347 | 8,941 | - | 36,288 | 30.9 |
| British Virgin Islands | - | (1) | - | (1) | (0.0) |
| Dominica | - | (8) | (45) | (53) | (0.0) |
| Grenada | 3,530 | 7,463 | (26) | 10,967 | 9.4 |
| Guyana | - | 2 | (4) | (2) | (0.0) |
| Jamaica | 10,631 | 1,626 | (11) | 12,246 | 10.4 |
| Montserrat | - | 7 | 97 | 104 | 0.1 |
| St. Kitts and Nevis | 20,433 | 8,026 | (37) | 28,422 | 24.2 |
| St. Lucia | - | (852) | (54) | (906) | (0.8) |
| St. Vincent and the Grenadines | (3,000) | (188) | 50 | (3,138) | (2.7) |
| Trinidad and Tobago | - | 46 | (3) | 43 | 0.0 |
| Turks and Caicos Islands | 4,500 | 2,497 | - | 6,997 | 6.0 |
| Regional : | | | | | |
| LDC Focus | - | (201) | (16) | (217) | (0.2) |
| LDC/MDC | 3,500 | 5,193 | 871 | 9,564 | 8.2 |
| Total | 83,307 | 33,149 | 822 | 117,278 | |
| Percentage of Total | 71.0 | 28.3 | 0.7 | | 100.0 |
| LDCs | 52,810 | 25,903 | (15) | 78,698 | 67.1 |
| MDCs | 26,997 | 2,254 | (18) | 29,233 | 24.9 |
| Regional | 3,500 | 4,992 | 855 | 9,347 | 8.0 |

APPENDIX I - B

DISTRIBUTION OF LOANS, CONTINGENT LOANS, EQUITY AND GRANTS APPROVED (NET) BY SECTOR AND BY FUND - 2006 (\$'000)

| Sector | Ordinary Capital Resources | Special Develop- ment Fund | Other Special Funds | Total |
|------------------------------------------------------|----------------------------------|----------------------------------|---------------------------|----------------|
| Total All Sectors | 83,307 | 33,149 | 822 | 117,278 |
| Agriculture, Forestry and Fishing | - | (376) | - | (376) |
| Crop Farming | - | (37) | - | (37) |
| Drainage and Irrigation | - | (216) | - | (216) |
| Feeder Roads | - | (123) | - | (123) |
| Manufacturing | - | (2) | - | (2) |
| Chemical and Chemical Products | - | (2) | - | (2) |
| Tourism | 16,866 | 32 | - | 16,898 |
| Hotel and Lodging Places | - | 32 | - | 32 |
| Integrated Tourism Facilities | 16,866 | - | - | 16,866 |
| Transportation, Communication and Sea Defense | 23,603 | (802) | (27) | 22,774 |
| Transport: | | | | |
| Road Transport | 12,603 | (19) | (26) | 12,558 |
| Water Transport | - | (86) | - | (86) |
| Air Transport | 11,000 | (693) | (1) | 10,306 |
| Communication | - | (4) | - | (4) |
| Power, Energy and Water | 8,064 | (60) | (23) | 7,981 |
| Power and Energy: | | | | |
| Electric Power | 8,433 | (60) | - | 8,373 |
| Water Supply | (369) | - | (23) | (392) |
| Social Services | (500) | 1,736 | (101) | 1,135 |
| Housing | - | 1,393 | - | 1,393 |
| Health | - | 269 | (22) | 247 |
| Education | (500) | 74 | (79) | (505) |
| Multi-Sector and Other | 34,030 | 31,290 | 973 | 66,293 |
| Distributive Trade | 3,530 | 7,501 | - | 11,031 |
| Disaster Rehabilitation | - | 443 | 128 | 571 |
| Structural Adjustment/Policy-Based Loan | - | 17,938 | - | 44,938 |
| Other | 3,500 | 5,408 | 845 | 9,753 |
| Financing and Distribution | 1,244 | 1,331 | - | 2,575 |
| Agriculture | (793) | - | - | (793) |
| Industry and Tourism | (750) | - | - | (750) |
| Micro and Small-Scale Enterprises | - | (346) | - | (346) |
| Housing | 1,847 | 1,195 | - | 3,042 |
| Education | 940 | 482 | - | 1,422 |

APPENDIX I - C

DISTRIBUTION OF LOANS, CONTINGENT LOANS, EQUITY AND GRANTS APPROVED (NET) BY COUNTRY AND BY SECTOR - 2006 (\$'000)

| Country | Directly Productive Sector | | | | Economic Infrastructure & Other | | | | | | | Multi-Sector | Total |
|-------------------------------|---------------------------------|---------------|---------------|---------------|---------------------------------|--------------|--------------------------------|--------------|-------------------------------------|---------------------|---------------|---------------|----------------|
| | Agriculture, Forestry & Fishing | Manufacturing | Tourism | Sub-Total | Power & Energy | Water | Transportation & Communication | Housing | Education (including Student loans) | Health & Sanitation | Sub-Total | | |
| Anguilla | - | - | - | - | - | - | (83) | - | - | - | (83) | 57 | (26) |
| Antigua and Barbuda | - | - | - | - | - | - | - | - | - | - | - | 44 | 44 |
| Bahamas | - | - | - | - | - | - | - | - | - | - | - | 20 | 20 |
| Barbados | (15) | - | 16,866 | 16,851 | - | - | - | - | (4,000) | - | (4,000) | 4,075 | 16,926 |
| Belize | (220) | (173) | - | (393) | - | - | 12,095 | (155) | (73) | - | 11,867 | 24,814 | 36,288 |
| British Virgin Islands | - | - | - | - | - | - | - | - | (1) | - | (1) | - | (1) |
| Dominica | - | - | - | - | - | (23) | - | - | - | (22) | (45) | (8) | (53) |
| Grenada | (40) | - | - | (40) | - | - | (26) | - | - | - | (26) | 11,033 | 10,967 |
| Guyana | - | - | - | - | - | - | - | - | (4) | - | (4) | 2 | (2) |
| Jamaica | (178) | - | - | (178) | - | (369) | 11,000 | - | (4) | - | 10,627 | 1,797 | 12,246 |
| Montserrat | - | - | - | - | - | - | (1) | - | - | - | (1) | 105 | 104 |
| St.Kitts and Nevis | (22) | - | - | (22) | 8,433 | - | (14) | (3) | (37) | - | 8,379 | 20,065 | 28,422 |
| St. Lucia | (38) | - | - | (38) | - | - | - | (800) | (27) | - | (827) | (41) | (906) |
| St.Vincent and the Grenadines | (1,579) | (1,500) | - | (3,079) | - | - | (5) | - | (4) | - | (9) | (50) | (3,138) |
| Trinidad and Tobago | - | - | - | - | - | - | - | - | - | - | - | 43 | 43 |
| Turks and Caicos Islands | 750 | 750 | - | 1,500 | - | - | (3) | 4,000 | 1,500 | - | 5,497 | - | 6,997 |
| Regional : | | | | | | | | | | | | | |
| LDC Focus | - | - | - | - | - | - | (185) | - | (16) | - | (201) | (16) | (217) |
| LDC/MDC Focus | - | (2) | 32 | 30 | (60) | - | (4) | 1,393 | 3,583 | 269 | 5,181 | 4,353 | 9,564 |
| Total | (1,342) | (925) | 16,898 | 14,631 | 8,373 | (392) | 22,774 | 4,435 | 917 | 247 | 36,354 | 66,293 | 117,278 |

APPENDIX I - D

DISTRIBUTION OF LOANS APPROVED (NET) BY COUNTRY AND BY FUND - 2006 (\$'000)

| Country | Ordinary Capital Resources | Special Develop- ment Fund | Other Special Funds | Total | Percentage of Total |
|--------------------------------|----------------------------------|----------------------------------|---------------------------|----------------|------------------------|
| Anguilla | - | (83) | - | (83) | (0.1) |
| Barbados | 16,366 | 485 | - | 16,851 | 15.3 |
| Belize | 27,347 | 8,941 | - | 36,288 | 32.9 |
| British Virgin Islands | - | (1) | - | (1) | (0.0) |
| Grenada | 3,530 | 7,461 | (26) | 10,965 | 9.9 |
| Jamaica | 10,631 | 982 | - | 11,613 | 10.5 |
| Montserrat | - | - | (1) | (1) | (0.0) |
| St. Kitts and Nevis | 20,433 | 7,983 | (37) | 28,379 | 25.7 |
| St. Lucia | - | (884) | (27) | (911) | (0.8) |
| St. Vincent and the Grenadines | (3,000) | (88) | - | (3,088) | (2.8) |
| Turks and Caicos Islands | 4,500 | 2,497 | - | 6,997 | 6.3 |
| Regional | 3,500 | (189) | (16) | 3,295 | 3.0 |
| Total | 83,307 | 27,104 | (107) | 110,304 | |
| Percentage of Total | 75.5 | 24.6 | (0.1) | | 100.0 |
| LDCs | 43,008 | 18,825 | (53) | 61,780 | 56.0 |
| MDCs | 36,799 | 8,468 | (38) | 45,229 | 41.0 |
| Regional | 3,500 | (189) | (16) | 3,295 | 3.0 |

APPENDIX I - E

DISTRIBUTION OF LOANS APPROVED (NET) BY SECTOR AND BY FUND - 2006 (\$'000)

| Sector | Ordinary Capital Resources | Special Develop- ment Fund | Other Special Funds | Total |
|------------------------------------------------------|----------------------------------|----------------------------------|---------------------------|----------------|
| Total All Sectors | 83,307 | 27,104 | (107) | 110,304 |
| Agriculture, Forestry and Fishing | - | (354) | - | (354) |
| Crop Farming | - | (15) | - | (15) |
| Drainage and Irrigation | - | (216) | - | (216) |
| Feeder Roads | - | (123) | - | (123) |
| Tourism | 16,866 | - | - | 16,866 |
| Integrated Tourism Facilities | 16,866 | - | - | 16,866 |
| Power, Energy and Water | 8,064 | - | - | 8,064 |
| Power and Energy: | | | | |
| Electric Power | 8,433 | - | - | 8,433 |
| Water | (369) | - | - | (369) |
| Transportation, Communication and Sea Defense | 23,603 | (802) | (27) | 22,774 |
| Transport: | | | | |
| Road Transport | 12,603 | (19) | (26) | 12,558 |
| Water Transport | - | (86) | - | (86) |
| Air Transport | 11,000 | (693) | (1) | 10,306 |
| Communication | - | (4) | - | (4) |
| Social Services | (500) | - | (64) | (564) |
| Education | (500) | - | (64) | (564) |
| Multi-Sector and Other | 34,030 | 26,929 | (16) | 60,943 |
| Disaster Rehabilitation | - | 454 | - | 454 |
| Distributive Trade | 3,530 | 7,501 | - | 11,031 |
| Structural Adjustment, Policy-Based | 27,000 | 18,000 | - | 45,000 |
| Other | 3,500 | 974 | (16) | 4,458 |
| Financing and Distribution | 1,244 | 1,331 | - | 2,575 |
| Agriculture | (793) | - | - | (793) |
| Industry and Tourism | (750) | - | - | (750) |
| Medium and Small-Scale Enterprises | - | (346) | - | (346) |
| Housing | 1,847 | 1,195 | - | 3,042 |
| Education | 940 | 482 | - | 1,422 |

APPENDIX I - F

CDB COST COMPONENT AND CHANNEL - 2006 (\$'000)

| Country | No. of Loan Projects | Estimated Project Cost | Financing | | Channel | | | |
|--------------------------|----------------------|------------------------|----------------|---------------|---------------|----------------|----------------|--------------|
| | | | CDB | Local | Other Foreign | Public | Private Direct | Indirect |
| Barbados | 3 ^a | 30,632 | 20,866 | 9,746 | 20 | 20,866 | - | - |
| Belize | 2 | 40,766 | 37,603 | 3,163 | - | 37,603 | - | - |
| Grenada | 1 | 15,766 | 12,603 | 3,163 | - | 12,603 | - | - |
| Jamaica | 2 ^a | 104,257 | 12,160 | 51,575 | 40,522 | 1,160 | 11,000 | - |
| St. Kitts and Nevis | 2 | 30,942 | 28,433 | 2,509 | - | 28,433 | - | - |
| Turks and Caicos Islands | 1 | 23,900 | 7,000 | 16,900 | - | - | - | 7,000 |
| Regional | 1 | 4,348 | 3,500 | 848 | - | 3,500 | - | - |
| Total | 12 | 250,611 | 122,165 | 87,904 | 40,542 | 104,165 | 11,000 | 7,000 |
| LDCs | 6 | 111,374 | 85,639 | 25,735 | - | 78,639 | - | 7,000 |
| MDCs | 5 | 134,889 | 33,026 | 61,321 | 40,542 | 22,026 | 11,000 | - |
| Regional | 1 | 4,348 | 3,500 | 848 | - | 3,500 | - | - |

^a Technical assistance loan.

APPENDIX I - G

GROSS LOAN APPROVALS BY PROJECT AND LOAN EQUIVALENT - 2006 (\$'000)

| Project Name | Country | OCR | SDF Unified | | Other Special Funds | | | Total |
|----------------------------------------------------------------|--------------------------|---------------|-----------------|---------------|---------------------|----------|-----------------|----------------|
| | | Amount | Loan Equivalent | Amount | Loan Equivalent | Amount | Loan Equivalent | |
| 1. Modernisation of Barbados Financial Sector - TA Loan | Barbados | 3,500 | 1.00 | - | - | - | - | 3,500 |
| 2. Harrison's Cave Redevelopment | Barbados | 16,866 | 1.00 | - | - | - | - | 16,866 |
| 3. Natural Disaster Management - Immediate Response | Barbados | - | - | 500 | 1.00 | - | - | 500 |
| 4. Third Road Project (Placencia Road Upgrading) | Belize | 12,603 | 1.00 | - | - | - | - | 12,603 |
| 5. Policy Based Loan | Belize | 15,000 | 0.60 | 10,000 | 0.40 | - | - | 25,000 |
| 6. Grenville Market Square Development Project | Grenada | 3,530 | 0.32 | 7,501 | 0.68 | - | - | 11,031 |
| 7. Development Planning Framework - TA Loan | Jamaica | - | - | 1,160 | 1.00 | - | - | 1,160 |
| 8. Norman Manley International Airport Upgrading and Expansion | Jamaica | 11,000 | 1.00 | - | - | - | - | 11,000 |
| 9. Second Power Project, Nevis | St. Kitts and Nevis | 8,433 | 0.76 | - | - | - | - | 8,433 |
| 10. Policy- Based Loan | St. Kitts and Nevis | 12,000 | 1.09 | 8,000 | 0.73 | - | - | 20,000 |
| 11. Consolidated Line of Credit - 5th Loan | Turks and Caicos Islands | 4,500 | 0.64 | 2,500 | 0.36 | - | - | 7,000 |
| 12. Expansion of Cave Hill School of Business, UWI | Regional | 3,500 | 1.00 | - | - | - | - | 3,500 |
| Total | Total | 90,932 | 8.42 | 29,661 | 4.16 | - | - | 120,593 |
| Distribution by Country Groups | | | | | | | | |
| LDCs | | 56,066 | 4.42 | 28,001 | 2.16 | - | - | 84,067 |
| MDCs | | 31,366 | 3.00 | 1,660 | 2.00 | - | - | 33,026 |
| Regional | | 3,500 | 1.00 | - | - | - | - | 3,500 |
| Proportion of Lending by Country Groups | | | | | | | | |
| LDCs | | 0.62 | | 0.94 | | - | - | 0.70 |
| MDCs | | 0.34 | | 0.06 | | - | - | 0.27 |
| Regional | | 0.04 | | - | | - | - | 0.03 |
| Total | | 0.75 | | 0.25 | | - | - | 1.00 |

APPENDIX II - A

SUMMARY OF TOTAL FINANCING APPROVED (NET) (1970-2006) LOANS, CONTINGENT LOANS, EQUITY AND GRANTS (\$'000)

| Financing Type | 1970-2005 | 2006 | Total |
|-----------------------|------------------|----------------|------------------|
| Loans | 2,369,668 | 110,304 | 2,479,972 |
| Contingent Loans | 4,031 | - | 4,031 |
| Equity | 23,050 | 143 | 23,193 |
| Grants | 225,083 | 6,831 | 231,914 |
| Total | 2,621,832 | 117,278 | 2,739,110 |

Note: Minor adjustments were made to Loans and Contingent Loans approved during 1970 -2005 to reflect the financial statements data.

APPENDIX II - B

SUMMARY OF TOTAL FINANCING APPROVED (NET) BY SECTOR (1970-2006) LOANS, CONTINGENT LOANS, EQUITY AND GRANTS (\$'000)

| Sector | 1970-2005 | 2006 | Total |
|--------------------------------------------------|------------------|----------------|------------------|
| Agriculture, Forestry and Fishing | 120,904 | (376) | 120,528 |
| Mining and Quarrying | 35,534 | - | 35,534 |
| Manufacturing | 154,314 | (2) | 154,312 |
| Tourism | 72,007 | 16,898 | 88,905 |
| Transportation and Communication and Sea Defence | 621,671 | 22,774 | 644,445 |
| Power, Energy and Water | 193,882 | 7,981 | 201,863 |
| Social Services | 305,649 | 1,135 | 306,784 |
| Multi-Sector and Other | 622,865 | 66,293 | 689,158 |
| Financing and Distribution | 495,006 | 2,575 | 497,581 |
| Total | 2,621,832 | 117,278 | 2,739,110 |

Note: Minor adjustments were made to 1970 - 2005 data to reflect the financial statements data.

APPENDIX II - C

DISTRIBUTION OF LOANS, CONTINGENT LOANS, EQUITY AND GRANTS APPROVED (NET) BY SECTOR AND BY FUND (1970-2006) (\$'000)

| Sector | Ordinary Capital Resources | Venezuelan Trust Fund | Special Develop- ment Fund | Other Special Funds | Total |
|-----------------------------------------------|----------------------------------|-----------------------------|----------------------------------|---------------------------|------------------|
| Total All Sectors | 1,466,302 | 17,412 | 900,677 | 354,719 | 2,739,110 |
| Agriculture, Forestry and Fishing | 31,463 | - | 67,331 | 21,734 | 120,528 |
| Crop Farming | 15,933 | - | 19,502 | 8,828 | 44,263 |
| Agriculture (excluding Crop Farming) | 207 | - | 596 | 3,371 | 4,174 |
| Mixed Farming | - | - | 8,580 | - | 8,580 |
| Drainage and Irrigation | 11,283 | - | 6,923 | 409 | 18,615 |
| Fishing | - | - | 2,478 | 872 | 3,350 |
| Land Settlement and Rural Development | 367 | - | 4,138 | 342 | 4,847 |
| Forestry | - | - | 348 | - | 348 |
| Feeder Roads | 3,673 | - | 24,766 | 7,912 | 36,351 |
| Mining and Quarrying | 31,409 | - | 3,570 | 555 | 35,534 |
| Fossil Fuels | 30,862 | - | - | - | 30,862 |
| Metal Ores | 547 | - | 31 | - | 578 |
| Non-Metallic Minerals | - | - | 3,539 | 555 | 4,094 |
| Manufacturing | 58,145 | 2,206 | 52,055 | 41,906 | 154,312 |
| Food, Beverages and Tobacco | 93 | - | 5,261 | 32,941 | 38,295 |
| Sugar | 29,988 | 1,500 | 17,872 | 2,521 | 51,881 |
| Textile, Wearing Apparel and Leather Goods | - | 260 | 200 | 51 | 511 |
| Wood and Wood Products | 4,566 | - | 499 | 79 | 5,144 |
| Paper and Paper Products | 3,502 | - | - | 10 | 3,512 |
| Chemical and Chemical Products | - | 446 | 13 | 47 | 506 |
| Non-Metallic Mineral Products | 2,985 | - | 73 | 130 | 3,188 |
| Miscellaneous Manufacturing and Repairs | - | - | - | 43 | 43 |
| Industrial Estates | 17,011 | - | 28,137 | 6,084 | 51,232 |
| Tourism | 67,491 | 4,722 | 11,999 | 4,693 | 88,905 |
| Hotels and Lodging Places | 30,179 | 4,722 | 279 | 1,172 | 36,352 |
| Cruiseship Piers and Marinas | 8,752 | - | - | - | 8,752 |
| Integrated Tourism Facilities | 25,200 | - | 7,990 | 2,396 | 35,586 |
| Tourism Supporting Services | 3,360 | - | 3,730 | 1,125 | 8,215 |

APPENDIX II - C (cont'd)

DISTRIBUTION OF LOANS, CONTINGENT LOANS, EQUITY AND GRANTS APPROVED (NET) BY SECTOR AND BY FUND (1970-2006) (\$'000)

| Sector | Ordinary Capital Resources | Venezuelan Trust Fund | Special Develop- ment Fund | Other Special Funds | Total |
|------------------------------------------------------|----------------------------------|-----------------------------|----------------------------------|---------------------------|----------------|
| Transportation, Communication and Sea Defence | 427,371 | - | 159,265 | 57,809 | 644,445 |
| Transport: | | | | | |
| Road Transport | 281,958 | - | 73,478 | 27,776 | 383,212 |
| Water Transport | 23,534 | - | 42,343 | 15,547 | 81,424 |
| Air Transport | 107,936 | - | 26,413 | 12,453 | 146,802 |
| Communication | 8,250 | - | 518 | 106 | 8,874 |
| Sea Defence | 5,693 | - | 16,513 | 1,927 | 24,133 |
| Power, Energy and Water | 114,216 | 3,240 | 71,058 | 13,349 | 201,863 |
| Power and Energy: | | | | | |
| Electric Power | 64,534 | - | 31,519 | 1,873 | 97,926 |
| Alternative Energy | 8,250 | - | - | 3,520 | 11,770 |
| Water Supply | 41,432 | 3,240 | 39,539 | 7,956 | 92,167 |
| Social Services | 137,939 | - | 90,790 | 78,055 | 306,784 |
| Housing | 4,101 | - | 8,547 | 19,982 | 32,630 |
| Health | 22,612 | - | 21,746 | 12,917 | 57,275 |
| Education | 111,226 | - | 60,497 | 45,156 | 216,879 |
| Multi-Sector and Other | 259,399 | - | 314,093 | 115,666 | 689,158 |
| Urban Development | 38,821 | - | 10,855 | 5,528 | 55,204 |
| Disaster Rehabilitation | 54,563 | - | 99,907 | 10,421 | 164,891 |
| Distributive Trade | 3,530 | - | 7,575 | 2,957 | 14,062 |
| Structural Adjustment Programme | 27,000 | - | 64,689 | 9,400 | 101,089 |
| Other | 135,485 | - | 131,067 | 87,360 | 353,912 |
| Financing and Distribution | 338,869 | 7,244 | 130,516 | 20,952 | 497,581 |
| Agriculture | 109,862 | 6,023 | 25,317 | 12,560 | 153,762 |
| Industry and Tourism | 134,166 | 1,221 | 26,642 | 5,311 | 167,340 |
| Micro and Small-Scale Enterprises | - | - | 6,204 | - | 6,204 |
| Housing | 55,894 | - | 22,725 | 3,081 | 81,700 |
| Education | 38,947 | - | 49,628 | - | 88,575 |

APPENDIX II - D

DISTRIBUTION OF LOANS, CONTINGENT LOANS, EQUITY AND GRANTS APPROVED (NET) BY COUNTRY AND BY SECTOR - 1970-2006 (\$'000)

| Country | Directly Productive Sector | | | | | | Economic Infrastructure & Other | | | | | | Total | Multi-Sector | Total | |
|----------------------------------|--------------------------------------------|--------------------|-----------------------------------------------|---------------|---------------|----------------|---------------------------------|---------------|---------------------------------------------|----------------|----------------|-----------------------------|----------------|------------------|----------------|----------------------------------------------|
| | Agri- culture, Forestry & Fishing | Manufac- turing | Micro and Small- Scale En- terprises | Tourism | Mining | Total | Power & Energy | Water | Trans- portation & Commu- nication | Sea Defence | Housing | Health & Sani- tation | | | | Education (including Student loans) |
| Anguilla | 2,871 | 5,865 | 200 | 773 | - | 9,709 | 11,996 | 288 | 2,137 | - | 2,050 | - | 2,759 | 19,230 | 5,350 | 34,289 |
| Antigua and Barbuda | 3,455 | 5,723 | 1,000 | 1,922 | - | 12,100 | 272 | - | 6,675 | - | 3,483 | - | 19,652 | 30,082 | 7,000 | 49,182 |
| Bahamas | 10,086 | 10,849 | - | 2,187 | - | 23,122 | - | 15,252 | 14,745 | - | - | 37 | - | 30,034 | 750 | 53,906 |
| Barbados | 4,181 | 45,470 | - | 28,921 | 100 | 78,672 | 105 | 765 | 55,375 | - | 1,395 | 3,240 | 46,656 | 107,536 | 53,797 | 240,005 |
| Belize | 25,481 | 12,504 | 1,654 | 1,172 | - | 40,811 | 28,050 | 22,546 | 55,045 | - | 13,546 | 6,032 | 22,120 | 147,339 | 61,574 | 249,724 |
| British Virgin Islands | 3,503 | 4,951 | - | 349 | - | 8,803 | 4,812 | - | 38,002 | - | 3,500 | - | 2,778 | 49,092 | 724 | 58,619 |
| Cayman Islands | 1,308 | 1,499 | - | 6,429 | 388 | 9,624 | - | 2,775 | 23,047 | - | 5,515 | 7,000 | 452 | 38,789 | 79 | 48,492 |
| Dominica | 23,287 | 11,521 | 600 | 7,363 | - | 42,771 | 6,159 | 8,139 | 16,921 | 9,383 | 13,733 | 7,626 | 17,251 | 79,212 | 47,360 | 169,343 |
| Grenada | 16,444 | 6,994 | 600 | 4,298 | 451 | 28,787 | 158 | 2,453 | 64,525 | - | 7,063 | 5,550 | 12,198 | 91,947 | 63,375 | 184,109 |
| Guyana | 22,395 | 45,872 | - | 232 | - | 68,499 | 3,558 | 8,895 | 36,704 | 14,750 | 1,176 | - | 2,062 | 67,145 | 89,630 | 225,274 |
| Jamaica | 77,283 | 86,498 | - | 15,626 | 578 | 179,985 | 8,791 | 6,177 | 82,251 | - | 17,602 | 2,000 | 21,225 | 138,046 | 147,042 | 465,073 |
| Montserrat | 1,382 | 1,444 | - | 124 | 86 | 3,036 | 987 | - | 6,024 | - | 653 | - | 975 | 8,639 | 5,631 | 17,306 |
| St.Kitts and Nevis | 5,699 | 9,116 | 900 | 1,731 | 123 | 17,569 | 17,082 | 126 | 40,723 | - | 10,919 | 9,756 | 36,481 | 115,087 | 45,955 | 178,611 |
| St. Lucia | 24,252 | 23,200 | 575 | 14,200 | 62 | 62,289 | 1,376 | 19,118 | 75,983 | - | 18,195 | 8,517 | 43,932 | 167,121 | 36,222 | 265,632 |
| St.Vincent and the Grenadines | 13,814 | 16,582 | 375 | 522 | 2,765 | 34,058 | 25,037 | 2,716 | 42,587 | - | 3,590 | 5,480 | 33,143 | 112,553 | 17,626 | 164,237 |
| Trinidad and Tobago | 26,793 | 22,270 | - | - | 30,862 | 79,925 | - | 2,615 | 38,272 | - | - | 604 | 8,663 | 50,154 | 33,303 | 163,382 |
| Turks and Caicos Islands | 1,580 | 2,394 | 300 | 1,302 | - | 5,576 | - | - | 3,147 | - | 10,322 | 372 | 7,565 | 21,406 | 3,081 | 30,063 |
| Regional : | | | | | | | | | | | | | | | | |
| LDC Focus | 1,010 | 94 | - | 448 | 119 | 1,671 | 677 | 104 | 11,059 | - | 135 | 334 | 705 | 13,014 | 7,907 | 22,592 |
| MDC Focus | 25 | - | - | - | - | - | - | - | 6,313 | - | - | - | 12,962 | 19,275 | 3,170 | 22,470 |
| MDC/LDC Focus | 9,441 | 8,806 | - | 1,306 | - | 19,553 | 636 | 198 | 777 | - | 1,453 | 727 | 13,875 | 17,666 | 59,582 | 96,801 |
| Total | 274,290 | 321,652 | 6,204 | 88,905 | 35,534 | 726,585 | 109,696 | 92,167 | 620,312 | 24,133 | 114,330 | 57,275 | 305,454 | 1,323,367 | 689,158 | 2,739,110 |
| LDCs | 123,076 | 101,793 | 6,204 | 40,185 | 3,875 | 275,133 | 95,929 | 58,161 | 374,816 | 9,383 | 92,569 | 50,333 | 199,306 | 880,497 | 293,977 | 1,449,607 |
| MDCs | 140,738 | 210,959 | - | 46,966 | 31,540 | 430,203 | 12,454 | 33,704 | 227,347 | 14,750 | 20,173 | 5,881 | 78,606 | 392,915 | 324,522 | 1,147,640 |
| Regional | 10,476 | 8,900 | - | 1,754 | 119 | 21,249 | 1,313 | 302 | 18,149 | - | 1,588 | 1,061 | 27,542 | 49,955 | 70,659 | 141,863 |

APPENDIX II - E

APPROVALS OF LOANS, CONTINGENT LOANS, EQUITY AND GRANTS (NET) BY COUNTRY AND BY YEAR (1970-2006) (\$'000)

| Country | 1970-2000 | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | Total |
|--------------------------------|------------------|----------------|----------------|----------------|----------------|----------------|----------------|------------------|
| Anguilla | 23,085 | 17 | 24 | 15 | 18 | 11,130 | - | 34,289 |
| Antigua and Barbuda | 41,845 | 408 | 4,696 | 2,204 | 8 | 21 | - | 49,182 |
| Bahamas | 53,585 | - | 33 | 114 | 147 | 27 | - | 53,906 |
| Barbados | 185,208 | 5,127 | 15,021 | 13,527 | 100 | 136 | 20,886 | 240,005 |
| Belize | 180,888 | 4,020 | 5,831 | 13,080 | 52 | 8,250 | 37,603 | 249,724 |
| British Virgin Islands | 51,368 | - | - | 7,251 | - | - | - | 58,619 |
| Cayman Islands | 43,492 | 5,000 | - | - | - | - | - | 48,492 |
| Dominica | 124,416 | 6,703 | 9,182 | 8,249 | 14,870 | 5,923 | - | 169,343 |
| Grenada | 102,013 | 21,530 | 6,847 | 8,049 | 9,391 | 25,248 | 11,031 | 184,109 |
| Guyana | 134,395 | 7,531 | 417 | 61,008 | 7,388 | 14,535 | - | 225,274 |
| Jamaica | 278,484 | 14,269 | 45,126 | 28,819 | 30,852 | 54,224 | 13,299 | 465,073 |
| Montserrat | 15,270 | 1,082 | 10 | 658 | 81 | 9 | 196 | 17,306 |
| St. Kitts and Nevis | 96,591 | 25,928 | 4,806 | 15,588 | 6,423 | 842 | 28,433 | 178,611 |
| St. Lucia | 190,381 | 23,744 | 12,850 | 10,593 | 5,484 | 22,580 | - | 265,632 |
| St. Vincent and the Grenadines | 103,913 | 4,719 | 15,397 | 3,746 | 36,234 | 128 | 100 | 164,237 |
| Trinidad and Tobago | 129,504 | - | 1,026 | 31,616 | 1,229 | 7 | - | 163,382 |
| Turks and Caicos Islands | 21,473 | 735 | - | 461 | 386 | 8 | 7,000 | 30,063 |
| Regional : | | | | | | | | |
| LDC Focus | 18,679 | 83 | 3,401 | 353 | 33 | 13 | 30 | 22,592 |
| MDC Focus | 15,810 | 3,000 | - | - | - | - | 3,660 | 22,470 |
| LDC/MDC Focus | 49,198 | 13,371 | 3,325 | 13,341 | 1,515 | 9,678 | 6,373 | 96,801 |
| Total | 1,859,598 | 137,267 | 127,992 | 218,672 | 114,211 | 152,759 | 128,611 | 2,739,110 |
| LDCs | 994,735 | 93,886 | 59,643 | 69,894 | 72,947 | 74,139 | 84,363 | 1,449,607 |
| MDCs | 781,176 | 26,927 | 61,623 | 135,084 | 39,716 | 68,929 | 34,185 | 1,147,640 |
| Regional | 83,687 | 16,454 | 6,726 | 13,694 | 1,548 | 9,691 | 10,063 | 141,863 |

Note: Cancellations are deducted in the years in which approvals were made.

APPENDIX II - F

DISTRIBUTION OF LOANS APPROVED (NET) BY COUNTRY AND BY FUND (1970-2006) (\$'000)

| Country | Ordinary Capital Resources | Venezuelan Trust Fund | Special Develop- ment Fund | IDB | IDA | General Development Fund | Other Special Funds | Total | Percentage of Total |
|--------------------------------|----------------------------------|--------------------------|----------------------------------|---------------|---------------|--------------------------------|---------------------------|------------------|------------------------|
| Anguilla | 21,467 | - | 10,978 | - | - | - | 500 | 32,945 | 1.3 |
| Antigua and Barbuda | 24,974 | - | 15,057 | - | 558 | 324 | 3,009 | 43,922 | 1.8 |
| Bahamas | 47,520 | 3,240 | 2,376 | - | - | - | - | 53,136 | 2.1 |
| Barbados | 209,240 | 3,646 | 6,909 | 388 | - | 17 | 17,546 | 237,746 | 9.6 |
| Belize | 130,626 | 740 | 88,617 | 373 | - | 5,171 | 4,981 | 230,508 | 9.3 |
| British Virgin Islands | 41,154 | - | 14,491 | - | - | 300 | 1,594 | 57,539 | 2.3 |
| Cayman Islands | 40,009 | - | 4,994 | 2,132 | - | 313 | 868 | 48,316 | 1.9 |
| Dominica | 30,456 | - | 80,683 | 9,043 | 5,347 | 12,443 | 8,179 | 146,151 | 5.9 |
| Grenada | 48,747 | - | 90,331 | 18,961 | 5,628 | 369 | 3,729 | 167,765 | 6.8 |
| Guyana | 55,788 | 1,579 | 121,312 | - | - | - | 20,585 | 199,264 | 8.0 |
| Jamaica | 328,765 | 5,665 | 85,714 | - | - | - | 39,166 | 459,310 | 18.5 |
| Montserrat | 485 | - | 8,678 | - | - | 79 | 1,293 | 10,535 | 0.4 |
| St. Kitts and Nevis | 87,816 | 260 | 69,353 | 2,360 | 5,181 | 26 | 1,198 | 166,194 | 6.7 |
| St. Lucia | 136,947 | 676 | 77,939 | 17,940 | 5,625 | 3,358 | 6,120 | 248,605 | 10.0 |
| St. Vincent and the Grenadines | 68,361 | 1,606 | 58,485 | 6,302 | 4,497 | 742 | 7,521 | 147,514 | 5.9 |
| Trinidad and Tobago | 155,128 | - | 5,018 | - | - | - | 2,566 | 162,712 | 6.6 |
| Turks and Caicos Islands | 13,141 | - | 12,673 | - | - | - | - | 25,814 | 1.0 |
| Regional : | | | | | | | | | |
| LDC Focus | - | - | 5,232 | - | - | - | 2,626 | 7,858 | 0.3 |
| MDC Focus | 10,766 | - | 5,544 | - | - | - | 2,174 | 18,484 | 0.7 |
| MDC/LDC Focus | 14,912 | - | 742 | - | - | - | - | 15,654 | 0.6 |
| Total | 1,466,302 | 17,412 | 765,126 | 57,499 | 26,836 | 23,142 | 123,655 | 2,479,972 | |
| Percentage of Total | 59.1 | 0.7 | 30.9 | 2.3 | 1.1 | 0.9 | 5.0 | | 100.0 |
| LDCs | 644,183 | 3,282 | 532,279 | 57,111 | 26,836 | 23,142 | 38,992 | 1,325,808 | 53.5 |
| MDCs | 796,441 | 14,130 | 221,329 | 388 | - | - | 79,863 | 1,112,168 | 44.8 |
| Regional | 25,678 | - | 11,518 | - | - | - | 4,800 | 41,996 | 1.7 |

APPENDIX II - G

DISTRIBUTION OF LOANS (NET) BY SECTOR AND BY FUND (1970-2006) (\$'000)

| Sector | Ordinary Capital Resources | Venezuelan Trust Fund | Special Develop- ment Fund | Other Special Funds | Total |
|-----------------------------------------------|----------------------------------|-----------------------------|----------------------------------|---------------------------|------------------|
| Total All Sectors | 1,466,302 | 17,412 | 765,126 | 231,132 | 2,479,972 |
| Agriculture, Forestry and Fishing | 31,463 | - | 64,310 | 17,522 | 113,295 |
| Crop Farming | 15,933 | - | 17,699 | 6,870 | 40,502 |
| Agriculture (excluding Crop Farming) | 207 | - | 100 | 1,421 | 1,728 |
| Mixed Farming | - | - | 8,580 | - | 8,580 |
| Fishing | - | - | 2,437 | 694 | 3,131 |
| Drainage and Irrigation | 11,283 | - | 6,803 | 409 | 18,495 |
| Land Settlement and Rural Development | 367 | - | 4,138 | 312 | 4,817 |
| Feeder Roads | 3,673 | - | 24,553 | 7,816 | 36,042 |
| Mining and Quarrying | 31,409 | - | 3,294 | 436 | 35,139 |
| Fossil Fuels | 30,862 | - | - | - | 30,862 |
| Metal Ores | 547 | - | - | - | 547 |
| Non-Metallic Minerals | - | - | 3,294 | 436 | 3,730 |
| Manufacturing | 58,145 | 2,206 | 51,386 | 40,618 | 152,355 |
| Food, Beverages and Tobacco | 93 | - | 5,086 | 32,318 | 37,497 |
| Sugar | 29,988 | 1,500 | 17,727 | 2,346 | 51,561 |
| Textile, Wearing Apparel and Leather Goods | - | 260 | 2 | - | 262 |
| Wood and Wood Products | 4,566 | - | 450 | - | 5,016 |
| Paper and Paper Products | 3,502 | - | - | - | 3,502 |
| Chemical and Chemical Products | - | 446 | - | - | 446 |
| Non-Metallic Mineral Products | 2,985 | - | 73 | - | 3,058 |
| Industrial Estates | 17,011 | - | 28,048 | 5,954 | 51,013 |
| Tourism | 67,491 | 4,722 | 10,531 | 2,220 | 84,964 |
| Hotels and Lodging Places | 30,179 | 4,722 | 47 | - | 34,948 |
| Cruiseship Piers and Marinas | 8,752 | - | - | - | 8,752 |
| Integrated Tourism Facilities | 25,200 | - | 7,830 | 2,220 | 35,250 |
| Tourism Supporting Services | 3,360 | - | 2,654 | - | 6,014 |

APPENDIX II - G (cont'd)

DISTRIBUTION OF LOANS (NET) BY SECTOR AND BY FUND (1970-2006) (\$'000)

| Sector | Ordinary Capital Resources | Venezuelan Trust Fund | Special Develop- ment Fund | Other Special Funds | Total |
|-----------------------------------------|----------------------------------|-----------------------------|----------------------------------|---------------------------|----------------|
| Transportation and Communication | 427,371 | - | 155,641 | 53,857 | 636,869 |
| Transport: | | | | | |
| Main Roads and Bridges | 281,958 | - | 73,050 | 27,752 | 382,760 |
| Water Transport | 23,534 | - | 40,787 | 15,041 | 79,362 |
| Air Transport | 107,936 | - | 25,254 | 9,137 | 142,327 |
| Communication | 8,250 | - | 37 | - | 8,287 |
| Sea Defences | 5,693 | - | 16,513 | 1,927 | 24,133 |
| Power, Energy and Water | 114,216 | 3,240 | 69,739 | 8,860 | 196,055 |
| Power and Energy: | | | | | |
| Electric Power | 64,534 | - | 30,832 | 1,577 | 96,943 |
| Alternative Energy | 8,250 | - | - | - | 8,250 |
| Water Supply | 41,432 | 3,240 | 38,907 | 7,283 | 90,862 |
| Social Services | 137,939 | - | 73,542 | 66,952 | 278,433 |
| Housing | 4,101 | - | 6,762 | 19,803 | 30,666 |
| Health | 22,612 | - | 19,971 | 12,598 | 55,181 |
| Education | 111,226 | - | 46,809 | 34,551 | 192,586 |
| Multi-Sector and Other | 259,399 | - | 206,167 | 20,162 | 485,728 |
| Urban Development | 38,821 | - | 10,750 | - | 49,571 |
| Disaster Rehabilitation | 54,563 | - | 98,498 | 8,600 | 161,661 |
| Distributive Trade | 3,530 | - | 7,501 | 2,250 | 13,281 |
| Structural Adjustment Programme | 27,000 | - | 63,000 | 3,000 | 93,000 |
| Other | 135,485 | - | 26,418 | 6,312 | 168,215 |
| Financing and Distribution | 338,869 | 7,244 | 130,516 | 20,505 | 497,134 |
| Agriculture | 109,862 | 6,023 | 25,317 | 12,337 | 153,539 |
| Manufacturing | 134,166 | 1,221 | 26,642 | 5,087 | 167,116 |
| Micro and Small-Scale Enterprises | - | - | 6,204 | - | 6,204 |
| Housing | 55,894 | - | 22,725 | 3,081 | 81,700 |
| Education | 38,947 | - | 49,628 | - | 88,575 |

APPENDIX II - H

CONTINGENT LOANS APPROVED (NET) BY COUNTRY AND BY FUND (1970-2006) (\$'000)

| Country | Special Development Fund | IDB/CDB Pre-Investment Fund | Technical Assistance Fund | Total |
|--------------------------|--------------------------|-----------------------------|---------------------------|--------------|
| Anguilla | - | 71 | - | 71 |
| Barbados | 384 | - | 156 | 540 |
| Belize | 534 | - | 152 | 686 |
| British Virgin Islands | 50 | 104 | - | 154 |
| Dominica | - | - | 771 | 771 |
| Grenada | 58 | - | - | 58 |
| Montserrat | 86 | - | - | 86 |
| St. Kitts and Nevis | 178 | - | 56 | 234 |
| St. Lucia | 145 | - | 50 | 195 |
| Trinidad and Tobago | 200 | - | - | 200 |
| Turks and Caicos Islands | 1,036 | - | - | 1,036 |
| Total | 2,671 | 175 | 1,185 | 4,031 |
| MDCs | 584 | 0 | 156 | 740 |
| LDCs | 2,087 | 175 | 1,029 | 3,291 |

APPENDIX II - I

CONTINGENT LOANS APPROVED (NET) BY SECTOR AND BY FUND (1970-2006) (\$'000)

| Sector | Special Development Fund | IDB/CDB Pre-Investment Fund | Technical Assistance Fund | Total |
|------------------------------------------|--------------------------|-----------------------------|---------------------------|--------------|
| Total-All Sectors | 2,671 | 175 | 1,185 | 4,031 |
| Agriculture, Forestry and Fishing | 181 | - | 147 | 328 |
| Crop Farming | 113 | - | 51 | 164 |
| Feeder Roads | 68 | - | 96 | 164 |
| Mining and Quarrying | 86 | - | - | 86 |
| Non-Metallic Minerals | 86 | - | - | 86 |
| Tourism | 48 | - | - | 48 |
| Hotels and Lodging Places | 48 | - | - | 48 |
| Transportation and Communication | 1,823 | 104 | 101 | 2,028 |
| Transport: | | | | |
| Road Transport | 145 | - | - | 145 |
| Water Transport | 1,094 | 104 | - | 1,198 |
| Air Transport | 584 | - | 101 | 685 |
| Power, Energy and Water | 333 | 71 | 781 | 1,185 |
| Power and Energy: | | | | |
| Electric Power | 222 | 71 | 56 | 349 |
| Alternative Energy | - | - | 697 | 697 |
| Water Supply | 111 | - | 28 | 139 |
| Multi-Sector and Other | 200 | - | 156 | 356 |
| Multi-Sector | | | | |
| Urban Development | - | - | 156 | 156 |
| Other | 200 | - | - | 200 |

APPENDIX II - J

GRANTS APPROVED (NET) BY COUNTRY AND BY FUND (1970-2006) (\$'000)

| Country | Special Development Fund | IDB | Technical Assistance Fund | Other Special Funds | Total |
|--------------------------------|--------------------------|---------------|---------------------------|---------------------|----------------|
| Anguilla | 617 | 39 | 60 | 557 | 1,273 |
| Antigua and Barbuda | 990 | 54 | 64 | 4,152 | 5,260 |
| Bahamas | 650 | - | 20 | 100 | 770 |
| Barbados | 798 | - | 112 | 362 | 1,272 |
| Belize | 10,614 | 85 | 166 | 6,223 | 17,088 |
| British Virgin Islands | 578 | - | 52 | 296 | 926 |
| Cayman Islands | 144 | - | - | 32 | 176 |
| Dominica | 7,381 | 307 | 227 | 14,506 | 22,421 |
| Grenada | 8,390 | 752 | 208 | 6,936 | 16,286 |
| Guyana | 21,533 | - | 1 | 4,476 | 26,010 |
| Jamaica | 4,806 | - | - | 332 | 5,138 |
| Montserrat | 3,779 | 78 | 19 | 2,809 | 6,685 |
| St. Kitts and Nevis | 6,230 | 143 | 239 | 5,382 | 11,994 |
| St. Lucia | 8,710 | 475 | 247 | 7,400 | 16,832 |
| St. Vincent and the Grenadines | 8,178 | 813 | 291 | 7,051 | 16,333 |
| Trinidad and Tobago | 290 | 83 | - | 97 | 470 |
| Turks and Caicos Islands | 2,315 | - | 77 | 821 | 3,213 |
| Regional: | | | | | |
| LDC Focus | 6,060 | 973 | 416 | 4,185 | 11,634 |
| MDC Focus | 986 | - | - | - | 986 |
| LDC/MDC Focus | 39,623 | 6,552 | 659 | 20,313 | 67,147 |
| Total | 132,672 | 10,354 | 2,858 | 86,030 | 231,914 |
| LDCs | 57,926 | 2,746 | 1,650 | 56,165 | 118,487 |
| MDCs | 28,077 | 83 | 133 | 5,367 | 33,660 |
| Regional | 46,669 | 7,525 | 1,075 | 24,498 | 79,767 |

APPENDIX II - K

GRANTS APPROVED (NET) BY SECTOR AND BY FUND (1970-2006) (\$'000)

| Sector | Special Development Fund | IDB | Technical Assistance Fund | Other Special Funds | Total |
|--------------------------------------------|--------------------------|---------------|---------------------------|---------------------|----------------|
| Total - All Sectors | 132,672 | 10,354 | 2,858 | 86,030 | 231,914 |
| Agriculture, Forestry and Fishing | 2,840 | 805 | 515 | 1,303 | 5,463 |
| Crop Farming | 1,690 | 594 | 355 | 958 | 3,597 |
| Agriculture (excl. crop farming) | 496 | 168 | 28 | 312 | 1,004 |
| Fishing | 41 | 43 | 132 | 3 | 219 |
| Drainage and Irrigation | 120 | - | - | - | 120 |
| Land Settlement and Rural Development | - | - | - | 30 | 30 |
| Forestry | 348 | - | - | - | 348 |
| Feeder Roads | 145 | - | - | - | 145 |
| Mining and Quarrying | 190 | - | - | 119 | 309 |
| Metal Ores | 31 | - | - | - | 31 |
| Non-Metallic Minerals | 159 | - | - | 119 | 278 |
| Manufacturing | 480 | 184 | 264 | 469 | 1,397 |
| Food (excluding sugar) | 175 | 155 | - | 97 | 427 |
| Sugar | 145 | - | 75 | 100 | 320 |
| Textile, Wearing Apparel and Leather Goods | 9 | - | - | 51 | 60 |
| Wood and Wood Products | 49 | 16 | 10 | 53 | 128 |
| Paper and Paper Products | - | - | - | 10 | 10 |
| Chemicals and Chemical Products | 13 | - | - | 47 | 60 |
| Non-Metallic Mineral Products | - | 13 | 49 | 68 | 130 |
| Miscellaneous Manufacturing & Repairs | - | - | - | 43 | 43 |
| Industrial Estates | 89 | - | 130 | - | 219 |
| Tourism | 1,401 | 1,158 | 45 | 198 | 2,802 |
| Hotels and Lodging Places | 165 | - | - | 100 | 265 |
| Integrated Tourism Facilities | 160 | 78 | - | 98 | 336 |
| Tourism Supporting Services | 1,076 | 1,080 | 45 | - | 2,201 |

APPENDIX II - K (cont'd)

GRANTS APPROVED (NET) BY SECTOR AND BY FUND (1970-2006) (\$'000)

| Sector | Special Development Fund | IDB | Technical Assistance Fund | Other Special Funds | Total |
|-----------------------------------------|-----------------------------------------|--------------|------------------------------------------|------------------------------------|----------------|
| Transportation and Communication | 1,801 | 361 | 406 | 2,980 | 5,548 |
| Transport: | | | | | |
| Main Roads and Bridges | 283 | 24 | - | - | 307 |
| Water Transport | 462 | - | 327 | 75 | 864 |
| Air Transport | 575 | 256 | 79 | 2,880 | 3,790 |
| Communication | 481 | 81 | - | 25 | 587 |
| Power, Energy and Water | 986 | - | 367 | 3,270 | 4,623 |
| Power and Energy: | | | | | |
| Electric Power | 465 | - | 81 | 88 | 634 |
| Alternative Energy | - | - | - | 2,823 | 2,823 |
| Water Supply | 521 | - | 286 | 359 | 1,166 |
| Social Services | 17,248 | 1,658 | 539 | 8,906 | 28,351 |
| Housing | 1,785 | - | 108 | 71 | 1,964 |
| Health | 1,775 | - | 10 | 309 | 2,094 |
| Education | 13,688 | 1,658 | 421 | 8,526 | 24,293 |
| Multi-Sector and Other | 107,726 | 6,188 | 722 | 68,785 | 183,421 |
| Urban Development | 105 | - | - | 5,372 | 5,477 |
| Disaster Rehabilitation | 1,409 | 662 | - | 1,159 | 3,230 |
| Distributive Trade | 74 | - | 208 | 499 | 781 |
| Structural Adjustment Programme | 1,689 | - | - | 6,400 | 8,089 |
| Other | 104,449 | 5,526 | 514 | 55,355 | 165,844 |

APPENDIX II - L

GRANTS APPROVED (NET) BY COUNTRY AND BY YEAR (1970-2006) (\$'000)

| Country | 1970-2000 | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | Total |
|--------------------------------|----------------|---------------|--------------|---------------|--------------|--------------|--------------|----------------|
| Anguilla | 1,158 | 17 | 24 | 15 | 18 | 41 | - | 1,273 |
| Antigua and Barbuda | 5,208 | 13 | 6 | 4 | 8 | 21 | - | 5,260 |
| Bahamas | 449 | - | 33 | 114 | 147 | 27 | - | 770 |
| Barbados | 951 | 17 | 21 | 27 | 100 | 136 | 20 | 1,272 |
| Belize | 11,354 | 3,322 | 92 | 2307 | 13 | - | - | 17,088 |
| British Virgin Islands | 926 | - | - | - | - | - | - | 926 |
| Cayman Islands | 176 | - | - | - | - | - | - | 176 |
| Dominica | 12,138 | 2,109 | 28 | 1,358 | 6,415 | 373 | - | 22,421 |
| Grenada | 11,751 | 1,898 | 150 | 1,427 | 791 | 269 | - | 16,286 |
| Guyana | 14,069 | 6,826 | 417 | 4,205 | 38 | 455 | - | 26,010 |
| Jamaica | 2,431 | 41 | 1,012 | 119 | 272 | 124 | 1,139 | 5,138 |
| Montserrat | 4,649 | 1,082 | 10 | 658 | 81 | 9 | 196 | 6,685 |
| St. Kitts and Nevis | 9,521 | 1,133 | 189 | 828 | 81 | 242 | - | 11,994 |
| St. Lucia | 11,473 | 2,768 | 203 | 2,345 | 31 | 12 | - | 16,832 |
| St. Vincent and the Grenadines | 11,305 | 2,656 | 259 | 1,546 | 339 | 128 | 100 | 16,333 |
| Trinidad and Tobago | 298 | - | 26 | 16 | 123 | 7 | - | 470 |
| Turks and Caicos Islands | 1,995 | 735 | - | 461 | 14 | 8 | - | 3,213 |
| Regional: | | | | | | | | |
| LDC Focus | 10,821 | 83 | 401 | 253 | 33 | 13 | 30 | 11,634 |
| MDC Focus | 826 | - | - | - | - | - | 160 | 986 |
| LDC/MDC Focus | 24,847 | 13,371 | 3,325 | 13,341 | 1,355 | 4,678 | 6,230 | 67,147 |
| Total | 136,346 | 36,071 | 6,196 | 29,024 | 9,859 | 6,543 | 7,875 | 231,914 |
| LDCs | 81,654 | 15,733 | 961 | 10,949 | 7,791 | 1,103 | 296 | 118,487 |
| MDCs | 18,198 | 6,884 | 1,509 | 4,481 | 680 | 749 | 1,159 | 33,660 |
| Regional | 36,494 | 13,454 | 3,726 | 13,594 | 1,388 | 4,691 | 6,420 | 79,767 |

Cancellations are applied to the year of approval.

APPENDIX III

RESOLUTIONS OF THE BOARD OF GOVERNORS DURING 2006

| No. | Subject | Date of Adoption |
|------|-----------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------|
| 1/06 | Election of President of the Caribbean Development Bank | Adopted on January 4, 2006 by the Special Voting Procedures under Section 9 of the By-Laws |
| 2/06 | Audited Financial Statements and Reports of the Independent Accountants | May 17, 2006 |
| 3/06 | Allocation of Net Income | May 17, 2006 |
| 4/06 | Expenses of Governors and Alternates Attending Meetings of the Board of Governors | May 17, 2006 |
| 5/06 | Place and Date of Thirty-Seventh (2007) Annual Meeting | May 17, 2006 |
| 6/06 | Election of Officers of the Board of Governors | May 17, 2006 |
| 7/06 | Appreciation | May 18, 2006 |