



CARIBBEAN
DEVELOPMENT
BANK



**ANNUAL REPORT
2007**



Willey, St. Michael
Barbados, West Indies

March 5, 2008

My Dear Chairman:

I enclose the Annual Report of the Caribbean Development Bank (CDB) for the year ended December 31, 2007, which the Board of Directors, acting pursuant to Paragraph 2 of Article 38 of the Agreement establishing the Bank and in accordance with Section 18 of the By-Laws of the Bank, has requested me to submit to the Board of Governors.

Yours sincerely,

A handwritten signature in black ink, appearing to be "CB", written over a horizontal line.

Compton Bourne, Ph.D., O.E.
President

Mr. Maxime Bernier
Chairman
Board of Governors
Caribbean Development Bank

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President's Review

Against a standard of financial provision for critical development projects in its borrowing member countries (BMCs), the Caribbean Development Bank (CDB) performed well in 2007. Loan approvals and loan disbursements increased.

Significant initiatives included the introduction of an Interest Subsidisation Fund to lower the interest cost of Bank loans to fiscally burdened BMCs, and a substantial financial contribution to establish the Caribbean Catastrophe Risk Insurance Facility which mitigates public sector risks emanating from windstorms and earthquakes.

The impetus towards regional economic integration strengthened in 2007. By approving the Policy Guidelines and Legal Framework and Rules which were financed by CDB, CARICOM Heads of Government took a decisive step towards the establishment of the CARICOM Development Fund (CDF). The CDF is intended to assist in financing adjustment to transitional difficulties experienced by the CARICOM Single Market and Economy (CSME) countries and in promoting geographically balanced economic development.

The conclusion of negotiations at the close of 2007 for an Economic Partnership Agreement (EPA) with the European Union is a landmark development, given its provisions for expanded trade access for goods and services (including bananas and sugar) and development finance assistance. Its provisions include gradual phasing-in of full trade, reciprocity and tariff liberalisation. The EPA implies opportunities for economic expansion via trade if Caribbean industries have adequately prepared themselves for international competition or can do so during the transitional period. It implies that the economic consequences of failure to modernize production, raise productivity, diversify economic structures and achieve international competitiveness in regional and European markets can be seriously adverse. Furthermore, tariff liberalisation is likely to result in less fiscal revenues unless revenue structures are reformed to place greater reliance on taxes on domestic expenditures.

The year 2008 will be economically challenging for the Bank's BMCs not only because of the necessity of



continuing towards full economic integration and making the best of the EPA with Europe but also because there are impending trade negotiations with Canada and the United States. Moreover, some countries are still troubled by high levels of public debt.

The Caribbean Development Bank will respond constructively to the development finance requirements of its BMCs as they evolve in these dynamic regional and international contexts. It will also maintain its focus on natural hazard risk reduction and risk management while developing an action agenda on renewable energy, the environment and climate change.

Finally, I take this opportunity to express the Management of the Bank's deep appreciation of the committed efforts of its staff and the unstinting support of its Board of Directors towards the results achieved in 2007.

A handwritten signature in black ink, appearing to be 'CB', written in a cursive style.

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

Perspectives

CDB



The issue of port security, both air and sea, has been given more prominence since the fateful events of 9/11. All CARICOM member countries, including the OECS member countries were required to upgrade their travel-related security equipment, procedures and personnel in order to ensure compliance on the airside with the International Civil Aviation Organisation (ICAO), the US FAA, and the UK CAA. On the seaside, the International Maritime Organisation (IMO) was also upgrading its regulations for security surveillance.

In response, the World Bank (WB) prepared an Emergency Security Enhancement Programme to assist the independent member countries of the OECS. However, WB funding was unavailable for Antigua and Barbuda. In 2002, CDB agreed to fund the Antigua and Barbuda portion of the project, recognising that the exclusion of Antigua in the OECS security chain would be tantamount to creating a “weak link”.

The Government is committed to ensuring that there is proper screening of persons at two of the major gateways – the airport and one of the cruise ship berths – and an overall CDB loan of \$3.3 mn for airport and seaport security enhancement is providing the necessary assistance. The Project suffered start-up delays; however, significant strides were made in 2007.

At the cruise ship berth at Heritage Quay, a building is being provided along with the necessary equipment: “We need to have an area where we can process passengers and anyone else accessing the facility, based on the requirements of the International Ship and Port Security (ISPS) code,” said Agatha Dublin, General Manager (ag), Antigua and Barbuda Port Authority.

Currently there is only a walkthrough magnetometer being used by security at the cruise ship berth. The quality of screening will improve under the project with the installation of baggage screening equipment in the new facility.

The loan also provides for the purchase of a patrol boat to provide waterside security. The Port Authority has been relying on the Coast Guard to provide assistance in this regard, in addition to its normal security mandate.

“The boat will ensure that the Port Authority has control of its security, including waterside security. The cruise vessels also look for waterside patrols which are mandated under the new ISPS arrangements,” said Jason Roberts, Chief Port Facility Officer (ag).

The Port Authority management is optimistic that the security enhancements will increase Antigua and Barbuda’s capacity for home porting, which will generate more revenue for the tourism industry.

Over at Antigua’s international airport, the new walkthrough magnetometers and baggage screening equipment are already in place and have been in use for a while, significantly upgrading and broadening the range of detection. The reconstruction of six miles of perimeter fencing, combined with the provision of a vehicle for perimeter patrols to detect breaches in the fence, will contribute to the overall security of the premises.

PART I

The Caribbean Economies in 2007





Regional growth was slower in 2007 than 2006.

REGIONAL ECONOMIC DEVELOPMENTS

Regional economies were confronted with several challenges during the year. These included the inflationary impact of rising oil and commodity prices; slower growth in the major trading economies; depreciation of the US dollar; the introduction of the Western Hemisphere Travel Initiative (WHTI); the high cost of intra-regional transport; and the passage of hurricane Dean. As a result of these developments, regional growth was slower in 2007 than 2006. The winding-down of activity in the construction sector; generally slower growth in tourist arrivals; and a deceleration in agricultural output due to hurricane activity, all contributed to the loss of regional growth momentum. For the Caribbean as a whole, the economic growth rate fell from 6.9% in 2006 to 3.9% in 2007. Of the 13 CARICOM countries for which information is available, economic growth

slowed in nine, and only in four did economic growth rates accelerate or remain constant. The deceleration was most pronounced in Antigua and Barbuda, Dominica, St. Vincent and the Grenadines and Trinidad and Tobago.

Efforts at fiscal consolidation continued across the Region during the year. Belize was successful in its efforts to obtain the agreement of its commercial creditors to a debt restructuring arrangement which it proposed to use to provide fiscal space to continue its overall development programme. Both Antigua and Barbuda and St. Vincent and the Grenadines implemented transactions-based taxes, in recognition of the need to broaden the tax base to match the structural changes which had been taking place in the economies. However, within the context of slowing economic

growth in 2007, regional revenue collections could not keep pace with rising recurrent expenditures on wages and salaries; transfers and subsidies; and goods and services. The result was an erosion in fiscal savings. Growth in capital spending abated somewhat during the year as projects neared completion, but deteriorating current account balances led to a widening in overall fiscal deficits.

On the external account, while some countries recorded an improvement in export revenues, import growth associated with rising real sector activity led to a widening in current account deficits. Business and consumer confidence remained favourable as evidenced by the relatively strong demand for credit. In some BMCs, this was accompanied by even stronger deposit growth, leading to some liquidity overhang,

while in others, deposits were more sluggish, causing interest rates to rise.

INFLATION

One of the main issues facing the Region was that of the increasing cost of living, with inflation rates in some BMCs approaching 7%. Imported inflation was a major contributor to rising regional prices in 2007, as oil prices which averaged \$66 per barrel in 2006, peaked at close to \$100 in October, 2007. The effects of these increases were felt directly through higher prices for electricity; transport and cooking fuels; and indirectly as inputs into final goods and services. In response to higher petroleum prices, some governments opted to subsidise fuel prices while others instituted price controls on a selected basket of goods. Other measures used to keep prices in check were tax concessions for industries which produced basic food items; a reduction in excise taxes if the price of oil exceeded a specified amount; reduction in the fuel surcharge on electricity once oil prices surpassed a certain level; and a lowering of duties on "food" barrels from abroad. Given that further increases in fuel prices are likely, significant adjustment in investment and consumption behaviour, including attention to alternative energy sources and energy conservation practices, will be important in the near-term.

REGIONAL SECTOR PERFORMANCE

TOURISM

Regional tourism activity abated somewhat in 2007. This was particularly evident in the long-stay segment of the market where 8 of 15 countries for which information was available, showed declines. Several factors were responsible for the slowdown, particularly out of the United States market, and included

the slowing of the US economy in the wake of the US sub-prime mortgage crisis; the implementation of the WHTI which required US travellers to present passports upon return to the US; and the rescheduling of travel on account of CWC 2007. The market for intra-regional travel is also estimated to have softened due to the high cost of intra-regional transport. Europe was the only market to show broad-based growth across BMCs as visitors, particularly those from the UK, took part in CWC. Cruise tourism was more resilient, with data on 9 of the 14 countries showing improvement, as visitors continue to be attracted to the all-inclusive and multi-destination product.

INTERNATIONAL BUSINESS

Notwithstanding the upheaval in global financial markets in 2007, the international business sector continued to perform well. This is likely reflective of the continuous upgrading of the regulatory framework and the passage of new legislation to encourage the development of new product markets. Efforts to improve competitiveness have also led countries to invest in up-to-date technology. This was evidenced by the introduction of Anguilla's Commercial Online Registration Network (ACORN), which is a secure network for the incorporation and registration of businesses, and the British Virgin Islands' Virgin Integrated Registry and Regulatory General Information Network (VIRRGIN), which is a medium for the electronic processing of documents filed with the Registry. Antigua and Barbuda's challenges with the US Government's ban on the provision of internet gaming services continued into 2007. Following the decision of the US not to comply with the WTO ruling that it was in contravention of its obligations, the WTO awarded Antigua and Barbuda the right to target \$21 mn per annum in US

intellectual property rights.

AGRICULTURE

The passage of hurricane Dean in August adversely affected agricultural output in some BMCs. Notwithstanding a solid start to the year on account of favourable weather conditions, positive price movements and improvements in farming practices, growth in the sector is estimated to have slowed in 2007. In Jamaica, Hurricane Dean inflicted losses of \$14.3 mn as the entire banana crop was lost, as well as 40% to 60% of the coffee crop. Also affected were root crops; citrus fruits; sugar cane; vegetables and livestock. In St. Lucia, 65% of banana fields with an estimated recovery cost of \$3.7 mn were destroyed, while in Dominica damage to agricultural products (mainly bananas) amounted to \$12.2 mn. In Belize, the papaya industry suffered 95% crop losses valued at \$11.3 mn, while 10% of sugar fields experienced damage estimated at \$1.8 mn. In Barbados and Guyana, agricultural production is estimated to have increased, reflecting in part favourable weather conditions. In Guyana, these conditions allowed for the planting of higher yielding sugarcane, while rice production was supported by the demand for higher grade rice in European and Caribbean markets.

MANUFACTURING

It is estimated that most regional economies experienced an increase in manufacturing activity in 2007. In some instances this was linked to an increase in external demand, while in others it was associated with an expansion in construction and the increase in demand from activities surrounding CWC 2007. Those sub-sectors exhibiting growth were food processing; beverages; wooden furniture; chemicals; electrical components and the manufacture of cement and concrete blocks. Output

was, however, constrained by rising input costs and increasing global competition, particularly within the garments sub-sector.

CONSTRUCTION

Output in the construction sector is estimated to have grown in 2007, albeit at a slower pace than the previous year, as much of the work associated with CWC 2007, namely construction of sports complexes and related road works, were completed. Activity during the year was driven by both the public and private sectors. In the public sector, work continued on improvements to road; sea and airport infrastructure; housing projects; hospitals and schools; while private sector activity focused on residential building and the construction of hotels; resorts; condominiums; and marinas.

MINING AND QUARRYING

The regional mining and quarrying sector turned in a mixed performance in 2007. In Jamaica,

mechanical problems in the early part of the year, along with the closure of port facilities due to the passage of hurricane Dean, led to a 1.1% reduction in bauxite and a 4.8% drop in alumina production in the first 10 months of 2007. In contrast, the mining sector is estimated to have performed well in Guyana, reflecting the gains from previous investments and restructuring. The bauxite and gold sub-sectors performed well, with gold declarations being boosted by favourable weather conditions and the rising price of the commodity on the international market. The diamond industry did not fare as well since the high price of gold attracted miners away from diamond mining. In Trinidad and Tobago, for the period January to September, crude oil production fell by 17.3%, partly reflecting difficulties at a crude oil processing unit in the early part of the year. Production of liquefied natural gas, however, rose by a further 4.6% as the Atlantic LNG's Train IV facility reached projected

operating capacity.

AIR TRANSPORT

Restructuring and consolidation in the regional air transportation industry served to relieve critical areas of stress while introducing new challenges. The closure of BWIA and the commencement of operations of Caribbean Airlines were accompanied by significant changes in the route structure of the Trinidad-based carrier. This led to an initial reduction in the travel options into and out of Barbados and a number of other Eastern Caribbean destinations until the introduction of additional services by US-based carriers and Air Jamaica, and the resumption of some services by British Airways. On intra-regional routes, the closure of Caribbean Star and eventual takeover of its routes by LIAT, were accompanied by staff, route and fare rationalisation, and changes in the booking and reservation systems. Both sets of air transportation



Air transportation went through a period of consolidation and rationalisation.

consolidation and rationalisation had been driven principally by large and unsustainable annual financial operating deficits in the three carriers, a circumstance that continues to feature in the operating results of all of the other major state-owned carriers in the Region. Concerns now being raised by the travelling public and by tourism destinations in the Region focus on what is described as airfares that are too high, inconvenient route schedules, an inability to provide the carrying capacity to support growth in visitor arrivals, and operating arrangements which do not allow for easy link-up with the large-capacity carriers serving overseas destinations. Some regional destinations have reported a fall-off in intra-regional travel, and have linked this to a rise in the cost of air transportation. However, it should be noted that increased air transportation costs are not wholly attributable to increases in airfares, since some countries have increased taxes and airport charges.

PROSPECTS

Prospects for the Region appear to be favourable, though much will depend on the orderly adjustment of US financial markets and the extent to which contagion in other developed economies can be mitigated. The US, authorities have been taking both fiscal and monetary policy action (increasing public spending, aggressively reducing interest rates, and providing increased amounts of accommodation credit to private financial institutions) to limit the contraction and to encourage a resumption of growth. To a lesser extent, this policy stance has been echoed in Europe, and the UK authorities have provided

substantial support to private lenders as part of the effort to maintain financial system stability.

With forecasts for US and indeed global growth appearing more subdued than in 2007, as well as the likely continued weakening of the US dollar and further global inflationary pressures arising from oil price increases, regional tourism will come under additional pressure as a result of increased economic uncertainty and concerns about reduced real incomes.

Within the Region, issues relating to the high cost and operating quality of regional air travel must also be addressed with some urgency, because of their pervasive impact on business at all levels. Activity in the financial services sector is also expected to slow in the upcoming year amidst uncertainty in the wake of financial turbulence in the US. The extent of the fall-out in the sector will, however, depend on the pace of adjustment in the US and the extent to which other developed economies are affected. Over the near term, the construction sector will likely provide most of the impetus for growth as a number of hotel and resort-related projects come on-stream, and governments continue their capital programmes to enhance economic and social infrastructure.

The Region will need to pay particular attention to public finances over the medium term, as revenue growth is unlikely to keep pace with the need for operational and developmental spending. On-going measures to broaden the tax base and increase compliance as well as expenditure control, particularly as it relates to wages and salaries and the

effective management of the PSIP, will be critical.

The recently-concluded EPA between CARIFORUM and the European Union will have significant consequences for regional economies over the medium to long term. While the effects of this agreement will be economy-wide as the Region has committed to removing 82.7% of its duties from Europe in the first 10 to 15 years (with implications for fiscal positions over the long term), its impact on regional exports, in particular agriculture, may be more immediate.

The EPA allows for duty-free-quota-free (DFQF) market access for all qualifying goods other than rice and sugar from CARIFORUM effective January 1, 2008. Sugar will be DFQF from end-September 2009, and rice from 2010. CARICOM also gained an additional 30,000 tonnes of sugar to its quota. In light of these proposals, increased efficiency in agricultural exports will be paramount, as the impending removal of quotas means that CARICOM exports will have to compete with more efficient producers within the ACP grouping, for example, the Dominican Republic. In addition, CARICOM will also have to compete with other African countries which export to the EU under the "Everything But Arms" initiative as well as the other developing countries which benefit under the EU's GSP-plus initiative. Effectively, the outlook for regional agriculture still remains uncertain as much will depend on exporters' ability to reduce unit costs and identify other potentially lucrative markets.

CDB Perspectives

Long before the CARICOM Single Market and Economy became an idea in the minds of regional political leaders, Viola Miles left her native Jamaica at the age of 26 and settled in Belize.

Sister Miles, as she was known in her community, was a life-long member of the Salvation Army. And that life was long; she attained her 105th birthday on February 25, 2008, but regrettably, died a couple of weeks later.

Up until April of 2007, she lived on her own, but then became a resident at the Sister Cecelia Home For the Elderly, where she led devotions for a number of years.

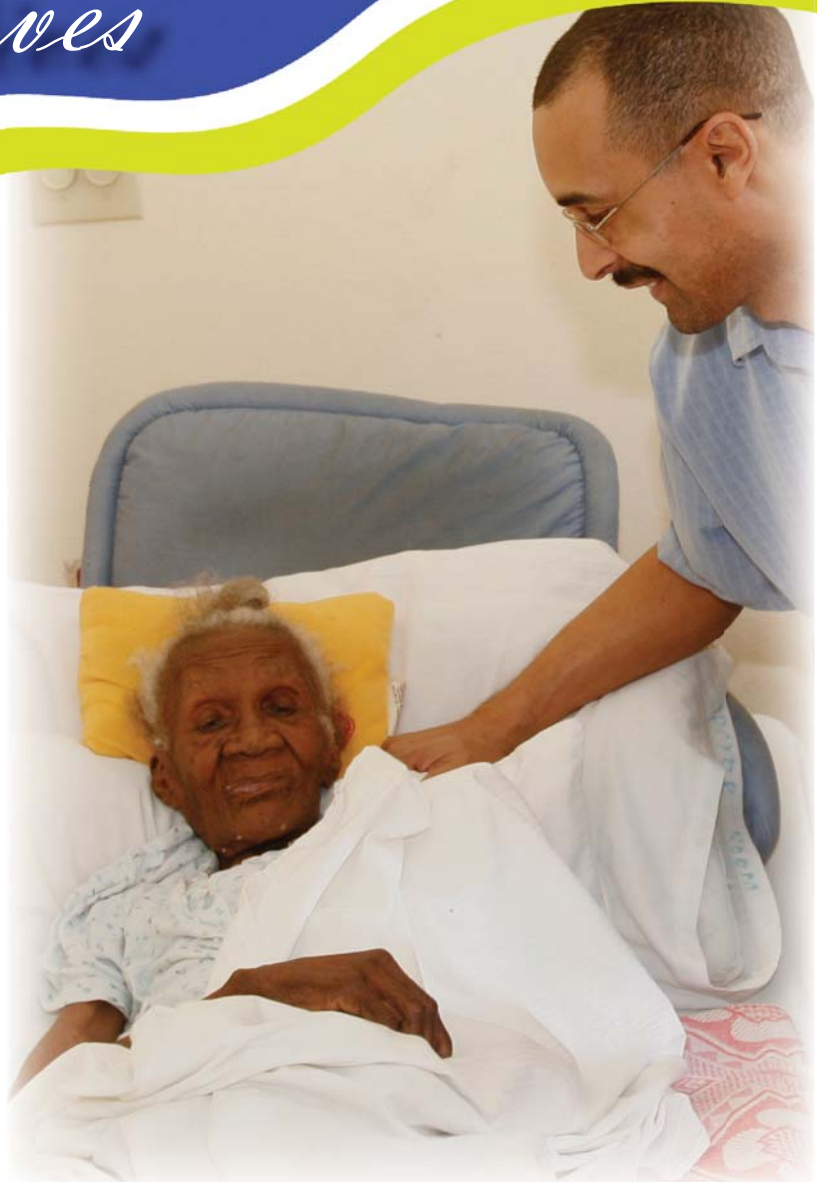
Sister Cecelia's is a residential facility which was built by HelpAge Belize 11 years ago, but it has since received financial assistance for renovations and maintenance from CDB through the Bank's Basic Needs Trust Fund programme. This programme operates in Belize in collaboration with that country's Social Investment Fund.

The work done under BNTF included upgrading of the kitchen lockers, and the counters, in addition to the bathrooms. It also involved renovation of a daycare room at the home where people can bring their loved ones for short-term care.

Another aspect of the assistance was the provision of exercise equipment which cost a total of about \$16,000. Field Officer Roger Bradley, says "There were things like parallel bars, stationery bikes, blood pressure monitors, glucose monitors, mirrors, pulleys, weights. The idea of the project is that there are certain elderly who are not all that down but they still could do a little bit of exercise and a little bit of fitness."

While Viola Miles wasn't one who was able to use the exercise equipment, she was well cared for at the home.

Sharon Polack, Executive Director of HelpAge Belize, described Sister Miles as a "giving" person, who although she had no children of her own, raised three. For one year, Sister Cecelia's had the opportunity to give back to Sister Miles, after the many years of service which she rendered at the facility. It is continuing to provide a refuge for other elderly citizens of Belize.



PART II

The Caribbean Development Bank Operations in 2007





Improving the livelihood of indigenous peoples.

INTRODUCTION

CDB's operations in 2007 were guided by the Strategic Objectives and Cross-cutting Themes outlined in the Bank's Strategic Plan for the period 2005 to 2009. The overarching objective of the Bank is poverty reduction through the pursuit of a number of different Strategic Objectives, Corporate Priorities and sector/thematic strategies.

Operations in 2007 were also influenced by the turbulence in world financial markets precipitated by the credit crisis. The global imbalances, exacerbated by rising energy prices and the falling US dollar, raised issues about the resilience of the global economy with implications on contraction (recession?) in the US economy and the effects on commodity prices and exchange rates worldwide. The impacts of these imbalances on Caribbean

economies are still been felt and the Bank had to respond in innovative ways to support its BMCs.

One such innovative response was the establishment of an Interest Subsidisation Fund (ISF). The ISF is used to subsidise the OCR lending rate by 2% and is designed to assist the eligible countries in addressing adverse debt and fiscal dynamics. The ISF is thus another tool developed by CDB to facilitate sustainable development in its BMCs.

The countries eligible for use of ISF resources are:

- Belize
- Dominica
- Grenada
- St. Kitts and Nevis
- St. Lucia
- St. Vincent and the Grenadines.

The ISF is used to subsidise the OCR interest rates in both Policy Based

Loans (PBLs) and Investment Loans. Parallel technical assistance loans financed from OCR and associated with PBLs are also eligible for the ISF subsidy. In the case of investment loans, eligibility for ISF support is limited to social sector projects that focus on poverty reduction, address the millennium development goals (MDGs) or strengthen development effectiveness.

PROMOTING BROAD-BASED ECONOMIC GROWTH

Experience in the Caribbean, and other parts of the developing world, teaches that broad-based economic growth is a necessary though insufficient condition for improving the livelihoods of the poor. As part of a balanced approach to the development of the Region, the Bank's operations in 2007 led to interventions which were supportive of economic growth but also addressed the equity and distributional aspects of growth.

DEVELOPING THE PRIVATE SECTOR

CDB recognises that all of its activities need to be supportive of private sector development if economic and social progress is to be advanced. Activities carried out with the public sector, such as physical or social infrastructure enhancement, aim to increase overall competitiveness. Support to governments to ensure macroeconomic stability, improve efficiency and effectiveness and promote good governance all impact on the ability of the private sector to respond to the national, regional and global challenges.

CDB also seeks to enhance the opportunities for private sector development more directly. The Bank's activities in this regard include lending to private enterprises, either directly or indirectly through financial

intermediaries. Additionally, the Bank provides technical assistance resources to facilitate the enabling environment for private sector enterprises. Technical assistance is also provided at the business level through CDB's Caribbean Technological Consultancy Services (CTCS) Network to promote the development of new business and to enhance the fortunes of existing enterprises.

CDB approved \$25 mn as a line of credit for on-lending to industrial and agricultural enterprises during 2007. In addition to providing financing to small and medium-sized businesses, the objective is to support financial institutions that are dynamic, growing and well managed. This helps to promote the sustainability of the financing. Further, through the demonstration effect of successful lending to particular sectors regarded as a priority for development, CDB seeks to ensure that these sectors can attract financing in future.

Intermediary lending was also used to support the development of the secondary mortgage market in the OECS through provision of \$10 mn of financing to a secondary mortgage institution. Besides providing credit to facilitate housing provision, the purpose is the broader development of mortgage markets. The presence of a secondary mortgage market is an important consideration in encouraging primary lenders to grow and develop their mortgage products and thus contribute to the overall development of capital markets.

Capital market development was also a relevant objective in an investment of \$10 mn in an equity fund., which will invest in large companies in the Caribbean that are seeking to expand to be able to compete within the CSME and

the global market. The fund breaks new ground in terms of its scale and activities with the total capital raised likely to be in excess of \$300 mn. The funding is primarily from outside of the Caribbean with only CDB's participation originating from within the Region. The fund introduces the Caribbean to new institutional investors in the US and the UK. Overall, the fund will serve to demonstrate the potential for large-scale private equity investment in the Caribbean and thus further enhance capital market opportunities.

At the small and micro business level, access to finance remains a key issue to be addressed. Accordingly, through its technical assistance facilities, the Bank has joined a major initiative in relation to the development of microfinance in the Caribbean, allocating resources in partnership with the MIF, EU and other donors. This project, through

supporting the development of financially sustainable microfinance institutions, will seek to ensure that microfinance can play a larger part in developing micro and small businesses than has hitherto been the case in the Caribbean.

CDB also provided other technical assistance. It sponsored workshops to assist in the formulation of Strategic Plans for Youth Business Trusts, an introduction to business clusters, credit union regulation and the securitisation of hotel assets. A key aspect of the assistance is to facilitate the sharing of regional experiences through bringing similar enterprises throughout the Caribbean together for the workshops. Haiti has been integrated into the programme.

At the enterprise level, CDB continued to support individual small-scale business initiatives through the long-standing CTCS

cont'd on pg 15



CTCS, supporting entrepreneurs.



“I was the first secondary school principal to benefit under the project. I got the opportunity to go to England in 1999, to do a Master’s degree in Education Management.”

Those are the words of Jacintha Pringle, who is now the Chief Education Officer in Antigua and Barbuda. Ms. Pringle is just one of the many people at various levels of the education system in Antigua and Barbuda who have benefited from the CDB-funded Education project.

The project involved the rehabilitation of physical plant either by renovation or by the construction of new buildings, and the improvement of the functional capacity of the Ministry of Education. A new school, the Sir Mc Chesney George Secondary, was also built in Barbuda.

“The project is basically about the enhancement of the education system and making sure there is quality improvement. Hopefully by 2010, there will be a 30% increase in the performance of the children of the primary schools, and there will be more grades two and ones at CXC,” said Project Manager, Jocelyn Simon.

She also said that an integral part of the project is the “proper training of teachers in measurement and evaluation so that they can play an important role in the early assessment process.”

The early assessment process is not a placement test but an exercise that will provide important information in helping teachers deal with students.

“It points out the strengths and weaknesses of the students, and once the weaknesses have been identified, then we will be able to do remedial work so that by the time they get to grade six and the placement tests, we are hoping that those students will be better able to perform and that the output at CXC will be at a higher level,” Simon said.

There are also innovations in the project with the introduction of the Education Management Information System (EMIS). This system provides an online database of information on students, from behavioural patterns to performance records. It is like an electronic history of the students’ life in school and will be accessible to teachers, education officials, parents, and the students themselves.

programme. CTCS works through close linkage with national development institutions, in both the public and private sectors. It provides dedicated regional based TA for individual businesses to solve specific issues, training attachments between businesses to allow the benefits of experience to be shared through the Region, and workshops on areas of common interest to small and micro businesses.

CTCS was active in 15 of the Bank's 18 BMCs in 2007, with 83 activities being executed. These included 29 direct TAs, 11 training attachments, 40 national workshops and 3 sub-regional workshops reaching over 1,080 direct beneficiaries. Females represented over 60% of CTCS clients.

CTCS continued to demonstrate its flexibility and relevance in 2007. For example, in preparation for the Cricket World Cup it developed and hosted a sub-regional workshop entitled "Training of Trainers in Food Hygiene and Sanitation Practices". The workshop was successful in assisting 54 participants in developing 14 standard training modules on food hygiene and sanitation practices, and in developing country action plans for rapidly sensitising and training front-line food institutions, food handlers and vendors to the importance of safe food handling. Post-World Cup evaluations and reports from participating country personnel indicated a highly successful impact.

AGRICULTURE

Interest in the regional agriculture sector increased in 2007. The Jagdeo Initiative, by which Caribbean Community Heads of Government attempt to formulate plans for revitalization and expansion of agriculture, has heightened the profile of the sector. In the latter

part of the year, there was a surge in food prices which focused attention on food security. The surge was due, in the main, to events in the global economy to which the Caribbean is intrinsically linked given the growing dependence of the Region on imported food. Current trends indicate that these events – increases in production and transport costs due to rising fuel prices, the conversion of crops from the production of food to the manufacture of bio-fuels, effects of weather-related shocks in major food-production centres, and higher demand from emerging economies – are expected to continue, with the potential for further increases in the price of food during 2008, unless some new measures are employed.

In response to these challenges, CDB has been, and continues to be, an active partner with regional stakeholders and governments in the development of initiatives aimed

at reviving the agriculture sector. Highlights of CDB's involvement include working in partnership with the CARICOM Secretariat, the FAO, IICA and regional governments in hosting an Agriculture Donors Conference in Trinidad and Tobago in June 2007. During the conference, CDB's management highlighted the Bank's continued support for the regional agriculture sector in seeking solutions to the challenges which continue to hamper growth of the sector.

Of particular interest to CDB in 2007 was alleviating the constraints which limit the production of commodities in which the Caribbean has a comparative advantage, particularly in fruit and vegetable production. The highlight of initiatives in this regard has been, in collaboration with regional partners, IICA and the FAO in developing interventions which address some of the constraints



Actively pursuing the revival of agriculture.

faced by farmers in the area of 'protected vegetable production'. The Bank and its partners, having completed a comprehensive review of production-related constraints, are in the process of developing a package of support targeting all segments of the production chain. Regional farmers can, as a result, expect to benefit from targeted support which will impact positively on their ability to produce high-quality fruits and vegetables year-round, including mechanisms to increase the supply of water for on-farm irrigation.

CDB remains committed to supporting the modernization and competitiveness of the regional agriculture sector through improvements in productivity-enhancing technologies. This commitment is being demonstrated in Guyana where CDB is engaged in the modernization of the sugar industry through the on-going Skeldon Sugar Modernisation

Project. A key component of this project – jointly funded by the Government of Guyana, the Guyana Sugar Corporation Incorporated and the Government of the People's Republic of China – is the use of bagasse for the generation of electricity for factory operations and for sale to the national grid.

IMPROVING ECONOMIC INFRASTRUCTURE

Support for economic infrastructure in its BMCs, and regionally, was one plank in the Bank's strategy to promote broad-based economic growth. Rehabilitation and improvement in roads infrastructure was the focus of three loans to two BMCs.

In Jamaica, the Fifth Road Project will address the improvement of the Washington Boulevard, including widening and reconstruction of a section of the heavily-trafficked major roadway, doubling its carrying capacity and reducing congestion.

Also in Jamaica, the proposed Hurricane Dean Rehabilitation Works include improving the sea defences along vulnerable sections of the Norman Manley Highway on the Palisados tombolo. This is the only link between the capital, Kingston and the Norman Manley International Airport. The road also provides access to the historic town of Port Royal. The passage of Hurricane Dean and subsequent excessive rainfall over a prolonged period resulted in further damage to the sea defences. Airport access was disrupted through flooding and blockage and the threat of further disruption remains. Funds will be used from the Canadian Technical Cooperation Fund (CTCF) for the studies required to inform the additional preparation work required for the sea defences component. The rehabilitation works will also address repairs to main roads in other areas.

In St. Vincent and the Grenadines,



Support provided for the improvement of schools and other infrastructure.

additional resources were made available to complete the on-going works on the Windward Highway Reconstruction Project which links the capital, Kingstown, with the north of the island of St. Vincent and Georgetown, the second largest town.

In support of regional air transportation, the Bank funded a \$60 million equity injection by the three major shareholder governments of LIAT (1974) Ltd. – Barbados, Antigua and Barbuda, and St. Vincent and The Grenadines. The re-capitalisation of LIAT facilitates the expansion of its operations to serve the regional market. In addition, CDB provided a grant of \$500,000 to LIAT to support the institutional strengthening of the airline and to facilitate its transition from shareholder-dependence to a commercial footing. The Bank used the funds provided under CTCF to assist LIAT shareholders (3 BMCs), in the first instance to negotiate a merger of regional airline operations, and then to assist the Bank with preparation for project appraisal. CTCF was also used to develop the Blowing Point Ferry Terminal Project in Anguilla.

In the water sector, the Bank provided a technical assistance, contingently recoverable loan to study the feasibility of an Expansion of Water and Sewerage Facilities on North Ambergris Caye, Belize. Previously, in 1996, the construction of a water and sewerage system for the town of San Pedro, on Ambergris Caye, was completed with assistance from CDB.

FOSTERING INCLUSIVE SOCIAL DEVELOPMENT

EDUCATION AND TRAINING

Improvements in the quality of and access to education and training are fundamental to CDB's

strategy for poverty reduction. The Bank's interventions cover the range of sub-sectors - Early Childhood Development, Primary and Secondary Education, and Post-secondary and Tertiary Education. In 2007, \$10 mn in grant resources were provided to Haiti for the implementation of a Basic Education Project that will improve access of poor children aged 6-12 years to primary education. This project will be instrumental in assisting Haiti to meet the commitments of the Millennium Development Goals as well as those of the Education For All Initiative. CDB also began preparation of projects aimed at strengthening the Early Childhood and Technical Training and Education sub-sectors in Haiti.

During the fiscal year, the Bank gave further support to the recovery and reconstruction effort in Grenada, in the aftermath of Hurricanes Ivan and Emily, by providing \$7 mn in resources to fund the rehabilitation and reconstruction of one primary and three secondary schools. The BVI benefited from a loan of \$5 mn for student loans. CDB continued to play a critical role in improving the tertiary education enrolment rates in the Region, by providing resources to Jamaica for the enhancement of facilities and services at the University of Technology. During 2007, resources were also provided to improve the tertiary education policy environment in Belize. At the regional level, CDB provided grant resources to strengthen collaboration among institutions, to enhance the ability for distance and e-learning and to improve systems of accreditation and articulation.

There were encouraging results in 2007 as secondary education enrolment rates increased significantly in a number of BMCs as universal access became the focus of policy reform. In that

respect, CDB supported upgrading of the physical environment of school plant, improvements in teacher competence, testing and measurement and management of schools. Recognising the importance of human resource development for economic growth and social cohesion, CDB has sought to include support for training in many interventions across all sectors and a significant amount of its grant resources has been used to finance these activities.

SUPPORT FOR INDIGENOUS PEOPLE

In its continuing thrust to address the growing incidence of poverty in its BMCs, the CDB approved loan and grant financing aimed at improving the livelihood of residents (approximately 2200) of Dominica's Carib Territory – the Kalinago (Carib) People. The Kalinago people are among the last remaining, and largest group of indigenous people in the Eastern Caribbean.

The primary objective of the project is to enhance the capacity of the Kalinago people to plan and manage development interventions, and to provide basic infrastructure and support systems for income-generating activities to build on the traditional strengths of the Kalinago people in the area of craft production, fishing and agriculture. The project also seeks to further enhance the tourism potential of the Carib Territory by increasing the product offering and management of the Kalinago Barana Aute-Carib Model Village. The village, also financed by CDB and officially opened in 2006, is now the major source of economic activity in the Carib Territory. It consists of an interpretation centre, craft centre, herb garden and demonstration sites (cassava farine making and canoe building) designed to showcase the traditional arts and craft-making skills of the Kalinago people.

This project is consistent with the objectives of the United Nations' Second International Decade of the World's Indigenous Peoples, particularly as it relates to the effective participation of indigenous peoples in decisions which impact on their lifestyles and respect their cultural diversity.

BASIC NEEDS TRUST FUND (BNTF)

The contributions of the BNTF to reducing the unevenness in economic progress and development of poor communities remain intrinsically significant in CDB's BMCs. Informed by national social policies and using targets set in close consultation with stakeholders and communities, the strategic focus of the BNTF5 Programme is premised on the urgency of responding to the risk, vulnerability and insecurity experienced by the poor.

The Fund continued an upward trend in both approvals and

disbursements across the Region. CDB approved 121 sub-projects for \$8.921 mn of BNTF grant funding in 2007. By December 31, 2007, cumulative approvals stood at 529 sub-projects for \$33.609 mn (Figure II:1) with consultancy costs at \$3.028 mn. Disbursements in 2007 totalled \$7.869mn bringing total disbursements under the Programme to \$21.750mn. The cumulative number of beneficiaries reached 238,309 males, 248,735 females. Of these, 204,346 were young persons.

Poverty reduction measures were guided by broad policy objectives on resettlement of communities and persons, economic recovery reform, expansion of local production in poor communities for local and regional markets, and expanded social protection measures to vulnerable persons and at-risk groups.

Along with providing infrastructure services to communities, an

increasing number of sub-projects also benefit community decision-making, ownership, institutional capacity building and maintenance. New partnerships, brokered at the macro level with policymakers and at the micro level with non-governmental organisations and community-based groups and with other development partners, are strengthening accountability within the Programme. In the BNTF Grenada Programme these partnerships have provided assistance with attaining sector standards in Early Childhood Education, which have influenced the design of sub-projects and the establishment of progress indicators.

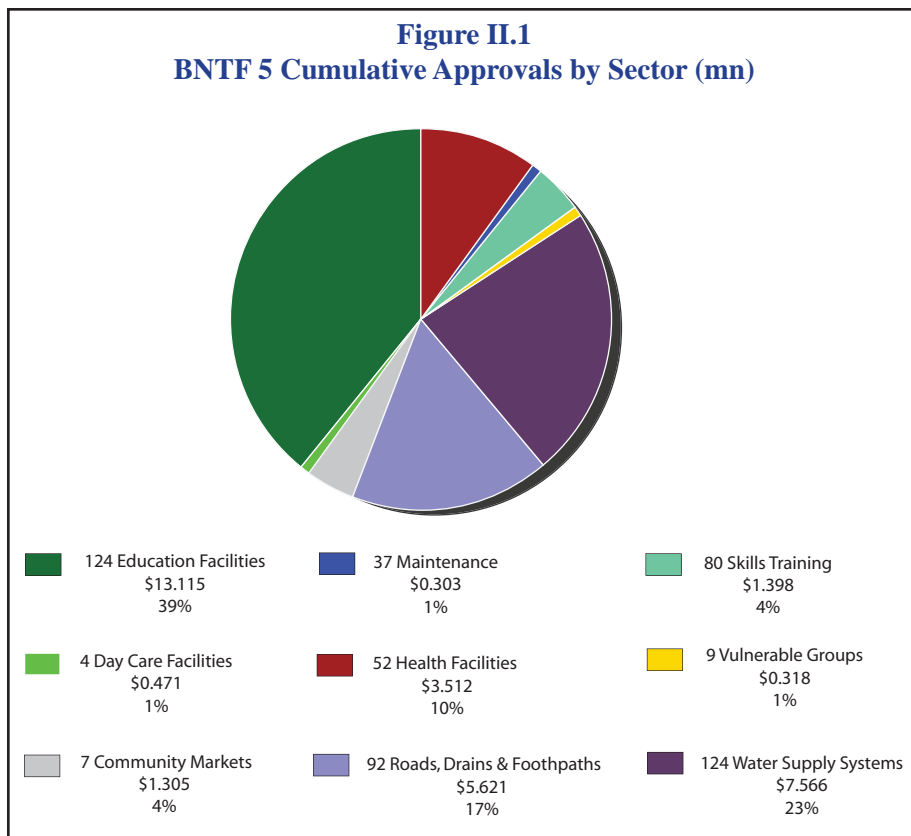
The Programme kept firm to its commitments to community participation, environmental sustainability and management, and gender equality. Considerable work went into promoting these areas and supporting innovative approaches across the 10 BMCs. CDB Staff conducted working sessions with senior officials of sector ministries, project steering committees and consultants, to articulate the requirements, standards and responsibilities associated with areas of commitment.

COMMUNITY PARTICIPATION

Commitment to the empowerment of the poor in BNTF5 necessitated skill and awareness building among stakeholders for advocacy, standards setting and good governance.

Community participation is the platform for BNTF5 initiatives. Recognition of its value has increased, as reflected in the quality of community needs assessments, a notable increase in Project Monitoring Committees which are community-based mechanisms and the voices of community persons at

Figure II.1
BNTF 5 Cumulative Approvals by Sector (mn)



the end-of-project and at “handing over” ceremonies of infrastructure sub-projects.

Community-based strategies and sectoral strategies for poverty reduction are potentially reinforcing concepts. The experience of the BNTF Programme shows that when closer linkages are forged, the desired change can be achieved through a more innovative and flexible community-based structure.

ENVIRONMENTAL IMPACT ASSESSMENT

Staff of the BNTF Offices and CDB participated in a regional workshop in Grenada from July 25 to 27, 2007. Participants were introduced to environmental management concepts and to appropriate environmental impact assessment tools for screening, monitoring and supervision within the BNTF Programme.

GENDER EQUALITY

The Regional BNTF Gender Equality Strategy was developed and launched in June 2007. The strategy promotes “community” as the universe of BNTF interventions and provides a framework of analysis to explore the interactions between poverty, life cycle issues, livelihoods and labour markets that help to produce differentiated experiences of risk and vulnerability for working poor women and men. The strategy identifies gaps and exclusions in the current programme design and suggests broad areas to impact effectiveness, efficacy and equity. Social Marketing as a promotional strategy was identified as an important element to acceptance and achievement of gender equality objectives at the sub-project and programme level. The gender strategy is a pivotal tool with which specific gender gaps can be identified and by which the programme performance in this area can be assessed.

PROMOTING GOOD GOVERNANCE

SOCIAL PROTECTION

CDB continued its efforts towards the preparation of a comprehensive text on Social Protection in the Caribbean and a Social Protection Policy Paper. This builds on the collaborative research 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 social protection text is intended to assist governments and other stakeholders in the Region in social policy formulation and planning related to the area, and the policy paper is intended to guide CDB’s approach and interventions in BMCs. These two key documents are scheduled to be completed in 2008 and will highlight the significant research conducted in the area and further encourage reference to and use of empirical data in guiding social development approaches in the BMCs.

POVERTY ASSESSMENT

The Bank intensified its programme of support to BMCs in the area of poverty reduction by assisting with the conduct of Country Poverty Assessments (CPAs). CPAs were completed in Antigua and Barbuda and St. Lucia. Others were in progress in Cayman Islands, Anguilla, Dominica, Grenada, St. Kitts and Nevis and Montserrat.

The completed CPA reports drew attention to the significance of urban poverty and the working poor. This phenomenon is important particularly as poverty in the Caribbean has historically been considered to be more of a rural phenomenon. These urban communities tend to be characterised by over-crowding, inadequate housing and poor sanitation,

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BNTF, reducing the unevenness in economic progress and development.

Cave Hill School of Business Expansion

Barbados

Perspectives

CDB



CDB views education as a driver of upward social and economic mobility, poverty reduction and a major contributor to the growth of economies. The Bank believes that immediate action is needed to improve tertiary education to allow Caribbean nationals in the private and public sectors to acquire the knowledge, skills and competencies needed to transform the Region's social and economic development.

So when the business school approached the Bank for a loan equivalent to \$3.5 million to help meet the costs for renovating its existing facilities in Barbados and to expand, financing for the project was approved, after the appropriate appraisals were conducted.

The Cave Hill School of Business is located at the Cave Hill Campus of the University of the West Indies in Barbados. It began life in 1991 as the Centre for Management Development, and now offers academic programmes such as the Doctorate in Business Administration; the Executive Master of Business Administration; the Executive Diploma in Management and a number of certificate programmes.

Catering primarily to students in Barbados and the Eastern Caribbean, these programmes assist in meeting the sub-region's need for management training and development.

As a result of the growth in both academic and non-academic programmes, the School has been limited by lack of physical space, and has had to rent other venues to accommodate classes.

Extensions to the existing building will include four training rooms, a multi-purpose room and a participants' lounge.

These new facilities should inspire and enable working students to achieve their educational goals. Graduates include many leaders in the public and private sector throughout the Region. Deborah Gonsalves of CDB's Human Resources Division took advantage of the educational opportunity and graduated from the EMBA programme in 2007. She had completed the diploma in Human Resources Management there, and wanted to do a degree programme, so decided on the two-year programme. "It involved hard work and long nights, but I enjoyed the class participation. The programme has allowed me to better understand the many changes taking place at CDB especially relating to the reorganisation of the different departments since some of my projects were related to the Bank."

insecure tenure arrangements, high unemployment and high crime rates. This situation necessitates that BMC governments continue to pay close attention to the allocation of resources to poverty reduction and social development efforts.

To build local capacity for evidence-based policy making, CDB supported a training and capacity building workshop in Data Analysis and Interpretation in Antigua and Barbuda from February 26 - March 14, 2007. This workshop formed part of the IDB-funded component of Support to Poverty Assessment and Reduction in the Caribbean (SPARC) Project, which is a multi-donor initiative to support the collection of social data for poverty assessment, monitoring and achievement of the MDGs in the Caribbean. SPARC was designed to build capacity in the Caribbean to facilitate the development of medium-term national strategies for poverty assessment, in particular, to strengthen capacity to collect, analyse and disseminate social data, and develop sustainable processes and institutional arrangements to utilise data for the development of policies and programmes.

MILLENNIUM DEVELOPMENT GOALS

CDB supported the 32nd Meeting of the Standing Committee of Caribbean Statisticians (SCCS) held November 5-7, 2007, in Suriname. The meeting of statisticians is a long-standing activity of the CARICOM Secretariat's Statistics Sub-Programme. It seeks to develop a sustainable statistical infrastructure within the CARICOM Secretariat, providing accurate, timely and reliable statistical information of a high quality and broad scope; facilitating analysis and dissemination of these data; promoting their use in effective and efficient decision-making;

and simultaneously fostering an enabling environment for statistical development among member states of CARICOM. This 32nd SCCS Meeting had as its main theme: Enabling the Development of the Caribbean Single Market and Economy through Evidence-based Policy – The Case for Increasing Investment in Statistics. The specific focus related to measurement issues associated with the Caribbean-specific MDGs and served to bring to the fore some of the practical considerations involved in generating the relevant data for measuring and monitoring development at the national and regional levels.

CDB also supported the 15th Meeting of the Regional Census Coordinating Committee (RCCC) held from November 8-9, 2007, in Suriname. This meeting focused on advancing preparations for the next round of population and housing censuses in the Caribbean. The conduct of a population and housing census provides a country with substantive information related to the numerical count of the population as well as characteristics about the population that can profile the human capital. Furthermore, information can be provided to enhance good governance and decision-making. The next round of censuses is

scheduled for 2010/11 and the RCCC has been mandated to coordinate the conduct of these censuses in a uniform manner across the Region.

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.

During the financial year, grants totalling \$1.19 mn were approved for the implementation of 9 projects that directly supported the training and development of approximately 200 participants from CDB's BMCs. Support, measured by level of funding approved, was focused on improving the Region's capacity for evidence-based decision making and improved development effectiveness. Most noteworthy was the approval, and start of implementation, of a three-year project that aims to train at least 75 technicians in demographic analysis and 20 senior statisticians in the principles of demography. This project is expected to significantly improve the Region's capacity to design, monitor and evaluate poverty eradication interventions, in general, and to assist in achieving the Caribbean MDGs.



Other CDB governance-related interventions were focused on areas in which CDB has built core competencies. Of the \$4.5mn approved for governance projects in 2007, \$2.8mn was allocated to strengthening revenue departments; and \$1.4mn for strengthening statistical bureaux and building capacity for policy analysis and evidence-based decision making.

CDB and the IDB jointly hosted a seminar which dealt primarily with issues of housing affordability, particularly focusing on best practices in housing finance and with the construction and production of social housing. The seminar was attended by ministers of housing, permanent secretaries, heads of housing authorities, private sector representatives, regional/international experts and other officials of CDB's BMCs. CDB and the IDB jointly hosted the fourth Civil Society Dialogue. The 2007 Dialogue was entitled Building Local Partnerships for Community Development and built on the

discussions and recommendations of the earlier meetings.

In continuing its efforts to enhance capacity for social analysis and social policy in its BMCs, the Bank convened a Trainer of Trainers' Workshop on Techniques of Participatory Research and Development, which was hosted by the Economic Commission for Latin America and the Caribbean (UNECLAC) in Trinidad and Tobago. Twenty persons participated in the training, which sought to ensure that capacity was strengthened in BMCs in techniques of data collection protocols and participatory research methods.

DISASTER RISK MANAGEMENT

Following the successful completion of the Disaster Mitigation Facility for the Caribbean (DMFC) project on December 31, 2006, the Bank initiated a process to establish a permanent disaster risk management (DRM) function.

Discussions were initiated with the IDB to embark on a joint technical

cooperation initiative to mainstream DRM in OECS countries. Specifically, this initiative will focus on building community resilience in the informal housing sector; and capacity building among key stakeholders concerned with planning and implementation of disaster risk reduction projects.

The Bank provided support to the Caribbean Disaster Emergency Response Agency to host the Second Annual Caribbean Conference on Comprehensive Disaster Management from December 10-14, 2007. With the theme, "Changing Landscape of Caribbean Disaster Management – Vision Becoming Reality," the conference provided an opportunity for the Region's DRM professionals and practitioners to meet and assess progress in disaster risk reduction and to chart the way forward in building disaster resilience. The conference exhibition allowed organizations, including the Bank, to showcase informational material and products to the conference participants and the general public.

Natural disasters continued to impact the Region throughout 2007. The hurricane season was an unusual one with two back-to-back hurricanes, Dean and Felix, strengthening to category 5 in the Caribbean Sea in August-September. Hurricane Dean in particular caused serious damage in several of the BMCs. Late season tropical storms Noel and Olga caused serious flooding in the Greater Antilles, including Haiti, and The Bahamas. The 7.4 magnitude earthquake of November 29, centred close to Martinique, impacted the eastern Caribbean islands, bringing to the forefront the need for better earthquake and tsunami awareness. The Bank approved emergency hurricane relief grants to Belize, Dominica and Jamaica, and use of loan funds for the rehabilitation of roads and sea defences in Jamaica,



Natural disasters continue to impact the Region.

and the rehabilitation of schools in Belize.

With financial contributions from the Bank and other donors, the Caribbean Catastrophe Risk Insurance Facility (CCRIF), the world's first regional disaster insurance facility, was launched on June 1, 2007, coinciding with the start of the hurricane season. CCRIF provides participating Caribbean governments with immediate access to funds if hit by hurricanes or earthquakes of pre-determined intensity levels. While Hurricane Dean did not trigger policy payments, the November earthquake was of sufficient magnitude to initiate policy payments to Dominica and St. Lucia.

Several remaining DMFC project activities were completed. These included the widespread distribution of the Sourcebook on the Integration of Natural Hazards into the Environmental Impact Assessment Process; and the dissemination of the multimedia version of the Volcanic Hazard Atlas to secondary and tertiary education institutions in Barbados. Final reports on the DMFC and the Technical Workshop on the Management of Disaster Risk through Fiscal and Budgetary Planning held in 2006 were completed and distributed.

A joint initiative between the Bank and the United States Agency for International Development/Office of Foreign Disaster Assistance to develop a Disaster Risk Reduction Course was started under the DMFC project. In November, disaster mitigation practitioners from the Region and other institutional representatives met for three days to review revised course materials. These will be ready for distribution in 2008.

ENVIRONMENTAL SUSTAINABILITY

As part of ongoing efforts to institutionalise sustainability into all aspects of CDB's operations, and to strengthen its capacity to deliver environmental management services internally and to the BMCs, the Bank made a number of strategic changes to its work processes impacting on the implementation of its environmental function.

The Bank updated its Environmental Review Guidelines (ERG) and is currently updating the existing Environmental Policy (EP). The EP and the ERG approved in 1993 and 1994, respectively, have been the central instruments used by the Bank to address environmental risk management with respect to the Bank's operations. Since the adoption of these tools, there have been considerable changes in international best practices with respect to the management of environmental risk by multilateral and bilateral development institutions. CDB's BMCs have also made changes to their institutional, administrative and legislative frameworks for environmental management.

The Bank's emphasis on the explicit consideration and treatment of poverty reduction in all its investment project interventions has direct implications for the treatment of poverty and environmental linkages and how these are managed under the EP and the requirements of the ERG. The Bank therefore consolidated its separate guidelines for the social review and for the environmental review of projects into a single set of environmental and social review procedures. These procedures are also applied as part of the appraisal process for CDB's new lending instruments such as policy-based loans and policy-based guarantees which were not previously considered under ERG. The integrated environmental and

social review procedures therefore set the framework for managing environmental and social impacts of CDB's investments more effectively.

The Bank is assisting the Caribbean Community Climate Change Centre (CCCCC) to establish an Information Clearing House Mechanism at the Centre. Support is also being provided to create a legal framework to establish a Trust Fund for the CCCCC and to make recommendations to ensure the growth and sustainability of the Fund.

In addition, CDB staff continued to be an active member of the Multi-lateral Financial Institutions Working Group on the Environment which establishes environment safeguard frameworks subsequently pursued by the development community.

FINANCING OPERATIONS

In 2007, CDB approved 14 loans amounting to \$179.1 mn, 44 grant-financed operations for \$21.6 mn and 1 equity investment for \$10.0 mn.

LOANS

Lending to the public sector accounted for 13 loans for \$154.1 mn, with the OCR accounting for \$111.8 mn and the SFR for \$42.3 mn. Of the total of 14 loans approved during the year, three were entirely funded from the OCR, while three loans were entirely funded from the SFR and the remaining eight were a blend of OCR and SFR funding. Loan approvals in 2007 represent a 48.5% increase when compared with approvals of \$120.6 mn in 2006.

Of the total approvals, loans to LDCs amounted to \$60.2 mn, comprising \$43.8 mn from OCR and \$16.4 mn from the SFR. The two largest borrowers in 2007 were Jamaica and Barbados, receiving \$61.1 mn or 34% and \$32.7 mn or 18% of the

total. Other significant borrowers were Trinidad and Tobago (\$25 mn or 14%) and Antigua and Barbuda (\$21.8 mn or 12%).

GRANTS

Grants disbursements during 2007 amounted to \$20.5 mn of which \$16.9 mn or 82% was to the LDCs. The two major beneficiaries were Regional and Guyana with \$9.7 mn and \$3.8 mn, respectively.

Table II:1 summarises the levels of approvals and disbursements on loans, equity investments and grants during 2007 and 2006.

CUMULATIVE APPROVALS

Net cumulative approvals (loans, contingent loans, equity and grants) as at December 31, 2007, was \$2,957.7 mn. Of this amount, \$1,520.0 mn or 51%, went to the LDCs (2007), compared with \$1,458 mn, or 53%, (2006).

CUMULATIVE DISBURSEMENTS

Cumulative disbursements, including grants (Table II:3 refers), increased by 7% in 2007 to \$2,396.1 mn, from \$2,237.4 mn in 2006.

A comparative analysis of cumulative disbursements shows that CDB's Ordinary Operations accounted for 53% of total disbursements (2006–53%). The distribution of cumulative disbursements between MDCs and LDCs is provided at Table II:3. At the end of 2007, total disbursements to MDCs increased by 7% to \$1,032.8 mn from \$967.4 mn in 2006. Cumulative disbursements to LDCs increased 7% to \$1,363.3 mn from \$1,270 mn in 2006. At December 31, 2007, the LDCs' share of cumulative disbursements was 57% (2006–57%).

The MDCs accounted for 55% and the LDCs for the remaining 45% 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, 2007, principal repayments on loans since the inception of the Bank amounted to \$968.1 mn (2006 - \$870.1 mn) (Table II:4 refers). OCR principal repayments during the year amounted to \$62.1 mn, while total repayments since inception were \$534.5 mn, after taking into account currency translation. Total SFR principal repayments, after currency translation, were \$433.5 mn in 2007 (2006 - \$405.1 mn).

RESOURCE TRANSFERS

For the tenth 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:5 refers. Net transfer of resources amounted to \$21.4 mn in 2007, compared with \$3.7 mn in 2006.

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

Activity/Source of Funds	Approvals		Disbursements	
	2007	2006	2007	2006
A. Loans				
Ordinary Operations	<u>136,784</u>	<u>90,932</u>	<u>93,372</u>	<u>84,481</u>
OCR	136,784	90,932	93,372	84,481
SFR	<u>42,289</u>	<u>29,661</u>	<u>44,786</u>	<u>32,573</u>
SDF	25,289	29,661	28,068	27,271
OSF	17,000	0	16,718	5,302
Total	179,073	120,593	138,158	117,054
B. Equity	10,000	143	0	0
C. Grants	21,511	6,987	20,528	14,828
Total Financing	210,584	127,723	158,686	131,882

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

Year	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	127,900
2003	135,100	69,900	13,700	218,700
2004	39,700	72,900	1,500	114,100
2005	68,900	74,100	9,700	152,700
2006	33,900	92,800	9,900	136,600
2007	119,471	61,982	29,131	210,584
Total	1,266,771	1,519,882	170,831	2,957,484

TABLE II:3 DISBURSEMENTS 1970-2007 (\$'000)

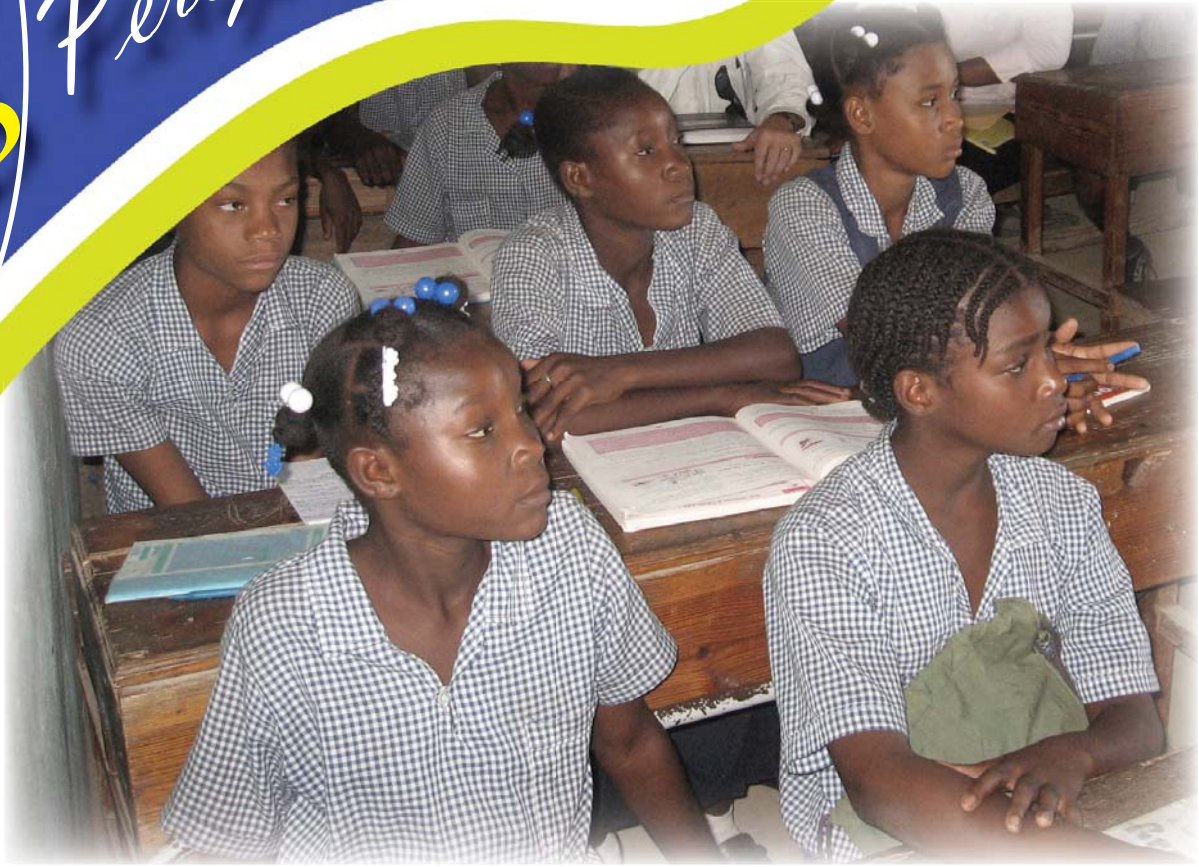
Source of Funds	1970-79	1980-89	1990-99	1970-07	2006
Ordinary Operations	40,197	159,026	360,391	1,277,826	84,481
OCR	40,197	159,026	360,391	1,277,826	84,481
Special Operations	88,864	317,850	315,986	1,119,096	47,401
SDF	55,958	139,079	253,873	735,506	30,196
OSF	32,906	178,771	62,113	382,781	17,205
Total	129,061	476,876	676,377	2,396,113	131,882

TABLE II:4 DISTRIBUTION OF CUMULATIVE DISBURSEMENTS TO MDCs AND LDCs 1970-2007 (\$'000)

Source of Funds	Total		MDCs		LDCs	
Ordinary Operations	1,277,826	100.0%	707,353	55.4%	570,473	44.6%
OCR	1,277,826		707,353		570,473	
Special Operations	1,118,287	100.0%	325,470	29.1%	793,626	70.9%
SDF	735,506		201,189		534,317	
OSF	382,781		124,281		258,500	
Total	2,396,113	100.0%	1,032,823	43.1%	1,363,290	56.9%

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

Source of Funds	Cumulative Loan Repayments to December 2006	Translation Adjustments	Repayments in 2007	Cumulative Loan Repayments to December 2007
OCR (incl. VTF)	464,966	7,444	62,139	534,549
SFR	405,136	9,576	18,803	433,515
Total	870,102	17,020	80,942	968,064



In Haiti, more than a third of primary school-aged children are not in school, and less than 20% who enter the school system complete the five years of primary education.

Girls are not always afforded the same opportunities as boys. A poor family would sometimes sacrifice to send the boys to schools to the disadvantage of the girls, and girls are more likely to be withdrawn from school to assist with household chores or sent to work. Just 40% of primary level enrollment is female.

Many children suffer from chronic malnutrition, and the school system itself suffers from a shortage of financial and technical resources.

CDB approved a \$10 million grant to help improve poor children's access to primary education, and to improve the quality of the education sector. The Bank is collaborating with donor partners in financing this Education For All project, the first approval by CDB since the Republic of Haiti formally became a member of the Bank on January 19, 2007.

The project will provide for student subsidies, student nutrition and health, school textbooks, multigrade learning programmes, activities to improve student literacy skills and pre-service teacher training. At least 3,600 new teachers will be trained and deployed at the primary level.

The project is the first step in CDB's efforts to contribute to the social and economic development of its newest member.

PART III

Organisation and Administration





Out in the field assessing projects.

HUMAN RESOURCES MANAGEMENT

CDB made substantial progress during 2007 in implementing its institutional HR agenda and upgrading the HR programmes and administrative systems through which the Bank's management ensures that staff capabilities are aligned with its strategic direction and are contributing to its development effectiveness.

ENHANCING WORKFORCE CAPABILITIES

The Bank has made strides towards the completion of the first phase in the process of aligning the composition of its workforce to its strategic context. To this end, the Bank is refining and updating job definitions within its structure in terms of purpose, specific accountabilities and required competencies.

Learning and development options are being examined to address the immediate needs of staff including language training to accommodate the requirement of expanded membership. These options range from mentoring through refresher training to new knowledge and skills development.

Specific interventions were implemented in a number of areas with the objective of enhancing overall capability in service delivery. These included language training in conversational French for a cross-section of staff in preparation for work in Haiti; protocol and etiquette for field officers networking with the Bank's external clients; and a customised report-writing workshop for managerial and professional staff, designed to enhance the quality of CDB publications and in-house reports. Bank Staff also received training in conversational Spanish to assist in their staging of the Annual

Governors Meeting in Venezuela in 2007. Training in business process design techniques was also provided to CDB personnel involved in the upgrading of core processes within the organisation.

For the last three years, the Bank has been conducting an executive coaching programme, which involves a process of assessment of individual managerial skills and potential, design of a coaching plan to address each officer's specific needs and scheduling of coaching sessions with external management or behavioral coaches. With the completion of the cycle, assessments of growth in leadership potential will be developed as a guide to devising any further interventions to prepare staff for expanded roles as future leaders. A cross-section of the Bank's managers participated in discussions with regional and internationally acclaimed leaders on global competitiveness and

Caribbean perspectives on leadership in the context of the global economy - challenges and lessons of experience.

CDB's Charter requires that, subject to the paramount importance of securing the highest standards of efficiency and technical competence, due regard must be given to the recruitment of personnel from its member countries on as equitable a geographic basis as possible. Consistent with this, the second phase of workforce adjustment has commenced with identifying and addressing imbalances in the existing population. These relate in particular to diversity issues (age, gender, nationality, geography) and the ratio between managerial/professional staff and support staff. Department heads and senior managers are expected to ensure that the Bank functions as an equal opportunity employer to applicants from BMCs and non-BMCs and to establish the appropriate balance between experienced and younger professionals.

PERFORMANCE MEASUREMENT

The performance management module of the Human Resource Management System was modified during the year to accommodate on-line completion of activities related to work planning, performance appraisal and staff development planning in a faster, more comprehensive and more coordinated manner. This facility, to be implemented in January 2008, will enable staff to link individual work plans and performance objectives to the cascaded business objectives for their unit or division.

EMPLOYEE SUPPORT

The Bank continued to provide staff members with assistance to manage personal issues that could affect performance and work/life balance in a number of ways. Tenders were let for renovation and extension of the Staff Facilities Building in order to provide improved office accommodation as well as more ample housing for the After School Child Care programme which was introduced in 2005 to provide more flexibility to parents of school-age children. Staff will also benefit

from the introduction of gym and aerobics activities in the upgraded facilities. Employee counselling and support in the resolution of personal issues that affect job performance is available through an alliance with a local network of qualified psychologists and medical practitioners.

STAFFING

At year-end, total Bank staff in place funded by the Administrative Budget, including long-term consultants, amounted to 183 persons, of whom 87 were professionals and the remainder support staff. Women constituted 58% of the total staff complement and 43% of the managerial and professional ranks.

TRANSFORMING OUR INFORMATION AND COMMUNICATIONS TECHNOLOGY ENVIRONMENT

Significant enhancements to the Bank's existing infrastructure was a priority in 2007, as CDB continued to lay the foundation with a modular infrastructure for acquisition and development of software applications in support of its core business processes. An additional internet circuit provides redundancy and guarantees higher availability for all our internet applications such as e-mail, Library Services, Bloomberg, and ubiquitous browsing, was implemented. Also, the infrastructure for a video-conferencing system was implemented and will enable virtual participation by staff in seminars and presentations facilitated in various parts of the world. Several other projects to enhance application security features and improve data integrity as well as provide more flexibility were successfully implemented during the year.



***Assessment of growth in leadership potential
to prepare staff for expanded roles.***

In an effort to further support internal and external collaboration, improved communication and effective information sharing, a project to completely redesign the Bank's corporate website was started in the latter half of 2007. The new site will leverage both available and emerging technologies to provide flexible, real-time, and dynamic services. This project is expected to be fully implemented by June 2008.

Emphasis was given to a broader focus on the use of Information and Communication Technologies for Economic Development. Another

critical enhancement to this work is the allocation of responsibility for Knowledge Management (KM) which includes the development and ownership of a KM framework and systems that will serve as enablers for transitioning the Bank to a learning organisation and a primary source of development knowledge within the Region. This will require the institutionalisation of KM as the process for facilitating the creation, capture, generation and leveraging of both internal and external knowledge capital. To this end, work was started in 2007 on the conceptualisation of an approach for the development of

a strategy and action plan to assist in the achievement of the stated objectives.

GOVERNANCE

BOARD OF GOVERNORS

In 2007, the Board of Governors approved by special procedure an amendment to the Bank's Charter to provide for the expansion of membership of the Bank. This amendment allows for a new class of members to be known as Multilateral Development Finance Institutions.

The Thirty-Seventh Annual Meeting of the Board of Governors was held in Caracas, Venezuela, on May 30 and 31, 2007. The Republic of Haiti was warmly received into membership of the Caribbean Development Bank at this meeting. Haiti, which previously had observer status at the Annual Meeting, became a full member of CDB in January of 2007. The Haitian delegation was led by Mr. Daniel Dorsainvil, Minister of the Economy and Finance, and CDB Governor for Haiti.

In his Annual Statement to the Governors, CDB President, Dr. Compton Bourne, addressed the theme of Urban Development: Challenges and Approaches. He noted that the urban population of Caribbean Community countries had expanded enormously over the past 30 years, and a contemporary development had been the growth of squatter settlements or informal housing settlements as they are sometimes called. Dr. Bourne added that for those Caribbean countries whose sustained economic progress or comparable social and political stability attracted migrants from neighbouring countries, in many cases, unskilled or lower skilled immigrants had clustered in deprived urban areas or in informal



The 37th Annual Meeting was the first for Haiti as a full member of CDB.

settlements, thereby compounding the problems of urban congestion and deprivation. He urged the governments of these countries to develop full-fledged plans and programmes for urban development and regeneration.

Governors participated in a Round Table Discussion hosted by the Inter-American Economic Council on "Building Economic Empowerment in Latin America and the Caribbean" and in an agriculture donors' conference on "Transforming CARICOM Agriculture – Ensuring Food Security and Rural Development in CARICOM", which was organised by the CARICOM Secretariat and the UN Food and Agriculture Organisation.

The Governor for Canada was elected Chairman of the Board of Governors to serve up to the end of the next Annual Meeting, which is to be held in Halifax, Canada, in May 2008.

BOARD OF DIRECTORS

It was in February that, for the first time, a representative of Haiti attended a meeting of the Board of Directors. He attended as an Advisor to the Director for Trinidad and Tobago, under the constituency-sharing arrangement between the two countries.

During the course of five regular meetings in 2008, CDB's Board of Directors approved financing for a number of capital and technical assistance projects. Among them was the first CDB project for Haiti, a grant of \$10 mn for the Education For All project which seeks to expand educational opportunities for the children of Haiti. Some of the thematic areas benefiting from Bank assistance include Transportation (Air and Road), Education, Governance, Disaster Mitigation, Capacity Building

and Private Sector Development.

Among the other significant approvals by the Board in 2007, was the establishment of an Interest Subsidisation Fund, a mechanism to subsidise the interest on loans from CDB's OCR, since a number of BMCs were facing severe fiscal and debt sustainability challenges. The Board also approved financing for the transformation process of LIAT (1974) Limited, in the form of loans to three shareholder governments and a grant to the airline for institutional strengthening.

The Board also approved a number of human resources-related matters, including a Staff Compensation Policy and amendments to the Staff Regulations and Rules. In addition, the Board approved the Bank's Work Programme and Administrative and Capital Budgets for 2008-2009, which incorporated a number of transformational initiatives to improve internal efficiency and the Bank's competitiveness. Towards the latter part of the year, Directors began the preparatory process in relation to the forthcoming SDF VII replenishment negotiations to cover the period 2009-2012.

AUDIT AND POST-EVALUATION COMMITTEE

The Audit and Post-Evaluation Committee (APEC) is an advisory committee which assists the Board of Directors in discharging 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. It comprises four Directors who are appointed by the Board for a two-year term.

APEC met twice in 2007, and members reviewed the 2006 audited Financial

Statements and the 2007 Audit Plan which were presented by the external auditors, PricewaterhouseCoopers (PwC). The Committee reviewed reports prepared by the Internal Audit Unit and the Evaluation and Oversight Division (EOV), of the Bank, and presented reports to the Board on the audited Financial Statements and on reports submitted by EOV.

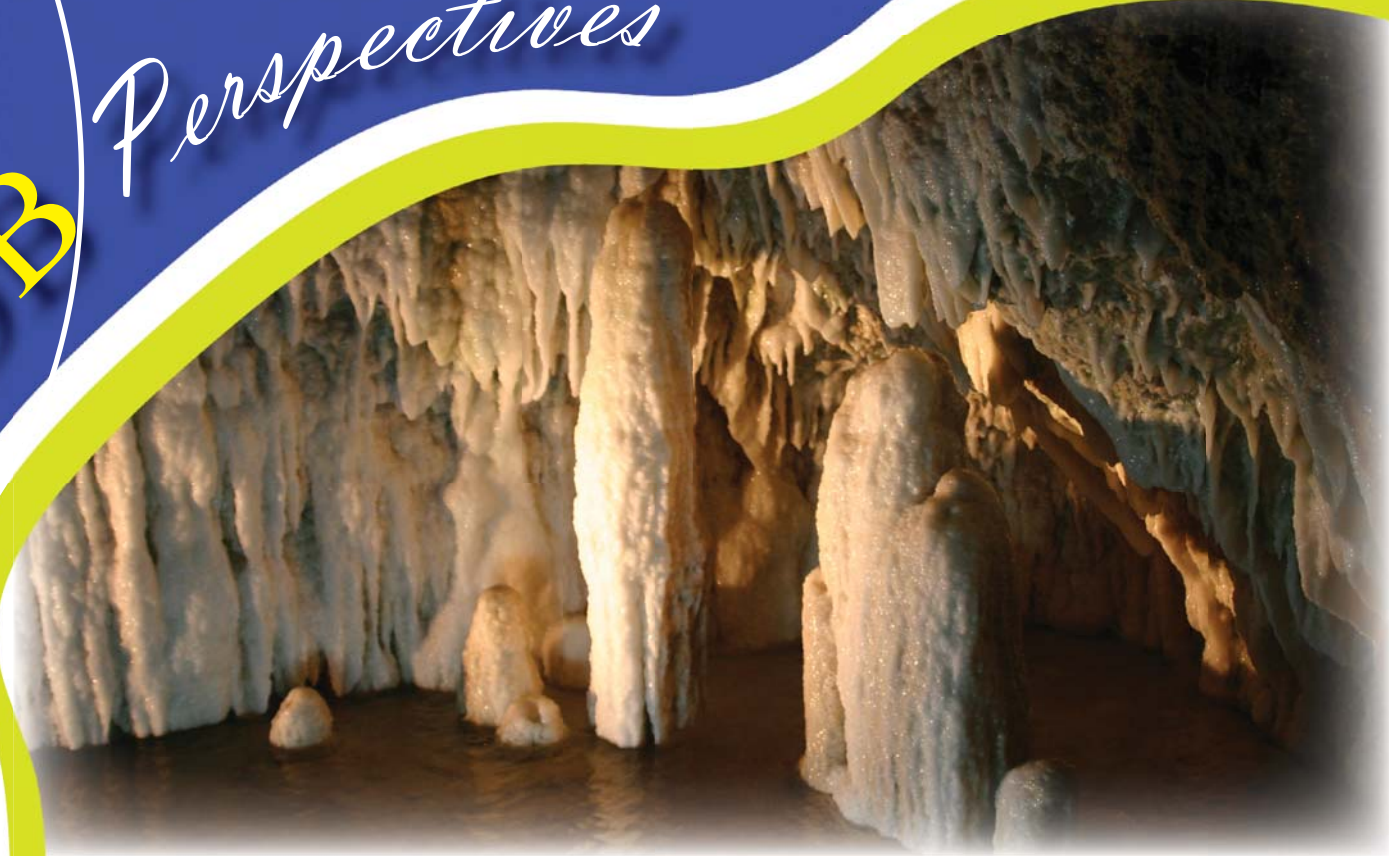
Membership of APEC facilitates insight into many areas of the Bank's operations, including significant financial and related business issues, including risk management, project implementation experiences, as well as the application of lessons learnt from independent evaluations of projects and programmes.

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 completed in the areas of Technical Assistance and Education. The findings of the programme evaluation with respect to TA Operations over the period 2000 - 2004 indicate that the overall performance of the operations was satisfactory. The operations were highly diverse and have responded to changing policy objectives of the Bank. Management, monitoring and supervision pose many challenges with regard to capacity development, resources constraints, the required skills set and the differing objectives among partners. Significant limitations to monitoring and supervision were highlighted. Major lessons learnt include the

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Harrison's Cave is one of the very popular and most visited land-based tourist attractions in Barbados. This natural phenomenon, with its subterranean passages featuring lakes, stalactites and stalagmites, waterfalls and streams, is accessible to visitors by electrically-operated trams. It is promoted as the only "drive-in" cave in the Caribbean, and only one of three in the world offering this experience.

Tourism is the main foreign-exchange earner for Barbados and acts as a catalyst in the economy, stimulating production in other sectors through its demand for goods and services.

Harrison's Cave has been in operation as a tourist attraction for more than 20 years. Increasing visitor demand for discovery and adventure as part of their holiday experience has given additional incentive to ensure the sustainable development and operation of natural sites and attractions.

Therefore, the company which manages the cave on behalf of the Government of Barbados approached CDB for a loan equivalent to \$16.8 million to assist with the financing of rehabilitation and upgrading of the facilities. The work includes improvements to the road leading to the cave, installation of directional signs, acquisition of new trams and new elevators, and renovation of the interpretative centre.

The newly-appointed Minister of Family, Youth Affairs, Sports and the Environment said on a familiarisation tour "What I am intrigued by is that this is not just a cave project. This takes into consideration the entire environment – both above ground and in the vicinity around us. So, it's an opportunity for all, not just for visitors, but Barbadians as well, to learn about how our environment affects everything that we do and how what they do above ground affects our water."

need for flexibility in adjusting to changing circumstances, the importance of linkages with other projects or follow-ons to existing TAs, and that specialised skills are critical for effective TA design and implementation. Further strengthening of the strategic management of TA, monitoring, supervision, information systems and reporting was recommended to improve quality at entry, quality of supervision and managing for results.

The overall outcome of the Basic Education Project was satisfactory. The project achieved the objective of increasing access to primary education and eliminating the shift system in the city area. Improving the quality of senior primary education was not achieved to the extent desired, given the focus of the government on achieving universal secondary education and the phasing out of the senior primary schools.

The performance of CDB's public and private sector portfolio under implementation was reviewed for the year ending December 31, 2006, and the findings indicate that the loan portfolio maintained a highly satisfactory rating.

EXTERNAL RELATIONS AND PARTNERSHIPS

The Bank's President continued his programme of visits to member countries and other development

partners in the course of which opportunities for collaboration were explored and agreed upon as appropriate.

Considerable attention was given to CSME-related activities through participation in the various organs of CARICOM as well as in work involved in respect of the CARICOM Development Fund. Progress was also achieved in relation to expanding the membership and contribution base of the Bank.

HARMONIZATION

The Bank continued to collaborate with other members of the development community in keeping with its commitment to the principles of the Paris Declaration. Staff participated in the various IFI committees on Budgeting, Human Resources, Procurement and on the Environment. During the coming year, CDB expects to host the IFI meetings on Procurement and on Human Resources.

IMPROVING INTERNAL EFFICIENCY

A Bank-wide Operations Audit and subsequent detailed reviews of several key business processes indicated that there was need for greater integration of IT systems and the applications around which work was organised. Another conclusion was that some of CDB's applications needed to be changed

in order for service delivery to be improved. Also underscored was the conclusion that the flow of work could be rendered more efficient if staff were empowered to take more responsibility for the quality of their work, thereby reducing the amount of oversight required.

In pursuit of the foregoing, several business processes were redesigned and the number of checkpoints reduced without compromising the Bank's internal controls but leading to improved efficiency.

During 2007, implementation of several new applications was begun and they will become operational in the early part of 2008. These will deepen the process of efficiency improvement and service delivery in critical areas such as financial reporting, purchasing and loans and grants management. Importantly, work on the first phase of a comprehensive Corporate Reporting Facility was begun in 2007 for completion in the first quarter of 2008. Subsequent phases will be developed in coming years which will enable the Bank to have in place a comprehensive management reporting system.

When completed, these new applications will empower external and internal clients to access information on CDB's data bases at any time, without having to contact CDB's staff directly.



The town of Grenville, midway up Grenada's east coast, is both picturesque and historic. More important, it serves as an economic and transportation hub for that part of the island. In the middle of town is the market square, which is said to be central to the cultural heritage of Grenville, and its use as a community space for cultural

shows and other activities. The market place also serves as a bus terminal and an abattoir. Add up all these activities and the end result is a rather congested area with vendors, travelers, shoppers, butchers, animals, and bus drivers competing for the limited space. It already has the potential to be unsanitary and this is compounded by the flooding that takes place, sometimes even in the absence of rain.

"When you hear rain fall, that is the worse time when you in the market selling. Sometimes the sun hot here and then the tide comes in, you must know when the tide comes in because you see the water come up high and then you have problems crossing over," lamented one vendor.

When this project is completed the vendors will no longer have to worry about the flooding, as drainage works are part of the output. They should also find their conditions more hospitable as the project will also see the construction of a modern general market including vending facilities for agricultural produce, meat and general merchandise on the site of the existing market.

"I am looking forward to it. I went and I saw the plans for it. I've been attending all the meetings. I find is something good they doing."

The congestion too will be alleviated as the mini buses will no longer be allowed to park in the market square. They will be accommodated at a new bus terminal which will be constructed in an area close to from the market.

A modern abattoir is to be constructed in the village of Mirabeau and this will serve the entire eastern corridor of the country. Vehicles will be provided to transport the animals to the facility and the meat to the market.

This project fits in perfectly with the whole agricultural redevelopment taking place in Grenada as it addresses a very important area – the provision of a proper marketing facility for the products. It will contribute to efforts to redevelop the town of Grenville to enable it to serve as a regional business centre providing services to the entire eastern corridor of the country.

PART IV

Finance





Projects not only provide infrastructure but also employment.

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 (OCR) – which is the main topic of this Management Discussion and Analysis – Special Development Funds (SDF), and Other Special Funds (OSF). 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 resources come from the following sources: private capital markets; international financial institutions in the form of borrowings; paid-up 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 maximize 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 of shareholders and on an array of financial policies and practices. Shareholder support for CDB is reflected in the capital backing received from members and in the record of borrowing members

in meeting their debt-service obligations. CDB's financial policies and practices have led it to build reserves, to diversify 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 loans to 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 U.S. dollars. CDB mitigates its exposure to exchange rate risks by matching the currencies of its liabilities and equity with those of its assets. However, the reported levels of its assets, liabilities, income and expenses in the financial statements are affected by exchange rate movements of major currencies compared with CDB's reporting currency, the U.S. dollar.

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 organizational 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

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, 2007, was \$506.4 mn, compared with \$469.8 mn at December 31, 2006. The increase from 2006 primarily reflects the increase in retained earnings; it also, however, includes additional equity from the membership of Haiti.

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 2007, CDB's Board of Governors approved the allocation of the net income of \$17.7 mn from the Ordinary Operations of the Bank for the year ended December 31,

2006 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, 2007, the subscribed capital of CDB was \$712.9 mn, an increase of \$7.9 mn representing Haiti's capital subscriptions for membership to the Bank. Total paid-up capital was \$157.4 mn and \$555.5 mn 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, 2007, amounted to \$477.0 mn compared with \$464.1 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 U.S. dollar and non-U.S. dollar fixed-rate borrowings into U.S. 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



Providing support for those with special needs.

inherent risk to CDB as a multilateral development bank (MDB) is country credit risk, or loan portfolio 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% of capital at December 31, 2007, compared with 34.0% at the end of 2006.

MANAGING RISK-BEARING CAPACITY

The Bank manages, limits and controls concentrations of credit risk. The Bank limits the amount of risk accepted in relation to one borrower, or groups of borrowers. Such risks are monitored on a revolving basis and subject to an annual or more frequent review, when necessary. The Board of Directors approves the limits on the level of credit risk.

INTEREST RATE RISK

The main source of potential interest rate risk to CDB is the interest rate spread between the rate which 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.

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 of CDB and the characteristics of the activities and markets in which CDB operates. The Bank seeks to adopt best practice approach to operational risk management and continues to evolve. CDB monitors and controls operational risk through business process reviews. This is designed to assist departments in identifying key operational risks and assessing the degree to which they mitigate these risks and maintain appropriate controls. The Bank plans to enhance its risk management practices by moving towards a comprehensive



Building from the ground up.

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. At the end of 2007, the minimum liquidity level was \$132.9 mn, while the aggregate size of the OCR liquid assets portfolio stood at \$171.3 mn or 51.6% of undisbursed commitments. CDB's liquid assets may from time to time fall below the specified minimum due to the timing of its borrowing transactions. As at December 31, 2007, 86% of the portfolio was largely comprised of assets denominated in U.S. dollars with net exposure to short-term interest rates.

Credit risk is measured in terms of both probable and potential losses

from protracted payments arrears. Probable losses are covered by CDB's accumulated provision for losses on loans and guarantees, and potential losses are covered by income-generating capacity and equity.

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

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. APEC also discusses the audited financial statements along with the management and the external auditors, prior to its recommendation to the Board for Directors' 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

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Enhancing Technical and Vocational Education and Training

Perspectives

CDB



CDB has been providing support for technical and vocational education in its borrowing member countries, with the ultimate goal of reducing poverty levels, by enhancing the earning capacity and social well-being of graduates from the TechVoc programmes; either through promoting upward mobility in their jobs or in their entrepreneurial endeavours.

Improving the quality, coverage and delivery of technical vocational education and training was the objective of a \$13 mn loan to the Government of Belize which CDB approved in 2000.

Trainees currently enrolled at the six centres of the Institute of Technical and Vocational Education and Training are pursuing their dreams of qualifying in a trade. In addition to theory and practical education in their core subject, they also have to study subjects such as Mathematics, Introduction to Computers, Technical Drawing, Life Skills and Entrepreneurship.

Armando Gomez, Manager of the Orange Walk centre, is not shy about relating what his facility has been able to accomplish. “This is our second academic year, and we’re already creating a lot of waves. We are the first to BZNVQ (Belize National Vocational Qualification) certify any trainee in Belize, the first institution. And that makes us extremely proud.”

Mr. Gomez is eager to expand while continuing to deliver quality education and training. His institution markets its programmes to high schools throughout the country and those efforts are bearing fruit. “Soon we will have from the entire nation, and soon from the Caribbean community.”

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, 2007, as well as for the previous four years.

RESULTS OF OPERATIONS

OVERVIEW

Reported net income amounted to \$34.8 mn for the year ended December 31, 2007, an increase of \$17.1 mn, or 96.6% when compared with \$17.7 mn in net income recorded for the year ended December 31, 2006. The increase in net income was mainly attributable to the income from the fair value adjustment of

derivatives of \$11.8 mn, reflecting a change of \$16.2 mn when compared with an expense of \$4.4 mn at the end of 2006. It is important to note that the income gained from the fair value adjustment is unrealised and therefore does not fundamentally affect the Bank's financial soundness, unless of course these derivatives were 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 the Bank does not trade its derivatives, the fair value income or expenses of the derivatives will not be realised. Operating income before derivative fair value adjustments for the year was \$23.0 mn an increase of \$0.9 mn or 4.1% from \$22.1 mn in 2006.

NET INTEREST INCOME

Net interest income for the year was \$29.1 mn, compared with \$26.1 mn

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

	2007	2006	2005	2004	2003
Income					
Interest Income	53,853	49,739	43,454	35,128	29,901
Interest Expense	24,769	23,671	17,819	10,991	8,849
Net Interest Income	29,084	26,068	25,635	24,137	21,052
Operating Expense/(Income)					
Commitment & Other Fee	(1,986)	(2,288)	(2,130)	(2,174)	(2,635)
Other Income	(110)	(319)	(99)	(218)	(2,132)
Administrative	7,873	6,905	7,023	7,240	6,771
Currency Translation	271	(326)	(312)	-	(942)
Net Operating Expenses	6,048	3,972	4,482	4,848	1,062
Operating Income	23,036	22,096	21,153	19,289	19,990
Fair Value Adjustment	(11,805)	4,395	14,318	(191)	(1,951)
Net Income	34,841	17,701	6,835	19,480	21,941

TABLE IV:2 RATE VOLUME ANALYSIS
(\$'000)

	2007			2006			Increase/(Decrease) Due To		
	Average Balance	Income/Expense	Average Rate	Average Balance	Income/Expense	Average Rate	Rate	Volume	Total
Interest Earning Assets									
Cash & Investments	\$175,957	\$9,720	5.52%	\$159,524	\$7,499	4.70%	\$1,313	\$908	\$2,221
Loans	708,210	44,133	6.23%	691,540	42,240	6.11%	854	1,039	1,893
Total Earning Assets	884,167	53,853	6.09%	851,064	49,739	5.84%	2,167	1,947	4,114
Interest Bearing Liabilities	457,212	24,769	5.42%	448,589	23,671	5.28%	630	468	1,098
Net Earning Assets/Spread	426,954			402,475			1,537	1,479	3,016
Net Interest Income		29,084			26,068				
Net Interest Spread			0.67%			0.57%			
Net Loan Interest Spread			0.81%			0.83%			
Net Interest Margin			3.29%			3.06%			

in 2006. The increase in net interest income during the year was due to increases in the average outstanding balances of loans and investments and the yields thereon, offset by similar changes on borrowings. An analysis of the impact of changes in rates and volumes is provided at Table IV:2. Overall interest income increased by \$4.1 mn, or 8.2% over the previous year, of which \$2.1 mn or 52.7% was due to increase in rates and \$1.9 mn, or 47.3% was due to increase in volume.

NON-INTEREST EXPENSES

Year-to-date net non-interest expenses, including commitment fees and other income, administrative expenses, translation gains/(losses) amounted to \$6.0 mn compared with \$4.0 mn in 2006. The increase in net non-interest expenses of \$2.0 mn was primarily a result of growth in administrative expenses of \$0.9 mn, an increase in currency translation of \$0.6 mn and reduction commitment fee of \$0.3 mn and other income of \$0.2 mn.

BALANCE SHEET REVIEW

ASSETS

At December 31, 2007, total assets amounted to \$1016.4 mn compared with \$961.8 mn at December 31, 2006. The increase in total assets was primarily due to growth in the loan portfolio, by \$32.6 mn, or 4.5%, to \$750.3 mn from \$717.7 mn in 2006 and boosted by increases in:

- (i) Due from Banks and Investments of \$7.1 mn;
- (ii) Derivative Financial Instruments of \$10.8 mn; and
- (iii) Receivables - Other of \$3.6 mn.

LIABILITIES

Total liabilities as at December 31, 2007 was \$509.9 mn, up \$17.9 mn from \$492 mn as at December 31, 2006. The increase in liabilities was primarily due to a net increase of \$12.9 mn in long-term borrowings.

EQUITY

At December 31, 2007, equity was \$506.4 mn, compared with \$469.9 mn at December 31, 2006. The increase was primarily due to net income of \$34.8 mn and an increase in paid-up capital of \$1.7 mn resulting from Haiti's membership in the Bank 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, supranationals and other short-term investments, to draw upon as necessary. At December 31, 2007, cash and investments totalled \$179.3 mn compared with \$172.2 mn at December 31, 2006. The liquidity ratio stood at 51.6%, compared with the policy minimum of 40%.

SPECIAL FUNDS RESOURCES (SFR)

SPECIAL DEVELOPMENT FUND (SDF)

Total net income for the year ended December 31, 2007, for the two components of the SDF, the Special Development Fund (Unified) – SDF (U), and the Special Development Fund (Other) – SDF (O), was \$8.1

mn compared with \$5.1 mn for the same period in 2006. The improved performance was mainly due to increased income from investments. With the SDF (O) being a contracting operation, most of the SDF activities relate to SDF (U).

INTEREST INCOME

Gross income for the year amounted to \$21.1 mn, up \$5.1 mn or 31.5% SDF (U) from \$16.0 mn at December 31, 2006. Income from the SDF (U) amounted to \$17.0 mn or 80.6%, and SDF (O) was \$4.1 mn or 19.4% of total income. The growth in the gross income was due primarily to the investment activities of the SDF (U) that increased by \$3.9 mn, or 84.8% to \$8.5 mn at December 31, 2007 from \$4.6 mn at December 31, 2006. The growth in income from investments reflects the fact that SDF

(U) investments increased by \$60.1 mn or 55.4% in 2007 to \$168.7 mn from \$108.6 mn at the end of 2006 as well as improved yield on investments. The increase in liquid resources resulted from the encashment of notes from a number of previous SDF programmes.

ADMINISTRATIVE EXPENSES

SDF administrative expenses for the year under review amounted to \$11.2 mn an increase of \$0.5 mn, or 4.7% above administrative expenses of \$10.7 mn in 2006.

OTHER SPECIAL FUNDS (OSF)

OSF net income for the year ended December 31, 2007 was \$4.3 mn, an increase of \$1.2mn, or 38.7% from \$3.1 mn for the year ended December 31, 2006. Interest income for the year was \$7.3 mn, up 28.1%

or \$1.6 mn over the previous year. The growth was attributable to improved yields on investments which was 5.35%, compared with 4.92% in 2006.

Total expenses for the year was \$3.0 mn, a growth of 20.0% or, \$0.5 mn from \$2.5 mn in 2006. The growth was due principally to increases in administrative expenses from \$1.5 mn in 2006 to \$1.7 mn in 2007.

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.



The intra-regional air transport market is a relatively small one, and by early 2007, the major shareholders of LIAT (1974) Ltd. (LIAT) and Caribbean Star (STAR) had concluded that the predatory nature of the competition between the two airlines was unsustainable. The accumulation of several hundred million dollars in losses over a six-year period brought them to the negotiation table. Using resources from the CTCF, CDB contracted the services of a consultant to provide assistance to the shareholders of LIAT in their negotiations with STAR for a merger of the two airlines.

By November 2007, STAR had ceased operations and LIAT assumed some of their assets, aircraft leases, and recruited some of their staff. CDB loans totalling \$60 mn to the three major shareholders of LIAT (Barbados, Antigua and Barbuda, and St. Vincent and the Grenadines) were central to the successful conclusion of the deal. Under its mandate to promote regional public goods, CDB's loans allowed the three major shareholders of LIAT to commence re-capitalisation and transformation of this essential intra-Caribbean air link service.

Over the years, the decision making of LIAT's management was financially constrained. The airline's CEO has indicated that the equity injection has already changed the perceptions of the airline's creditors, making more financing options available for its operations, such as purchasing fuel from suppliers with more attractive credit terms.

Some of the casualties of the prolonged financial crisis at LIAT included the deferral of acquisition of necessary management information systems, adequate training for staff, and the general modernisation of the airline. A CDB Technical Assistance Grant of \$500,000 was included in the financing package to address these and other deficiencies, in an effort to make the intervention sustainable.

One area identified by LIAT's management for focus is that of customer service. "Success for LIAT will only come if we can dramatically improve our customer service. I'm sure this can be achieved and it will certainly be the area where I apply the greatest pressure", the CEO noted.

PART V

Financial Statements and Reports of Independent Auditors



INDEPENDENT AUDITORS' REPORT

**To the Board of Governors
Caribbean Development Bank**

Report on the Financial Statements

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, 2007 and the statement of income, 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 92.

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 accompanying 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, 2007, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards



Chartered Accountants
March 5, 2008
Bridgetown, Barbados

CARIBBEAN DEVELOPMENT BANK
ORDINARY CAPITAL RESOURCES

BALANCE SHEET
AS OF DECEMBER 31, 2007
(EXPRESSED IN THOUSANDS OF UNITED STATES DOLLARS)

	<u>2007</u>	<u>2006</u>
Assets		
Cash Resources		
Due from banks – Note E	\$8,401	\$19,582
Investments		
Investments – trading – Note F	170,947	152,666
Loans		
Loans outstanding – Note G	750,382	717,764
Derivative financial instruments – Note H	16,182	5,304
Receivable from members		
Non-negotiable demand notes – Note L	51,974	50,151
Amounts required to meet maintenance of value on currency holdings – Note L	<u>3,223</u>	<u>4,748</u>
	55,197	54,899
Receivables – other	9,407	5,813
Other assets		
Property and equipment – Note I	<u>5,877</u>	<u>5,852</u>
Total assets	<u>\$1,016,393</u>	<u>\$961,880</u>

The notes on pages 52 to 92 are an integral part of these financial statements.

**CARIBBEAN DEVELOPMENT BANK
ORDINARY CAPITAL RESOURCES**

**BALANCE SHEET (CONTINUED)
AS OF DECEMBER 31, 2007
(EXPRESSED IN THOUSANDS OF UNITED STATES DOLLARS)**

	<u>2007</u>	<u>2006</u>
Liabilities and Equity		
Liabilities		
Accounts payable and accrued liabilities – Note J	\$21,592	\$20,018
Amounts payable to meet maintenance of value on currency holdings – Note L	10,379	6,869
Post-employment benefits – Note P	972	1,088
Borrowings		
Long-term borrowings – Note K	477,022	464,055
Total liabilities	<u>509,965</u>	<u>492,030</u>
Equity		
Capital stock – Note L		
Authorised capital – 118,526 (2006 – 118,526) shares		
Subscribed capital – 108,846 (2006 – 107,971) shares	712,958	705,041
Less callable capital – 85,011 (2006 – 84,328) shares	555,525	549,345
	<u>157,433</u>	<u>155,696</u>
Paid-up capital - 23,835 (2006 – 23,643) shares	157,433	155,696
Less subscriptions not yet matured	-	-
	<u>157,433</u>	<u>155,696</u>
Subscriptions matured	348,995	314,154
Retained earnings and Reserves – Note L	348,995	314,154
Total equity	<u>506,428</u>	<u>469,850</u>
Total liabilities and equity	<u>\$1,016,393</u>	<u>\$961,880</u>

Approved on March 5, 2008 by:



Compton Bourne, Ph.D., O.E.
President



Wm. Warren Smith
Director, Finance & Corporate Planning

The notes on pages 52 to 92 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, 2007
(EXPRESSED IN THOUSANDS OF UNITED STATES DOLLARS)

	Capital Stock	Retained Earnings	Reserves	Total
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
Balance at January 1, 2007	155,696	300,044	14,110	469,850
Capital subscriptions	1,737	-	-	1,737
Net income for the year	-	34,841	-	34,841
Balance at December 31, 2007	\$157,433	\$334,885	\$14,110	\$506,428

The notes on pages 52 to 92 are an integral part of these financial statements.

**CARIBBEAN DEVELOPMENT BANK
ORDINARY CAPITAL RESOURCES**

**STATEMENT OF INCOME
FOR THE YEAR ENDED DECEMBER 31, 2007
(EXPRESSED IN THOUSANDS OF UNITED STATES DOLLARS)**

	<u>2007</u>	<u>2006</u>
Interest and similar income		
Loans – Note M	\$44,133	\$42,240
Investments and cash balances – Note M	9,720	7,499
	<u>53,853</u>	<u>49,739</u>
Interest expense and similar charges		
Borrowings – Note N	21,505	20,577
Other financial expenses – Note N	3,264	3,094
	<u>24,769</u>	<u>23,671</u>
Net interest income – Note N	29,084	26,068
Other expenses/(income)		
Commitment fees and other charges – Note M	(1,986)	(2,288)
Other income	(110)	(319)
Administrative expenses – Note O	7,873	6,905
Foreign exchange (gains)/losses	271	(326)
	<u>6,048</u>	<u>3,972</u>
Operating income before derivative fair value adjustment	23,036	22,096
Derivative fair value adjustment – Note Q	(11,805)	4,395
Net income for the year	<u>\$34,841</u>	<u>\$17,701</u>

The notes on pages 52 to 92 are an integral part of these financial statements.

CARIBBEAN DEVELOPMENT BANK

ORDINARY CAPITAL RESOURCES

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2007

(EXPRESSED IN THOUSANDS OF UNITED STATES DOLLARS)

	<u>2007</u>	<u>2006</u>
Operating activities		
Net income for the year	\$34,841	\$17,701
Adjustments for non-cash items		
Unrealised gain on trading portfolio	\$(146)	(137)
Depreciation	1,001	1,048
Gain on disposal	(15)	-
Derivative fair value adjustment	(11,805)	4,395
Interest income	(53,707)	(49,602)
Interest expense	24,769	23,671
Total cash flows from operating profits before changes in operating assets and liabilities	(5,062)	(2,924)
Changes in operating assets and liabilities		
Increase in loans resulting from exchange rate fluctuations	(781)	(965)
(Increase)/decrease in accounts receivable	(3,593)	252
Increase in accounts payable	1,458	2,498
Net increase in trading securities	9,927	12,438
Cash from operating activities	1,949	11,299
Disbursements on loans	(93,372)	(84,481)
Principal repayments to the Bank on loans	62,139	55,912
Interest received	53,059	47,471
Interest paid	(25,040)	(22,738)
Net cash (used in)/provided by operating activities	(1,265)	7,463
Investing activities		
Purchase of property and equipment	(1,026)	(969)
Proceeds from sale	15	-
Net cash used in investing activities	(1,011)	(969)
Financing activities		
Borrowings		
Drawdowns	16,815	37
Repayments	(2,650)	(2,719)
Capital subscriptions	1,737	-
Decrease in amounts required to maintain the value of currency holdings	5,035	1,165
(Increase)/decrease in other receivables from members	(1,824)	275
Net cash provided by/(used in) financing activities	19,113	(1,242)
Net increase in cash and cash equivalents	16,837	5,252
Cash and cash equivalents at beginning of year	42,994	37,742
Cash and cash equivalents at end of year	59,831	42,994
Represented by		
Due from banks	8,401	19,582
Time deposits	51,430	23,412
	\$59,831	\$42,994

The notes on pages 52 to 92 are an integral part of these financial statements.

CARIBBEAN DEVELOPMENT BANK ORDINARY CAPITAL RESOURCES

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2007

(EXPRESSED IN THOUSANDS OF UNITED STATES DOLLARS)

NOTE A – NATURE OF OPERATIONS

The Caribbean Development Bank (CDB) or “the Bank” 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.

Reducing poverty in the Region is CDB’s main objective. CDB finances development projects primarily through its Ordinary Capital Resources (OCR) in its Borrowing Member Countries. In advancing this objective, the Bank participates in the selection, study and preparation of projects contributing to such development and where necessary, provides technical assistance. The Special Development Fund (SDF); and the Other Special Funds (OSF) complement the activities of the OCR.

The OCR, SDF and OSF are managed as separate entities with distinct assets and liabilities. There is no recourse to the OCR for obligations in respect of any of the SDF or OSF liabilities.

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 programmes.

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

NOTE 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, except otherwise stated.

Basis of preparation

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and have been prepared under the historical cost basis, except as modified by the revaluation of investment securities through profit and loss and derivative financial instruments.

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. Areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note D.

CARIBBEAN DEVELOPMENT BANK ORDINARY CAPITAL RESOURCES

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2007

(EXPRESSED IN THOUSANDS OF UNITED STATES DOLLARS)

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES...*continued*

Basis of preparation...*continued*

Amendments to the published standards and interpretations effective in 2007.

IFRS 7 – Financial Instruments: Disclosures IAS 1 (Amendment) – Presentation of Financial Statements. Both standards introduce additional qualitative and quantitative information on each type of risk arising from financial instruments, including specified minimum disclosure about credit risk, liquidity risk and market risk and do not have any impact on the classification and valuation of the Bank's financial instruments. Additional sensitivity analyses have been undertaken to comply with this standard. It supercedes IAS 30 and the disclosure requirements of IAS 32.

The application of the following interpretations did not have a material impact on the Bank's financial statements:

- (a) IFRIC 7 – Applying the Restatement Approach under IAS 29
- (b) IFRIC 8 – Scope of IFRS 2
- (c) IFRIC 9 – Reassessment of Embedded Derivatives
- (d) IFRIC 10 – Interim Financial Reporting and Impairment

Standards and Interpretations that are not yet effective and have not been adopted by the Bank.

- (a) IAS 23 (Amendment) – Borrowing Costs
- (b) IFRS 8 – Operating Segments.
- (c) IFRIC 11 – IFRS 2 – Group and Treasury Share Transaction
- (d) IFRIC 12 – Service Concession Arrangements.
- (e) IFRIC 13 – Customer Loyalty Programmes
- (f) IFRIC 14 – IAS19 – The limit on a defined benefit asset, minimum funding requirements and their interaction

The application of these new interpretations will not have a material impact on the Bank's financial statements in the period of initial application.

Foreign currency translation

Functional and presentation 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. 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.

Foreign currency transactions 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.

CARIBBEAN DEVELOPMENT BANK ORDINARY CAPITAL RESOURCES

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2007

(EXPRESSED IN THOUSANDS OF UNITED STATES DOLLARS)

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES...*continued*

Taxation

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

Financial assets

The Bank classifies its financial assets in the following categories: financial assets at fair value through profit and loss; and loans and receivables. Financial assets and financial liabilities are recognised on the balance sheet when the Bank assumes related contractual rights or obligations and derecognised when the rights to secure cash flows from the financial asset expires or when all risks and rewards of ownership has been substantially transferred.

(a) 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 as held for trading if it is acquired principally for the purpose of selling in the near term or if it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of recent actual pattern of short-term profit-taking. Derivatives are also categorised as held for trading unless they are designated as hedging instruments.

Financial assets designated at fair value through profit and loss are managed and evaluated on a fair value basis and reported to key management on that basis.

Financial assets carried at fair value through profit and loss are initially recognized at fair value, and transaction costs are expensed in the income statement.

Gains and losses arising from changes in the fair value of financial assets through profit or loss are included in the income statement in the period in which they arise.

(b) Loans and receivables

Loans and receivables are non-derivative financial assets that have fixed or determinable payments that are not quoted in an active market. Loans and receivables are initially recorded at fair value plus transaction cost and subsequently measured at amortised cost using the effective interest method, less any impairment. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

Regular-way purchases and sales of financial assets at fair value through profit or loss are recognized on the trade date, the date the Bank commits to purchase or sell the asset.

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 offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

CARIBBEAN DEVELOPMENT BANK ORDINARY CAPITAL RESOURCES

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007
(EXPRESSED IN THOUSANDS OF UNITED STATES DOLLARS)

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES...*continued*

Derivative financial instruments

Derivatives are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured to their fair value at each balance sheet date. The resulting gain or loss is recognised in profit and loss. Fair values are obtained from quoted market prices in active markets, including recent market transactions, and valuation techniques, including discounted cash flow models and options pricing models, as appropriate. All derivatives are carried as assets when fair value is positive and as liabilities when fair value is negative.

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 or designated at fair value through profit and loss using the effective interest method based on the actual purchase price. Loan commitment fees are accrued in arrears on the undisbursed loan facilities.

Once a financial asset or a group of financial assets has been written down as a result of an impairment loss, interest income is recognised using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

Commitment fee income

Loan commitment fees are charged in arrears on the undisbursed portion of the loans. The fee income measurement is not materially different from the effective interest rate method.

Impairment of financial assets

Assets carried at amortised cost

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 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 groups of financial assets are impaired includes observable data that come 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

CARIBBEAN DEVELOPMENT BANK ORDINARY CAPITAL RESOURCES

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2007

(EXPRESSED IN THOUSANDS OF UNITED STATES DOLLARS)

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES...*continued*

- (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; 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 to collect all amounts due according to the original contractual terms of loans. The amount of the provision is the difference between the asset's carrying value and the present value of expected cash flows, including amounts recoverable from guarantees and collateral, discounted at the financial asset's original effective interest rate.

The Bank assesses whether objective evidence of impairment exists individually for loans to the private sector and collectively for loans to the public sector.

Property and equipment

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

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

Land is not depreciated as it is deemed to have an indefinite life. Depreciation of other assets is provided on the straight-line basis at rates considered adequate to write-off the 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

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

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

CARIBBEAN DEVELOPMENT BANK ORDINARY CAPITAL RESOURCES

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2007

(EXPRESSED IN THOUSANDS OF UNITED STATES DOLLARS)

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES...*continued*

Cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents comprise balances with less than three months' maturity from the date of acquisition, including cash and non-restricted balances with central banks, treasury bills and other eligible bills, loans and advances to banks, amounts due from other banks and short-term government securities.

Employee benefits

(a) 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. Both the Plan and the Scheme are managed by Trustees which are appointed by both the management of the Bank and staff.

A defined benefit plan is a pension plan that defines an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors, such as age, years of service and compensation.

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 less the fair value of plan assets, together with adjustments for unrecognised actuarial gains or losses and past service costs. Independent actuaries using the projected unit credit method calculate the defined benefit obligation annually. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related pension liability.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions in excess of the greater of 10% of the value of the Plan assets or 10% of the defined benefit obligation are charged or credited to income over the employees' expected average remaining working lives. Past-service costs are recognised immediately in administrative expenses, unless the changes to the Pension Plan are conditional on the employees 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.

The Scheme is a hybrid scheme providing the member at retirement with a choice between a defined benefit contribution benefits or a pension calculated on a defined benefit formula.

CARIBBEAN DEVELOPMENT BANK ORDINARY CAPITAL RESOURCES

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NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES...*continued*

(b) Other post-retirement obligations

The Bank provides post-retirement medical benefits to its retirees. The expected costs of these benefits are 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. Independent qualified actuaries value these obligations annually.

Borrowings

Borrowings are recognised initially at fair value net of transaction costs incurred. Borrowings are subsequently stated at amortised 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 method.

Capital Subscriptions

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.

The amounts receivable under promissory demand notes are measured at current exchange rates.

Comparatives

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

CARIBBEAN DEVELOPMENT BANK

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NOTE C – RISK MANAGEMENT

The very nature of the Bank's activities necessitates the analysis, evaluation, acceptance and management of some degree of financial risk. Operationally, CDB aims to achieve an appropriate balance between risk and return by adopting an appropriate mix of measures to mitigate the various types of risk to which it is exposed. These measures include a variety of policies, guidelines and practices which together make up the Bank's risk management framework. These policies and practices are reviewed and modified periodically to reflect best practice and the institution's changing circumstances. Frequent reporting of the Bank's performance in relation to the established risk framework is strictly adhered to. The most important types of risk faced by CDB are country credit risk, liquidity risk, market risk and operational risk. Market risk includes currency risk, interest rate and other price risks. Credit, liquidity and market risk are managed by the Finance and Corporate Planning Department.

The Audit and Post-Evaluation Committee (APEC) assists the Board of Directors in discharging its responsibility for risk management. In the execution of its role, the APEC assesses the effectiveness of financial policies and reporting, fiduciary controls, various aspects of financial, business, and operating risk, quality of earnings, and internal controls. In addition, the APEC discusses with management and the external auditors, financial issues and policies that have an important bearing on the Bank's financial position and risk-bearing capacity.

Credit Risk: The major risk to CDB as a multilateral development bank is its exposure to country credit risk. This risk relates to potential losses to CDB in the event that a borrowing member is unable or unwilling to service its obligations to the Bank. CDB manages its country credit risk through its financial policies and lending strategies, including individual country exposure limits and overall creditworthiness assessments. These include ongoing assessments of a country's macroeconomic performance as well as its socio-political conditions and future growth prospects. The individual country's exposure to the Bank on outstanding loans as at December 31, 2007 is reported in Note G.

The credit risk on liquid funds and derivative financial instruments is limited because the counterparties are US Government backed agencies and banks with high credit-ratings assigned by international credit-rating agencies.

Credit risk measurement

(a) Loans and advances

CDB's capital adequacy methodology is used in measuring its loan portfolio credit risk and is constructed around three components:

- (i) the 'probability of default' by the counterparty on its contractual obligations;
- (ii) current exposures to the counterparty and its likely future development, from which the Bank derives the 'exposure at default'; and
- (iii) the likely recovery ratio on the defaulted obligations (the 'loss given default').

These credit risk measurements when combined, reflect expected and unexpected (economic) losses on the portfolio (the 'expected loss model') and are consistent with the principles of the Basel Committee on Banking Regulations and the Supervisory Practices (the Basel Committee). The expected and unexpected losses calculated by the capital adequacy model under stress conditions are used to determine the risk capital which CDB must hold to protect itself against the embedded risk in the loan portfolio.

CARIBBEAN DEVELOPMENT BANK ORDINARY CAPITAL RESOURCES

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NOTE C – RISK MANAGEMENT...*continued*

Credit risk measurement...*continued*

(i) The Bank's capital adequacy model assesses the probability of default of individual borrowers on the basis of external ratings. For borrowers without an external rating, judgement and bench-marking against similar credit are used to assign an appropriate rating. Borrowers are segmented into four rating classes. The rating scale, which is shown below, reflects the range of default probabilities defined for each rating class. This means that, in principle, exposures migrate between classes as the assessment of their probability of default changes. The rating tools are kept under review and upgraded as necessary.

Internal ratings scale and mapping of external ratings

Description of the grade	External rating: Standard & Poor's equivalent
Investment grade	AAA, AA+, AA-, A+, A-
Standard monitoring	BBB+, BBB, BBB-, B+, BB, BB-, B+, B, B-
Special monitoring	CCC to C
Sub-standard	D

The ratings of the major rating agency shown in the table above are mapped to the rating classes based on the long-term average default rates for each external grade. External ratings where available are used to benchmark the internal credit risk assessment. Observed defaults per rating category vary year on year, especially over an economic cycle.

(ii) Exposure at default is based on the amounts expected to be owed at the time of default. Whenever the model is run, the loans outstanding for the individual countries at that point in time are used as the exposure at default. However, loans to the private sector, because of the relatively small amount, the outstanding balances are grouped into a single exposure.

(iii) Loss given default or loss severity represents the Bank's expectation of the extent of loss on a claim should default occur. CDB's experience is that the actual loss incurred at default is the opportunity cost of the income foregone as a result of not receiving the debt payment on schedule. The historical experience is that the Bank eventually recovers all of the outstanding amounts, including the penalty interest charge. Methodologically, 40% of the exposure is used as a conservative estimate of the loss given default.

(b) Debt securities and other bills

CDB's Investment Guidelines limit the quality of the instruments that the Bank can hold in its investment portfolio. No individual investment can have a credit rating less than A-. However, CDB can invest non-freely convertible currencies in unconditional obligations issued or guaranteed by indigenous commercial banks provided that no such bank holds more than \$1,000,000 of the investible amount of the given currency.

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NOTE C – RISK MANAGEMENT...*continued*

Risk limit control and mitigation measures

The Bank manages, limits and controls concentration of credit risk. The financial policies limit the amount of exposure in relation to a single borrower and to groups of borrowers. These risks are monitored on a quarterly basis and subject to more frequent review, when necessary. Currently the exposure limit to the single largest borrower is 50% of the Bank's capital and the limit for the three largest borrowers is 120% of capital.

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 authorising a third party to draw drafts on the Bank up to a stipulated amount under specific terms and conditions, are collateralised by the underlying shipments of goods to which they relate and therefore carry less risk than a direct borrowing. The Bank currently does not have any such exposures.

CDB loans generally take several years before they are fully disbursed, as a result the Bank has undisbursed balances of approved loans. The risk is with the Bank in that it must have liquidity to provide funds to the borrowers as required. The Bank is potentially exposed to loss in an amount equal to the unused commitment. This exposure is reduced as the disbursement is contingent on the borrower meeting its obligations in terms of debt service and other policy related conditions.

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.

CDB has a potential risk of loss if a swap counterparty fails to perform its obligations, and in order to reduce such credit risk, CDB only enters into long-term swap transactions with counterparties eligible under CDB's swap guidelines which include the requirement that counterparties have a credit rating of AA or higher. These guidelines are monitored on an ongoing basis and CDB does not anticipate that any of its counterparties will fail to perform their obligations under such agreements.

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.

CARIBBEAN DEVELOPMENT BANK ORDINARY CAPITAL RESOURCES

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NOTE C – RISK MANAGEMENT...continued

Impairment and provisioning policies

The rating system, described previously, focused more on credit-quality mapping from the inception of the lending and investment activities. In contrast, impairment provisions are recognised for financial reporting purposes only for losses that have been incurred at the balance sheet date based on objective evidence of impairment. Due to the different methodologies applied, the amount of incurred credit losses provided for in the financial statements are usually lower than the amount determined from the expected loss model that is used for internal operational management and banking regulation purposes. The impairment provision shown in the balance sheet at year-end is derived from each of the four internal rating grades.

Bank's rating

As at December 31	2007		2006	
	Loans (\$)	Impairment Provision (%)	Loans (\$)	Impairment Provision (%)
Investment grade	88,248	-	101,891	-
Standard monitoring	342,154	-	318,149	-
Special monitoring	295,695	-	272,079	-
Sub-standard	24,285	-	25,645	-
Total	750,382	-	717,764	-

The internal rating tool assists management to determine whether objective evidence of impairment exists under IAS 39, based on the following criteria:

- Delinquency in contractual payments of principal or interest;
- Cash flow difficulties experienced by the borrower (eg. equity ratio, net income percentage of sales);
- Breach of loan covenants or conditions;
- Initiation of bankruptcy proceedings;
- Deterioration of the borrower's competitive position;
- Deterioration in the value of collateral;
- Downgrading below investment grade level; and
- Economic condition of the country.

The Bank's policy requires the review of individual financial assets that are above materiality thresholds at least annually, or more regularly when individual circumstances require. Impairment allowances on individually assessed accounts are determined by an evaluation of the incurred loss at balance-sheet date on a case-by-case basis, and are applied to all individually significant accounts. The assessment normally encompasses collateral held (including re-confirmation of its enforceability) and the anticipated receipts for that individual account.

Collectively assessed impairment allowances are provided for: (i) portfolios of homogenous assets that are individually below materiality thresholds; and (ii) losses that have been incurred but have not yet been identified, by using the available historical experience, experienced judgement and statistical techniques. Collective assessment for impairment is undertaken with the public sector portfolio of loans. As at December 31, 2007, no impairment was assessed in the loan portfolio.

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NOTE C – RISK MANAGEMENT...continued

Maximum exposure to credit risk before collateral held or other credit enhancements

As at December 31	2007	2006
Due from banks	\$8,401	\$19,582
Investments – trading (debt securities)	170,947	152,666
Public sector loans	726,428	692,463
Private sector loans	23,954	25,301
Derivative financial instruments	16,182	5,304
Non-negotiable demand notes	51,974	50,151
Amounts required to meet maintenance of value on currency holdings	3,223	4,748
Other assets	9,407	5,813
Off-balance sheet credit risk		
Undisbursed loan balance – Public sector	217,266	175,498
Undisbursed loan balance – Private sector	60,424	27,538
	\$1,288,206	\$1,159,064

The above table represents a worse case scenario of credit risk exposure as at December 31, 2007 and 2006, without taking account of any collateral held or other credit enhancements attached.

For on-balance-sheet assets, the exposures set out above are based on net carrying amounts as reported in the balance sheet.

As shown above, 73% of the total maximum exposure is derived from loans and commitments to the public sector (2006: 75%); 7% represents loans and commitments to the private sector (2006: 5%).

Loans and advances

Loans are summarised as follows:

	December 31, 2007		December 31, 2006	
	Public Sector	Private Sector	Public Sector	Private Sector
Neither past due nor impaired	\$725,428	\$24,179	\$691,163	\$24,732
Past due but not impaired	669	106	956	913
Gross	726,097	24,285	692,119	25,645
Less: allowance for impairment	-	-	-	-
Net	\$726,097	\$24,285	\$692,119	\$25,645

During the year ended December 31, 2007, loans that were neither past due nor impaired represented 99.9% of loans outstanding (2006: 99.8%).

CARIBBEAN DEVELOPMENT BANK
ORDINARY CAPITAL RESOURCES

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NOTE C – RISK MANAGEMENT...continued

Loans and advances neither past due nor impaired

The credit quality of the loan portfolio that were neither past due nor impaired can be assessed by reference to the internal rating system adopted by the Bank.

	Loans at December 31, 2007		
	Public Sector	Private Sector	Total Loans
Investment grade	\$88,016	-	\$88,016
Standard monitoring	341,718	-	341,718
Special monitoring	295,694	-	295,694
Sub-standard	-	\$24,179	24,179
Total	\$725,428	\$24,179	\$749,607
	Loans at December 31, 2006		
	Public Sector	Private Sector	Total Loans
Investment grade	\$101,891	-	\$101,891
Standard monitoring	318,106	-	318,106
Special monitoring	271,166	-	271,166
Sub-standard	-	\$24,732	24,732
Total	\$691,163	\$24,732	\$715,895

Loans and advances past due but not impaired

Loans and advances less than 90 days past due are not considered impaired, unless other information is available to indicate the contrary. Gross amount of loans and advances by class to customers that were past due but not impaired were as follows:

	Loans at December 31, 2007		
	Public Sector	Private Sector	Total Loans
Past due up to 30 days	\$576	-	\$576
Past due 30 – 60 days	-	\$106	106
Past due 60 – 90 days	93	-	93
Total	\$669	\$106	\$775
	Loans at December 31, 2006		
	Public Sector	Private Sector	Total Loans
Past due up to 30 days	\$371	-	\$371
Past due 30 – 60 days	-	-	-
Past due 60 – 90 days	-	-	-
Over 90 days	585	913	1,498
Total	\$956	\$913	\$1,869

CARIBBEAN DEVELOPMENT BANK

ORDINARY CAPITAL RESOURCES

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NOTE C – RISK MANAGEMENT...*continued*

Fair value of collateral

CDB does not take collateral on its public sector loans. The Loans (CDB) Acts or other applicable legislation provide for repayment of any loan made by CDB to the Government or any statutory corporation, to be charged upon and paid out of the consolidated fund. CDB also derives comfort from the negative pledge condition included in its loan agreements. This provision prohibits, except with CDB's consent, the charging of Government assets to secure external indebtedness unless CDB is equally and ratably secured. Furthermore, CDB would be accorded preferred creditor status by its BMCs being members of the Bank.

For lines of credit to private sector financial intermediaries a guarantee from a parent or a trust arrangement under which the sub-loans financed by the line are pooled and assigned in the event of default. The fair value of the pool is the future expected cash flows of the sub-loans discounted by their interest rate. Direct loans to the private sector are secured by marketable assets, while the fair value is the forced sale value of the asset.

Debt securities, treasury bills and other eligible bills

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.

The table below presents an analysis of debt securities, treasury bills and other eligible bills by rating agency designation at December 31, 2007, based on Standard & Poor's ratings or their equivalent:

	Trading securities
AAA	\$108,309
AA- to AA+	51,462
A- to A+	5,535
Unrated	5,641
Total	<u>\$170,947</u>

The Bank's management is confident in its ability to continue to control and sustain minimal exposure of credit risk to the Bank resulting from both its loan portfolio and debt securities based on the following:

- 57% of the loans are categorised in the top two grades of the internal rating system (2006: 59%);
- 3% of the loans are categorised as sub-standard (2006: 4%);
- 99.9% of the loan are considered to be neither past due nor impaired (2006: 99.8%);
- Of the loans assessed on an individual basis, there was no impairment; and
- More than 97% of the investments in debt securities and other bills have at least a A- credit rating.

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NOTE C – RISK MANAGEMENT...continued

Concentration of risks of financial assets with credit risk exposure

The following table breaks down the CDB's main credit exposure at their carrying amounts, as categorised by Borrowing Member Countries and non-regional members, USA, and other countries as of December 31, 2007. For this table, the exposures are allocated to regions based on the country of domicile of the counterparties. A further analysis of the Bank's exposure on loans by geographical region is provided at Note G.

	Borrowing Members	Non- Regional Members	USA	Other	Total
Due from banks	\$1,692	\$839	\$5,870	-	\$8,401
Investments – trading (debt securities)	5,641	47,175	85,230	\$ 32,901	170,947
Loans	750,382	-	-	-	750,382
Derivative financial instruments	-	-	10,999	5,183	16,182
Non-negotiable demand notes	31,476	16,668	-	3,830	51,974
Maintenance of value on currency holdings	523	2,700	-	-	3,223
Receivables – other	9,387	-	-	20	9,407
Total	\$799,101	\$67,382	\$102,099	\$41,934	\$1,010,516

CDB's membership is classified into regional and non-regional members. All regional members have the right to borrow but those countries not classified as Commonwealth Caribbean member countries may only borrow up to the extent of their contributions. These non-Commonwealth members have traditionally opted not to exercise that right to borrow.

Non-regional members are shareholders from outside of the Caribbean region, e.g. Canada, United Kingdom, Germany, Italy and China.

Market risk

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

Foreign exchange risk

CDB takes on exposure to the effects of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows. 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. The following table summarises the exposure to foreign currency exchange rate risk at December 31, 2007. Included in the table are the financial instruments at carrying amounts, categorised by currency.

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NOTE C – RISK MANAGEMENT...continued

Concentrations of currency

As at December 31, 2007	US\$	Other	Total
Assets			
Due from banks	\$5,870	\$2,531	\$8,401
Investments	146,834	24,113	170,947
Loans	730,500	19,882	750,382
Derivative financial instruments	16,182	-	16,182
Receivable from members	30,413	24,784	55,197
Receivables – other	7,699	1,708	9,407
Total financial assets	937,498	73,018	1,010,516
Liabilities			
Accounts payable	21,136	456	21,592
Amounts payable to meet MOV	10,379	-	10,379
Borrowings	477,022	-	477,022
Total financial liabilities	508,537	456	508,993
Net on-balance sheet financial position	428,961	72,562	501,523
Credit commitments	277,690	-	277,690
At December 31, 2006			
Total financial assets	888,802	72,191	960,993
Total financial liabilities	490,781	161	490,942
Net on-balance sheet financial position	398,021	72,030	470,051
Credit commitments	\$203,036	-	\$203,036

As at December 31, 2007 the net on-balance sheet position was \$501,523 of which 85% was in US dollars and 15% was a mix of member country currencies. The currency composition of the loan portfolio is disclosed in Note G.

Interest rate sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to interest rates for both derivatives and non-derivative instruments at the balance sheet date. For floating rate liabilities, the analysis is prepared assuming the amount of liability outstanding at the balance sheet date was outstanding for the whole year. A 50 basis points (bps) increase or decrease is used and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 50 bps higher and all other variables were held constant, the CDB's net income for the year ended December 31, 2007 would increase by \$60. If interest rates had been 50 bps lower and all other variables were held constant, the CDB's net income for the year ended December 31, 2007 would increase by \$78. In 2006 a 50 bps increase would cause net income to decrease by \$287 and conversely a 50 bps decline would result in an increase in the net income of \$10.

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NOTE C – RISK MANAGEMENT...continued

Interest rate risk...continued

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate because of changes in market interest rates. The Bank takes on exposure to the effects of fluctuations in the prevailing levels of market interest rates on both its fair value and cash flow risks. Interest margins may increase as a result of such changes but may reduce losses in the event that unexpected movements arise.

The table below summaries the exposure to interest rate risks including financial instruments at carrying amounts, categorised by the earlier of contractual repricing or maturity dates.

At December 31, 2007	0-3 months	3-12 months	1-5 years	Over 5 years	Non-interest bearing	Total
Assets						
Due from banks	\$8,401	-	-	-	-	\$8,401
Investments	79,862	\$44,841	\$38,012	\$8,232	-	170,947
Loans	750,382	-	-	-	-	750,382
Derivative financial instruments	15,555	627	-	-	-	16,182
Receivable from members	-	-	-	-	55,197	55,197
Other receivables	-	-	-	-	9,407	9,407
Total Assets	854,200	45,468	38,012	8,232	64,604	1,010,516
Liabilities						
Accounts payable	-	-	-	-	22,564	22,564
Payable to members	-	-	-	-	10,379	10,379
Borrowings	187,127	112,182	8,443	169,270	-	477,022
Total Liabilities	187,127	112,182	8,443	169,270	32,943	509,965
Total interest repricing gap	667,073	(66,714)	29,569	(161,038)		
At December 31, 2006						
Assets						
Due from banks	19,582	-	-	-	-	19,582
Investments	47,813	32,894	66,868	5,091	-	152,666
Loans	717,764	-	-	-	-	717,764
Derivative financial instruments	4,090	1,214	-	-	-	5,304
Receivable from members	-	-	-	-	54,899	54,899
Other receivables	-	-	-	-	5,813	5,813
Total Assets	\$789,249	\$34,108	\$66,868	\$5,091	\$60,712	\$956,028
Liabilities						
Accounts payable	-	-	-	-	21,106	21,106
Payable to members	-	-	-	-	6,869	6,869
Borrowings	171,674	62,254	59,931	170,196	-	464,055
Total Liabilities	\$171,674	\$62,254	59,931	170,196	\$27,975	\$492,030
Total interest repricing gap	\$617,575	\$(28,146)	\$6,937	\$(165,105)		

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NOTE C – RISK MANAGEMENT...continued

Liquidity risk

Liquidity risk relates to the probability that the Bank is unable to meet the payment obligations associated with its financial liabilities when they fall due and to replace funds when they are withdrawn. The consequence may be the failure to meet obligations to disburse on its commitments. CDB's policy is to maintain its liquidity at a minimum of 40% of undisbursed commitments (loans approved and not yet disbursed). As at December 31, 2007 the liquidity ratio was 51.6% (2006: 55.9%).

Liquidity risk management process

CDB's liquidity management process, includes:

- Day-to-day disbursements, managed by monitoring future cash flows to ensure that requirements can be met. This includes replenishment of funds as they mature or are borrowed by customers. CDB maintains an active presence in international money markets to enable this to happen;
- Maintaining a portfolio of highly marketable assets that can easily be liquidated as protection against any unforeseen interruption to cash flow; and
- Managing the concentration and profile of debt maturities

The table below presents the cash flows by remaining contractual maturities at the balance sheet date. The amounts disclosed in the table are the contractual undiscounted cash flows.

At December 31, 2007	0 - 3 months	3-12 months	1-5 years	Over 5 years	Total
Assets					
Due from banks	\$8,401	-	-	-	\$8,401
Investments	83,178	\$46,912	\$44,887	\$9,039	184,016
Loans	25,147	74,152	404,483	570,475	1,074,257
Derivative financial instruments	-	-	-	16,182	16,182
Receivable from members	-	-	-	55,197	55,197
Other receivables	8,107	519	450	331	9,407
	\$124,833	\$121,583	\$449,820	\$651,224	\$1,347,460
Total Assets					
Liabilities					
Accounts payable	20,252	1,340	-	972	22,564
Payable to members	-	-	-	10,379	10,379
Borrowings	6,817	70,605	102,284	522,557	702,263
	\$27,069	\$71,945	\$102,284	\$533,908	\$735,206
Total Liabilities					
Total net liquidity gap	\$97,764	\$49,638	\$347,536	\$117,316	

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NOTE C – RISK MANAGEMENT...continued

Liquidity risk management process...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	50,449	\$ 40,234	\$ 79,251	\$ 5,787	175,721
Loans	23,024	67,938	384,268	554,173	1,029,403
Derivative financial instruments	-	-	-	5,304	5,304
Receivable from members	-	-	-	54,899	54,899
Other receivables	4,748	141	692	232	5,813
Total Assets	97,803	108,313	464,211	620,395	1,290,722
Liabilities					
Accounts payable	15,612	806	2,582	2,106	21,106
Payable to members	-	-	-	6,869	6,869
Borrowings	6,352	19,540	144,696	462,174	632,762
Total Liabilities	\$21,964	\$20,346	\$147,278	\$471,149	\$660,737
Total net liquidity gap	\$75,839	\$87,967	\$316,933	\$149,246	

Derivative cash flows

The table below analyses the derivative financial liabilities that will be settled on a net basis into relevant maturity groupings based on the remaining period at the balance sheet to the contractual maturity date. The amounts disclosed in the table are contractual undiscounted cash flows.

At December 31, 2007	0 - 3 months	3-12 months	1-5 years	Over 5 years	Total
Derivatives held for trading:					
- Currency swaps	\$(380)	\$(2,448)	\$(6,612)	\$(41,408)	\$(50,848)
- Interest rate swap	-	647	-	-	647
Total	\$(380)	\$(1,801)	\$(6,612)	\$(41,408)	\$(50,201)
At December 31, 2006					
Derivatives held for trading:					
- Currency swaps	\$(580)	\$(3,264)	\$(12,638)	\$(45,543)	\$(62,025)
- Interest rate swap	-	645	647	-	1,292
Total	\$(580)	\$(2,619)	\$(11,991)	\$(45,543)	\$(60,733)

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NOTE C – RISK MANAGEMENT...continued

Off-balance sheet items

(a) Loan and capital commitments

The table below summarises the amounts of the Bank's off-balance sheet financial instruments that will commit it to extend credit to customers as well as capital commitments for the acquisition of equipment and software.

At December 31, 2007	0-12	1-5	Total
	months	years	
Loan commitments	\$115,000	\$162,690	\$277,690
Capital commitments	867	-	867
Total	115,867	162,690	278,557

At December 31, 2006	0-12	1-5	Total
	months	years	
Loan commitments	93,372	109,664	203,036
Capital commitments	1,026	-	1,026
Total	\$94,398	\$109,664	\$204,062

Fair value of financial assets and liabilities

(a) *Financial instruments measured at fair value using a valuation technique*

The total amount of the change in fair value estimated using a valuation technique that was recognised in profit and loss during the year was income of \$11,805 (2006: an expense of \$4,395).

(b) *Financial instruments not measured at fair value*

The carrying amounts and the fair value of those financial assets and liabilities not presented in the balance sheet at their value are summarised below.

(i) Due from banks

Due from banks includes cash and inter-bank placements. The estimated fair value of floating rate placements and overnight deposits is their carrying value.

(ii) Loans

The estimated fair value of loans represents the discounted amount of estimated cash flows expected to be received. Expected cash flows are discounted at current market rates to determine fair value.

(iii) Non-negotiable demand notes

These are non-interest bearing demand notes with no conditions for repayment. The fair value is estimated therefore to be the carrying value.

(iv) Maintenance of value on currency holdings

Member countries, whose currencies do not have a fixed relationship with the current US dollar but have made adjustments to the exchange rate, are obliged to maintain the value of their currencies if such currencies

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depreciate. The estimated fair value represents the discounted amount of estimated cash flows expected to be received.

NOTE C – RISK MANAGEMENT...continued

- (v) Accounts payable and accrued liabilities
The estimated fair value of current liabilities with no stated maturity is the amount repayable on demand.
- (vi) Maintenance of value – payable
CDB will make MOV payments to members whose currencies have significantly appreciated. The estimated fair value represents the discounted amount of estimated cash flows expected to be paid.
- (vii) Borrowings
The aggregate fair value are based on discounted cash flow models using a current yield curve appropriate for the remaining term to maturity.

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.

	Carrying value		Fair value	
	2007	2006	2007	2006
Financial assets				
Due from banks	\$8,401	\$19,582	\$8,401	\$19,582
Loans	750,382	717,764	750,382	717,764
Non-negotiable demand notes	51,974	50,151	51,974	50,151
Maintenance of value on currency holdings	3,223	4,748	1,429	2,857
Total	813,980	792,245	812,186	790,354
Financial liabilities				
Accounts payable and accrued liabilities	21,592	20,018	21,592	20,018
Maintenance of value - payable	10,379	6,869	5,755	3,657
Borrowings	471,144	457,906	533,460	510,444
Total	\$503,115	\$484,793	\$560,807	\$534,119

Derivatives

Foreign currency forward contracts are measured using quoted forward exchange rates and yield curves derived from quoted interest rates matching maturities of the contracts.

Interest rate swaps are measured at the present value of future cash flows estimated and discounted based on the applicable yield curves derived from quoted interest rates.

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ORDINARY CAPITAL RESOURCES

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NOTE C – RISK MANAGEMENT...*continued*

Fair value of financial assets and liabilities

Capital Management

CDB's objectives when managing capital, which is a broader concept than "equity" on the face of balance sheets, are to:

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

The Bank's capital adequacy framework which is consistent with the guidelines developed by the Basel Committee takes into account the Bank's total equity which is defined as paid-up capital, retained earnings and reserves less receivable from members and the cumulative effect of IFRS 39. The goals of the Bank's capital adequacy policy are to:

- a) ensure a reliable framework and methodology to determine the appropriate levels of economic capital that the Bank should carry for prudential purposes; and
- b) determine from time to time the appropriate changes in the level of economic capital that the Bank must have based on changes in the risk profile of its credit exposures.

The capital adequacy framework is supported by an income targeting policy that would enable the Bank, not only to safeguard, but also to strengthen its level of capitalisation. CDB's Board of Directors has approved a total equity-to-exposure ratio (TEER)¹ in the range of 50% to 55%.

At the end of each reporting period, an assessment is made to determine the imbedded risk in the Bank's exposures to the public and private sectors and its capacity to carry this risk. The outstanding loans for each debtor are placed into the rating category of that debtor. The default rate that is associated with each rating is applied to the outstanding exposure by each obligee.

The results of this analysis based on the balance sheet as at December 31, 2007 indicate a TEER of 62% (2006: 62%). This indicates that the Bank is adequately capitalised as its TEER is in excess of the 55% upper limit.

Management provides quarterly and annual reports to the Board to ensure compliance with the capital adequacy and exposure policies.

¹ For the purposes of capital adequacy, Equity = Paid-in capital + Ordinary reserves + Net income + Special reserve – Net receivable from members.
Exposure = loans and guarantees outstanding.

CARIBBEAN DEVELOPMENT BANK ORDINARY CAPITAL RESOURCES

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NOTE D – CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

CDB makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. Estimates and judgements are continually evaluated and based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Loan loss provisions

The Bank reviews its loan portfolios at least on a quarterly basis to assess impairment. In determining whether an impairment loss should be recorded in the income statement, the Bank makes judgments as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of loans before the decrease can be identified with an individual loan in that portfolio. This evidence may include observable data indicating that there has been an adverse change in the payment status of borrowers in a group, or national or local economic conditions that correlate with defaults on assets in the Bank.

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. For example, if there was a tightening of 50 bps in credit spread, the fair values would be estimated at \$18,395 as compared to their reported fair value of \$16,182 at December 31, 2007.

NOTE E – CASH AND CASH EQUIVALENTS

For the purpose of the cash flow statement, cash and due from banks comprise the following balances with less than 3 months maturity from the date of acquisition:

	<u>2007</u>	<u>2006</u>
Due from banks	\$8,401	\$19,582
Time deposits included in trading portfolio	51,430	23,412
	<u>\$59,831</u>	<u>\$42,994</u>

CARIBBEAN DEVELOPMENT BANK

ORDINARY CAPITAL RESOURCES

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NOTE F – INVESTMENTS

A summary of the Bank's investments at December 31, 2007 and 2006 was as follows:

	2007				
	USD	EUR	CAD	Other	All Currencies
Obligations guaranteed by Governments	\$98,452	\$7,483	\$6,796	-	\$112,731
Multilateral organisations	3,148	-	1,170	-	4,318
Time deposits	43,237	65	933	\$7,195	51,430
Sub-total	144,837	7,548	8,899	7,195	168,479
Accrued interest	1,997	185	195	91	2,468
Total	\$146,834	\$7,733	\$9,094	\$7,286	\$170,947

	2006				
	USD	EUR	CAD	Other	All Currencies
Obligations guaranteed by Governments	\$110,002	\$4,931	\$5,822	\$222	\$120,977
Multilateral organizations	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

NOTE G – LOANS

The Bank's loan portfolio comprises loans granted to, or guaranteed by, Borrowing Member Countries as well as certain other non-sovereign guaranteed loans. Amounts disbursed on loans are repayable in the currency or currencies disbursed by the Bank or in other freely convertible currency or currencies approved by the Bank. The amount repayable in each of these currencies shall be equal to the amount disbursed in the original currency. Loans are granted for a maximum period of twenty years, including a grace period, which is typically the period of project implementation. Loans are for the purpose of financing development projects and programmes, and are not intended for sale. Further, management does not believe there is a comparable secondary market for the type of loans made by the Bank.

CARIBBEAN DEVELOPMENT BANK

ORDINARY CAPITAL RESOURCES

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NOTE G – LOANS...continued

The following tables break down the Bank's main credit exposures at their carrying amounts, as categorised by Borrowing Member Countries, regional institutions and to the private sector as of December 31, 2007.

Borrowers	Loans approved ^{1/}	Loans not yet effective	Effective loans	Undisbursed	Out-standing	% of Loans outstanding
Anguilla	\$21,404	-	\$21,404	\$2,246	\$14,144	1.9
Antigua and Barbuda	40,968	-	40,968	12,369	16,971	2.3
Bahamas	50,597	-	50,597	-	13,277	1.8
Barbados	225,310	-	225,310	66,654	94,594	12.8
Belize	118,556	-	118,556	28,972	59,347	8.0
British Virgin Islands	44,466	4,700	39,766	-	23,748	3.2
Cayman Islands	43,813	-	43,813	229	10,383	1.4
Dominica	30,374	-	30,374	886	17,425	2.3
Grenada	52,451	-	52,451	8,227	31,947	4.3
Guyana	53,466	-	53,466	10,534	24,606	3.3
Jamaica	345,652	28,868	316,784	43,648	151,603	20.5
Montserrat	485	-	485	-	-	-
St. Kitts and Nevis	86,005	-	86,005	29,511	45,673	6.2
St. Lucia	137,937	-	137,937	10,457	95,997	13.0
St. Vincent and the Grenadines	77,660	-	77,660	20,071	45,969	6.2
Trinidad and Tobago	133,038	-	133,038	1,106	63,386	8.6
Turks and Caicos Islands	13,358	-	13,358	3,356	6,744	0.9
Regional	6,496	-	6,496	-	387	0.1
Private Sector	124,926	21,000	103,926	39,424	23,954	3.2
Sub-total	\$1,606,962	\$54,568	\$1,552,394	\$277,690	\$740,155	100.0
Accrued interest	-	-	-	-	\$10,227	
Total – December 31, 2007	\$1,606,962	\$54,568	\$1,552,394	\$277,690	\$750,382	
Total – December 31, 2006	\$1,467,325	\$91,182	\$1,376,143	\$203,036	\$717,764	
Current	\$63,061					
Non-current	\$687,321					

^{1/} Net of lapses and cancellations

CARIBBEAN DEVELOPMENT BANK ORDINARY CAPITAL RESOURCES

NOTES TO THE FINANCIAL STATEMENTS DECEMBER 31, 2007 (EXPRESSED IN THOUSANDS OF UNITED STATES DOLLARS)

NOTE G – LOANS...*continued*

The currency composition of outstanding loans as at December 31, 2007 was as follows:

Currencies receivable	Loans out-standing 2006	Translation adjustment	Disburse-ments	Repayments	Loans out-standing 2007	% of loans outstanding
Barbados dollars	\$41	-	-	\$(35)	\$6	-
Belize dollars	77	-	-	(12)	65	-
Canadian dollars	3,100	\$568	-	(577)	3,091	0.4
Euros	1,067	125	\$2,606	(410)	3,388	0.5
East Caribbean dollars	2,000	-	24	(232)	1,792	0.2
IBRD Units	3,796	-	-	(677)	3,119	0.4
Jamaican dollars	403	(20)	-	-	383	0.1
Pounds sterling	6,372	139	218	(380)	6,349	0.9
Trinidad and Tobago dollars	1,779	(31)	-	(247)	1,501	0.2
United States dollars	689,506	-	90,524	(59,569)	720,461	97.3
Sub-total	708,141	781	93,372	(62,139)	740,155	100
Accrued interest	9,623	-	-	-	10,227	
Total – December 31, 2007	\$717,764	\$781	\$93,372	\$(62,139)	\$750,382	
Total – December 31, 2006	\$678,607	\$965	\$84,481	\$(55,912)	\$717,764	

NOTE H – DERIVATIVE FINANCIAL INSTRUMENTS

The fair values of derivative financial instruments held at December 31, 2007 were as follows:

	2007		2006
	Fair values		
	Notional Amount	Assets	Assets
Cross currency interest rate swaps	\$160,000	\$15,555	\$4,091
Interest rate swap	50,000	627	1,213
	\$210,000	\$16,182	\$5,304

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NOTE I – PROPERTY AND EQUIPMENT

Under the Headquarters' Agreement with the host country, the Bank's owned buildings in the host country are intended to be used for the purposes of the Bank.

The carrying values of property and equipment as at December 31, 2007 were as follows:

	Buildings	Computers	Furniture and Equipment	Motor vehicles	Total
Cost at January 1, 2007	\$9,229	\$6,228	\$4,912	\$146	\$20,515
Disposals	-	-	-	(18)	(18)
Additions	93	539	276	118	1,026
At December 31, 2007	\$9,322	\$6,767	\$5,188	\$246	\$21,523
Accumulated depreciation					
At January 1, 2007	4,893	5,508	4,150	112	14,663
Disposals	-	-	-	(18)	(18)
Depreciation expense	365	347	255	34	1,001
At December 31, 2007	\$5,258	\$5,855	\$4,405	\$128	\$15,646
Net book values					
At December 31, 2007	\$4,064	\$912	\$783	\$118	\$5,877
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

CARIBBEAN DEVELOPMENT BANK

ORDINARY CAPITAL RESOURCES

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NOTE J – ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	2007	2006
Accounts payable	\$147	\$2,464
Accrued expenses	2,296	1,952
Payments in advance	19,149	15,602
Total	<u>\$21,592</u>	<u>\$20,018</u>
Current portion	\$21,506	\$19,944
Non-current portion	\$86	\$74

NOTE K – BORROWINGS

It is the Bank's policy to limit borrowing and guarantees chargeable to the Bank's Ordinary Capital Resources to 100 percent of the callable capital of its investment grade non-borrowing members plus the cash reserves. At December 31, 2007, total borrowings amounted to \$457,240 (2006: \$443,075).

The Bank uses derivatives in its borrowing and liability management activities to take advantage of cost-saving opportunities and to lower its funding costs. The Bank has entered into currency swap agreements with major international banks by which proceeds of a borrowing are converted into a different currency and simultaneously a forward exchange agreement is executed providing for the future exchange of the two currencies in order to recover the currency converted. The Bank has also entered into interest rate swaps, which transform a floating rate payment obligation in a particular currency into a fixed rate payment obligation or vice versa. Other financial expenses relate to expenses derived from the net swap expenses.

The average weighted cost of borrowings in 2007 was 5.42% (2006: 5.28%).

CARIBBEAN DEVELOPMENT BANK ORDINARY CAPITAL RESOURCES

NOTES TO THE FINANCIAL STATEMENTS DECEMBER 31, 2007 (EXPRESSED IN THOUSANDS OF UNITED STATES DOLLARS)

NOTE K – BORROWINGS...*continued*

A summary of the borrowings at December 31, 2007 was as follows:

	Original amounts ^{1/}	Repayments	Currency swap ^{2/}	Undrawn	Outstanding	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	-	\$13,904	-	113,904	2022
Floating Rate Note - US\$	60,000	-	-	-	60,000	2013
Floating Rate Note - US\$	149,696	-	-	-	149,696	2014
	419,696	-	13,904	-	433,600	
European Investment Bank Global Loan 111 – US\$	16,300	-	-	-	16,300	2014
Global Loan 11 - A - US\$	13,034	(6,811)	-	-	6,223	2011
	29,334	(6,811)	-	-	22,523	
Inter-American Development Bank Loan 926/OC-RG-US\$	19,347	(4,326)	-	-	15,021	2021
Sub-total	468,377	(11,137)	13,904	-	471,144	
Accrued interest	-	-	-	-	5,878	
Total – December 31, 2007	468,377	(11,137)	13,904	-	477,022	
Total – December 31, 2006	\$456,024	\$(11,819)	\$14,831	\$(1,130)	\$464,055	

1/ Net of cancellations and borrowings fully paid.

2/ Due to the unwinding of a hedge net of amortisation

Currencies repayable on outstanding borrowings at December, 31, 2007 were as follows:

Currencies Repayable	Outstanding at December 2006	Translation adjustment	Draw-downs	Currency swap amortization	Repayments	Outstanding at December 2007
United States dollars	\$283,075	-	\$16,815	-	\$(2,650)	\$297,240
Japanese yen	174,831	-	-	\$(927)	-	173,904
Sub-total	457,906	-	16,815	(927)	(2,650)	471,144
Accrued interest	-	-	-	-	-	5,878
Total – December 31, 2007	\$457,906	-	\$16,815	\$(927)	\$(2,650)	\$477,022
Total – December 31, 2006	\$461,515	-	\$37	\$(927)	\$(2,719)	\$464,055

CARIBBEAN DEVELOPMENT BANK ORDINARY CAPITAL RESOURCES

NOTES TO THE FINANCIAL STATEMENTS DECEMBER 31, 2007 (EXPRESSED IN THOUSANDS OF UNITED STATES DOLLARS)

NOTE K – BORROWINGS...*continued*

The current and non-current portions of borrowings at December 31, 2007 were as follows:

Current	\$59,364
Non-current	417,658
Total	<u>\$477,022</u>

NOTE L – EQUITY

Equity is composed of capital, retained earnings and fair value gains and losses from investments. These are further detailed as follows:

Capital

Subscriptions to the capital stock of the Bank are made up of the initial capital, five additional subscriptions and three general capital increases. The Bank's capital as at December 31, 2007 was as follows:

	<u>2007</u>	<u>2006</u>
Capital stock		
Authorised capital - 118,526 (2006 – 118,526) shares		
Subscribed capital - 108,846 (2006 – 107,971) shares	\$712,958	\$705,041
Less callable capital - 85,011 (2006 – 84,328) shares	555,525	549,345
	<hr/>	<hr/>
Paid-up capital - 23,835 (2006 – 23,643) shares	\$157,433	\$155,696

CARIBBEAN DEVELOPMENT BANK ORDINARY CAPITAL RESOURCES

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NOTE L – EQUITY...continued

Capital...continued

The subscriptions by member countries and their voting power at December 31, 2007 were as follows:

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	17.77	\$116,666	\$91,122	\$25,544	\$25,544	19,492	17.38	\$13,036
Trinidad and Tobago	19,342	17.77	116,666	91,122	25,544	25,544	19,492	17.38	10,972
Bahamas	5,703	5.24	34,399	26,865	7,534	7,534	5,853	5.22	1,720
Guyana	4,167	3.82	25,134	19,633	5,501	5,501	4,317	3.85	3,148
Colombia	3,118	2.86	18,807	14,687	4,120	4,120	3,268	2.90	627
Mexico	3,118	2.86	18,807	14,687	4,120	4,120	3,268	2.90	-
Venezuela	3,118	2.86	18,807	14,687	4,120	4,120	3,268	2.90	3,203
Barbados	3,630	3.33	21,895	17,100	4,795	4,795	3,780	3.37	1,070
Belize	859	0.79	5,181	4,047	1,134	1,134	1,009	0.90	-
Dominica	859	0.79	5,181	4,047	1,134	1,134	1,009	0.90	286
Grenada	736	0.68	4,439	3,468	971	971	886	0.79	213
St. Lucia	859	0.79	5,181	4,047	1,134	1,134	1,009	0.90	360
St. Vincent and the Grenadines	859	0.79	5,181	4,047	1,134	1,134	1,009	0.90	97
Antigua and Barbuda	859	0.79	5,181	4,047	1,134	1,134	1,009	0.90	296
St. Kitts and Nevis	859	0.79	5,181	4,047	1,134	1,134	1,009	0.90	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	1.06	-
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))	-
Haiti	875	0.80	5,278	4,120	1,158	1,158	1,025	0.91	-
Sub-total	69,337	63.69	\$418,222	\$326,638	\$91,584	\$91,584	71,887	64.09	\$35,306

^{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

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2007

(EXPRESSED IN THOUSANDS OF UNITED STATES DOLLARS)

NOTE L – EQUITY...continued

Capital...continued

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	9.56	\$62,742	\$49,002	\$13,740	\$13,740	10,552	9.41	\$8,160
United Kingdom	10,402	9.56	62,742	49,002	13,740	13,740	10,552	9.41	2,150
Italy	6,235	5.73	37,608	29,374	8,234	8,234	6,385	5.69	809
Germany	6,235	5.73	37,608	29,374	8,234	8,234	6,385	5.69	5,549
China	6,235	5.73	37,608	29,374	8,234	8,234	6,385	5.69	-
Sub-total	39,509	36.30	238,308	186,126	52,182	52,182	40,259	35.90	16,668
Sub-total	108,846	100.00	656,530	512,764	143,766	143,766	111,146	100.00	51,974
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	-	-	-
Haiti	-	-	2,639	2,060	579	579	-	-	-
Sub-total	-	-	56,428	42,761	13,667	13,667	-	-	-
Total – December 31, 2007^{a/}	108,846	100.00	\$712,958	\$555,525	\$157,433	\$157,433	112,146	100.00	\$51,974
Total – December 31, 2006	107,971	100.00	\$705,041	\$549,345	\$155,696	\$155,696	111,121	100.00	\$50,151

^{a/} May differ from the sum of the individual figures shown due to rounding.

^{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

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2007

(EXPRESSED IN THOUSANDS OF UNITED STATES DOLLARS)

NOTE L – EQUITY...*continued*

Members' subscriptions

The Agreement establishing the CDB allows for a member country to withdraw from the Bank, only one member has ever withdrawn its membership voluntarily, no other member has ever indicated to the Bank that it intends to withdraw its membership from the Bank. Moreover, there is a significant financial disincentive to withdrawing membership. The stability in the membership reflects the fact that the purpose of the Bank is to contribute to the sustainable economic development and social progress of its Borrowing Member Countries individually and jointly.

In the event of a withdrawal by a member, the Bank shall arrange for the repurchase of the former member's shares. The Bank may partially or fully offset amounts due for shares purchased against the member's liabilities on loans and guarantees due to the Bank. The repurchase price of the shares is the value shown by the books of the Bank on the date a country ceases to be a member. The former member shall remain liable for direct obligations and contingent liabilities to the Bank for so long as any parts of the loans or guarantees contracted before the date of withdrawal are outstanding.

Were a member to withdraw, the Bank may set the dates in respect of payments for 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, and indefinitely if appropriate. In any event, no payments shall be made until six months after the date of termination. If the Bank were to terminate its operations within six months of the termination date, all liabilities of the Bank would first be settled out of the assets of the Bank and then, if necessary, out of members' callable capital, before any distribution could be made to any member country, including the withdrawing member.

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 that 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, 2007

(EXPRESSED IN THOUSANDS OF UNITED STATES DOLLARS)

NOTE L – EQUITY...continued

Retained earnings and reserve

Retained earnings comprise the following elements at December 31, 2007 and December 31, 2006:

	<u>2007</u>	<u>2006</u>
Ordinary reserves	\$288,396	\$270,695
Surplus	11,648	11,648
Unallocated net income	34,841	17,701
Special Reserve	14,110	14,110
	<u>\$348,995</u>	<u>\$314,154</u>

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.

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.

CARIBBEAN DEVELOPMENT BANK ORDINARY CAPITAL RESOURCES

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2007

(EXPRESSED IN THOUSANDS OF UNITED STATES DOLLARS)

NOTE L – EQUITY...*continued*

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.

NOTE M – INCOME FROM LOANS, INVESTMENTS AND CASH BALANCES

Income from loans

Income from loans for the years ended December 31, 2007 and 2006 was as follows:

	<u>2007</u>	<u>2006</u>
Interest income	\$44,133	\$42,240
Commitment fees and other charges	1,986	2,288
Total	<u>\$46,119</u>	<u>\$44,528</u>

Income from Investments and cash balances

Income from investments for the years ended December 31, 2007 and 2006 was as follows:

	<u>2007</u>	<u>2006</u>
Interest income	\$9,574	\$7,362
Realised and unrealised fair value gains	146	137
Total	<u>\$9,720</u>	<u>\$7,499</u>

CARIBBEAN DEVELOPMENT BANK ORDINARY CAPITAL RESOURCES

NOTES TO THE FINANCIAL STATEMENTS DECEMBER 31, 2007 (EXPRESSED IN THOUSANDS OF UNITED STATES DOLLARS)

NOTE N – NET INTEREST INCOME

	<u>2007</u>	<u>2006</u>
Interest income		
- Loans	\$44,133	\$42,240
- Cash and Investments	9,720	7,499
	<u>53,853</u>	<u>49,739</u>
Interest expense		
- Borrowings	21,505	20,577
- Other financial expenses	3,264	3,094
	<u>24,769</u>	<u>23,671</u>
Net interest income	<u>\$29,084</u>	<u>\$26,068</u>

NOTE O – 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.

During the year administrative expenses were allocated as follows:

	<u>2007</u>	<u>2006</u>
Gross administrative expenses	\$20,837	\$19,103
Less: Amounts allocated to Special Funds Resources		
SDF	(11,191)	(10,678)
OSF	(1,773)	(1,520)
Net OCR administration expenses	<u>\$7,873</u>	<u>\$6,905</u>

Staff costs are analysed as follows:

	<u>2007</u>	<u>2006</u>
Salaries and allowances	\$10,131	\$9,287
Pension costs – hybrid scheme - Note R	354	311
Pension costs – defined benefit plan - Note R	2,300	1,801
Other post-retirement benefits - Note R	30	217
	<u>\$12,815</u>	<u>\$11,616</u>

CARIBBEAN DEVELOPMENT BANK
ORDINARY CAPITAL RESOURCES

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007
(EXPRESSED IN THOUSANDS OF UNITED STATES DOLLARS)

NOTE P – EMPLOYEE BENEFITS

Pension and other post-retirement obligations

	2007	2006
Balance sheet obligations for:		
Pension benefits	\$(514)	\$(190)
Post-employment medical benefits	1,486	1,278
	<u>\$972</u>	<u>\$1,088</u>
Income statement charge for:		
Pensions benefits	\$2,250	\$2,112
Post-employment medical benefits	239	217
	<u>\$2,489</u>	<u>\$2,329</u>

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

	Pensions		Post-retirement	
	2007	2006	2007	2006
Present value of funded obligations	\$45,872	\$41,019	\$1,636	\$1,799
Fair value of plan assets	(45,522)	(40,994)	-	-
	350	25	1,636	1,799
Unrecognised actuarial losses	(864)	(215)	(150)	(521)
Liability/(asset) included in balance sheet	<u>\$(514)</u>	<u>\$(190)</u>	<u>\$1,486</u>	<u>\$1,278</u>

CARIBBEAN DEVELOPMENT BANK
ORDINARY CAPITAL RESOURCES

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007
(EXPRESSED IN THOUSANDS OF UNITED STATES DOLLARS)

NOTE P – EMPLOYEE BENEFITS...*continued*

The amounts recognised in the income statement are as follows:

	Pensions		Post-retirement	
	2007	2006	2007	2006
Current service cost	\$2,439	\$2,253	\$87	\$91
Interest cost	2,223	1,898	125	92
Expected return on plan assets	(2,412)	(2,046)	-	-
Amortisation of actuarial cost	-	7	27	34
	<u>\$2,250</u>	<u>\$2,112</u>	<u>\$239</u>	<u>\$217</u>
Return on the plan assets	\$2,514	\$2,492		

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

	Pensions		Post-retirement	
	2007	2006	2007	2006
January 1	\$190	\$46	\$1,278	\$1,090
Pension/Benefit cost	2,250	2,112	239	217
Contributions paid	(2,954)	(2,348)	(31)	(29)
December 31	<u>\$(514)</u>	<u>\$190</u>	<u>\$1,486</u>	<u>\$1,278</u>

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

	Pensions		Post-retirement	
	2007	2006	2007	2006
January 1	\$41,019	\$38,517	\$1,799	\$1,686
Current service cost	2,439	2,253	87	91
Interest cost	2,223	1,898	125	92
Members' contributions	672	629	-	-
Experience (gain)/loss	750	(1,149)	(344)	(41)
Benefits paid	(1,231)	(1,129)	(31)	(29)
December 31	<u>\$45,872</u>	<u>\$41,019</u>	<u>\$1,636</u>	<u>\$1,799</u>

CARIBBEAN DEVELOPMENT BANK
ORDINARY CAPITAL RESOURCES

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007
(EXPRESSED IN THOUSANDS OF UNITED STATES DOLLARS)

NOTE P – EMPLOYEE BENEFITS...*continued*

Pension and other post-retirement obligations...*continued*

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

	Pensions	
	2007	2006
January 1	\$40,994	\$36,654
Expected return on plan assets	2,412	2,046
Experience loss	102	446
Employer's contributions	2,573	2,348
Members' contributions	672	629
Benefits paid	(1,231)	(1,129)
December 31	\$45,522	\$40,994

The principal actuarial assumptions used for accounting purposes were:

	Pensions		Post-retirement	
	2007	2006	2007	2006
	(%)	(%)	(%)	(%)
Discount rate	5.5	5.5	8.0	7.0
Expected return on plan assets	5.5-6.0	5.0-6.0	6.0	5.0
Future salary increases	5.0	5.0	6.0	5.0
Future pension increases	0-2.5	0-2.5	6.0	5.0
Annual increase in benefit	-	-	6.0	5.0

Mortality rate

Assumptions regarding future mortality experience are set based on advice, published statistics and experience in each territory.

The average life expectancy in years of a pensioner retiring at age 62 on the balance sheet date is as follows:

	2007	2006
Male	19.35	19.35
Female	23.32	23.32

CARIBBEAN DEVELOPMENT BANK ORDINARY CAPITAL RESOURCES

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007
(EXPRESSED IN THOUSANDS OF UNITED STATES DOLLARS)

NOTE P – EMPLOYEE BENEFITS...*continued*

Mortality rate...*continued*

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	(37)
Effect on post-retirement benefit obligation	301	(242)

Post-employment benefits of both pension plans are comprised as follows:

Asset Allocation as at December 31,	2007	2006
Equity securities	27%	26%
Debt securities	65%	66%
Other	8%	8%
Total	100%	100%

CDB's contributions to both pension plans in 2008 are estimated at \$2,698.

As at December 31	2007	2006	2005
Present value of defined benefit obligation	\$47,508	\$42,818	\$40,203
Fair value of plan assets	(45,522)	(40,994)	(36,654)
Deficit	\$1,986	\$1,824	\$3,549

CARIBBEAN DEVELOPMENT BANK ORDINARY CAPITAL RESOURCES

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2007

(EXPRESSED IN THOUSANDS OF UNITED STATES DOLLARS)

NOTE Q – DERIVATIVE FAIR VALUE ADJUSTMENT

Derivative fair value adjustment of (\$11,805) (2006 - \$4,395) included in the statement of income comprises:

	<u>2007</u>	<u>2006</u>
Cross currency interest rate swap	\$(12,392)	\$3,825
Interest rate swap	587	570
	<u>\$(11,805)</u>	<u>\$4,395</u>

NOTE R – RELATED PARTY TRANSACTIONS

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

	<u>2007</u>	<u>2006</u>
January 1	\$4,202	\$4,113
Advances during the year	49,186	27,012
Repayments during the year	(45,492)	(26,923)
December 31	<u>\$7,896</u>	<u>\$4,202</u>

Key management compensation at December 31 is as follows:

	<u>2007</u>	<u>2006</u>
Key management compensation		
Salaries and allowances	\$1,147	\$978
Post-employment benefits	856	430
	<u>\$2,003</u>	<u>\$1,408</u>

NOTE S – COMMITMENTS

At December 31, 2007, CDB had undisbursed loan balances of \$277,690 as well as approved capital expenditure commitments amounting to \$867 for the period 2007 to 2008.

INDEPENDENT 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 set out on pages 94 to 114. These special purpose financial statements are the responsibility of the Bank's management. Our responsibility is to express an opinion on these 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 also includes assessing the accounting policies used and the 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, 2007, 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
March 5, 2008
Bridgetown, Barbados

CARIBBEAN DEVELOPMENT BANK
SPECIAL FUNDS RESOURCES - SPECIAL DEVELOPMENT FUND

BALANCE SHEET
DECEMBER 31, 2007

(EXPRESSED IN THOUSANDS OF UNITED STATES DOLLARS - Note A)

	2007			2006 Restated		
	Unified	Other	Total	Unified	Other	Total
Assets						
Due from banks	\$2,246	\$2,933	\$5,179	\$4,982	\$1,729	\$6,711
Investments – Trading (Schedule 1)	170,944	67,476	238,420	109,867	65,917	175,784
Loans (Schedule 2)	375,790	22,573	398,363	363,334	23,046	386,380
Receivables – other						
Accounts receivable including interfund receivables	384	81	465	164	26	190
	549,364	93,063	642,427	478,347	90,718	569,065
Receivable from contributors						
Non-negotiable demand notes (Schedule 3)	94,718	-	94,718	129,115	-	129,115
Contribution in arrears	10,380	-	10,380	535	-	535
	105,098	-	105,098	129,650	-	129,650
Total assets	654,462	93,063	747,525	607,997	90,718	698,715
Liabilities and Funds						
Liabilities						
Accounts payable including interfund payables	60,243	1,086	61,329	63,889	474	64,363
Accrued charges on contributions	-	21	21	-	24	24
	\$60,243	\$1,107	\$61,350	\$63,889	\$498	\$64,387

The notes on pages 108 to 114 are an integral part of these financial statements.

CARIBBEAN DEVELOPMENT BANK
SPECIAL FUNDS RESOURCES - SPECIAL DEVELOPMENT FUND

BALANCE SHEET

DECEMBER 31, 2007

(EXPRESSED IN THOUSANDS OF UNITED STATES DOLLARS - Note A)

Funds	2007			2006 Restated		
	Unified	Other	Total	Unified	Other	Total
Contributed resources (Schedule 3)						
Contributions	\$762,919	\$48,263	\$811,182	\$750,271	\$49,368	\$799,639
Less amounts not yet made available	(48,394)	-	(48,394)	(90,016)	-	(90,016)
Amounts made available	714,525	48,263	762,788	660,255	49,368	709,623
Allocation to technical assistance and grant resources	(217,000)	(2,266)	(219,266)	(217,000)	(2,266)	(219,266)
	497,525	45,997	543,522	443,255	47,102	490,357
Accumulated net income (Schedule 4)	28,054	44,870	72,924	23,027	41,820	64,847
Technical assistance and grant resources	68,640	1,089	69,729	77,826	1,298	79,124
	594,219	91,956	686,175	544,108	90,220	634,328
Total liabilities and funds	\$654,462	\$93,063	\$747,525	\$607,997	\$90,718	\$698,715

The notes on pages 108 to 114 are an integral part of these financial statements.

CARIBBEAN DEVELOPMENT BANK
SPECIAL FUNDS RESOURCES - SPECIAL DEVELOPMENT FUND

STATEMENT OF INCOME AND ACCUMULATED NET INCOME
FOR THE YEAR ENDED DECEMBER 31, 2007
(EXPRESSED IN THOUSANDS OF UNITED STATES DOLLARS - Note A)

	2007			2006		
	Unified	Other	Total	Unified	Other	Total
Income						
From loans	\$8,510	\$532	\$9,042	\$8,154	\$531	\$8,685
From investments and cash balances	8,519	3,533	12,052	4,558	2,794	7,352
Gross income	17,029	4,065	21,094	12,712	3,325	16,037
Expenses						
Administrative expenses	10,014	1,177	11,191	9,575	1,103	10,678
Charges on contributions	-	214	214	-	250	250
Exchange	1,988	(376)	1,612	1	17	18
Total expenses	12,002	1,015	13,017	9,576	1,370	10,946
Net income/(loss) for the year	\$5,027	\$3,050	\$8,077	\$3,136	\$1,955	\$5,091
Statement of Changes in Accumulated Net Income						
Accumulated net income – beginning of year						
As previously reported	\$21,093	\$41,820	\$62,913	\$18,619	\$41,206	\$59,825
Restatement of translation adjustment (Note F)	1,934	-	1,934	1,934	-	1,934
As restated	23,027	41,820	64,847	20,553	41,206	61,759
Appropriations for technical assistance	-	-	-	-	(2,130)	(2,130)
Currency translation adjustments	-	-	-	(662)	789	127
Net income for the year	5,027	3,050	8,077	3,136	1,955	5,091
Accumulated net income – end of year	\$28,054	\$44,870	\$72,924	\$23,027	\$41,820	\$64,847

The notes on pages 108 to 114 are an integral part of these financial statements.

CARIBBEAN DEVELOPMENT BANK
SPECIAL FUNDS RESOURCES - SPECIAL DEVELOPMENT FUND (UNIFIED)

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2007
(EXPRESSED IN THOUSANDS OF UNITED STATES DOLLARS - Note A)

	2007	2006
Operating activities		
Net income for the year	\$5,027	\$3,136
Adjustments:		
Unrealised gain on trading portfolio	(606)	(89)
Interest income	(16,423)	(12,623)
Total cash flows from operating profits before changes in operating assets and liabilities	(12,002)	(9,576)
Changes in operating assets and liabilities:		
Increase in loans resulting from exchange rate fluctuations	(57)	(27)
(Increase)/decrease in accounts receivable	(220)	1,000
(Decrease)/increase in accounts payable	(3,646)	28,290
Cash from operating activities	(15,925)	19,687
Disbursements on loans	(27,671)	(26,962)
Principal repayments to the Bank on loans	15,383	15,842
Interest received	15,363	11,649
Net increase in trading securities	(49,085)	(37,724)
Technical assistance disbursements	(9,225)	(2,424)
Net cash used in operating activities	(71,160)	(19,932)
Financing activities		
Contributions		
Increase/(decrease) in contributions for loans	42,323	(40,504)
Increase in contributions resulting from exchange rate fluctuations	11,947	7,044
(Decrease)/increase in receivables from contributors	24,552	(8,844)
Technical assistance allocation	39	59,029
Net cash provided by financing activities	78,861	16,725
Translation adjustments	-	(662)
Net increase/(decrease) in cash and cash equivalents	7,701	(3,869)
Cash and cash equivalents at beginning of year	21,213	25,082
Cash and cash equivalents at end of year	\$28,914	\$21,213
Represented by		
Due from banks	2,246	4,982
Time deposits	26,668	16,231
	\$28,914	\$21,213

The notes on pages 108 to 114 are an integral part of these financial statements.

CARIBBEAN DEVELOPMENT BANK
SPECIAL FUNDS RESOURCES - SPECIAL DEVELOPMENT FUND (OTHER)

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2007
(EXPRESSED IN THOUSANDS OF UNITED STATES DOLLARS - Note A)

	2007	2006
Operating activities		
Net income for the year	\$3,050	\$1,955
Adjustments:		
Unrealised (gain)/loss on trading portfolio	(140)	92
Interest income	(3,925)	(3,417)
Interest expense	214	250
Total cash flows from operating profits before changes in operating assets and liabilities	(801)	(1,120)
Changes in operating assets and liabilities:		
Increase in loans resulting from exchange rates fluctuations	(31)	(45)
Increase in accounts receivable	(55)	(14)
Increase in accounts payable	612	88
Cash from operating activities	(275)	(1,091)
Disbursements on loans	(397)	(309)
Principal repayments to the Bank on loans	904	906
Interest received	3,867	3,133
Interest paid	(217)	(253)
Net increase in trading securities	(1,831)	(4,105)
Technical assistance disbursements	(209)	(501)
Net cash provided by/(used in) operating activities	1,842	(2,220)
Financing activities:		
Contributions:		
Repayments	(1,467)	(1,381)
Increase in contributions resulting from exchange rates fluctuations	361	653
Net cash used in financing activities	(1,106)	(728)
Translation adjustments	-	789
Appropriations	-	(2,130)
Net increase/(decrease) in cash and cash equivalents	736	(4,289)
Cash and cash equivalents at beginning of year	8,894	13,183
Cash and cash equivalents at end of year	\$9,630	\$ 8,894
Represented by		
Due from banks	2,933	1,729
Time deposits	6,697	7,165
	\$9,630	\$8,894

The notes on pages 108 to 114 are integral part of these financial statements.

CARIBBEAN DEVELOPMENT BANK
SPECIAL FUNDS RESOURCES - SPECIAL DEVELOPMENT FUND

SUMMARY STATEMENT OF INVESTMENTS

DECEMBER 31, 2007

(EXPRESSED IN THOUSANDS OF UNITED STATES DOLLARS - Note A)

SCHEDULE 1

	2007			2006		
	Market value			Market value		
	Unified	Other	Total	Unified	Other	Total
Government and Agency Obligations	\$139,013	\$58,470	\$197,483	\$89,331	\$54,551	\$143,882
Supranationals	3,038	1,344	4,382	3,029	3,292	6,321
Time deposits	26,668	6,697	33,365	16,231	7,165	23,396
Sub-total	168,719	66,511	235,230	\$108,591	\$65,008	\$173,599
Accrued interest	2,225	965	3,190	1,276	909	2,185
Total	\$170,944	\$67,476	\$238,420	\$109,867	\$65,917	\$175,784

Residual term to contractual maturity

	2007	2006
One month to three months	\$65,744	\$54,594
Over three months to one year	56,038	40,292
From one year to five years	96,624	78,917
From five years to ten years	20,014	1,981
Total	\$238,420	\$175,784

CARIBBEAN DEVELOPMENT BANK
SPECIAL FUNDS RESOURCES - SPECIAL DEVELOPMENT FUND

SUMMARY STATEMENT OF LOANS

DECEMBER 31, 2007

(EXPRESSED IN THOUSANDS OF UNITED STATES DOLLARS - Note A)

SCHEDULE 2

Effective Loans – Unified

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	\$9,486	-	\$9,486	\$4,673	\$305	\$4,508	1.2
Antigua and Barbuda	11,940	-	11,940	6,930	1,434	3,576	1.0
Bahamas	1,624	-	1,624	1,624	-	-	0.0
Barbados	5,364	-	5,364	4,526	500	338	0.1
Belize	63,165	\$250	62,915	19,146	14,329	29,440	7.9
British Virgin Islands	11,002	300	10,702	8,252	-	2,450	0.7
Cayman Islands	4,623	-	4,623	4,260	363	-	0.0
Dominica	73,803	2,486	71,317	23,708	1,977	45,632	12.2
Grenada	88,237	-	88,237	21,499	15,330	51,408	13.7
Guyana	121,009	-	121,009	14,801	11,747	94,461	25.2
Jamaica	96,777	17,500	79,277	22,670	14,561	42,046	11.2
Montserrat	7,889	-	7,889	4,315	-	3,574	1.0
St. Kitts and Nevis	56,901	-	56,901	14,202	12,055	30,644	8.2
St. Lucia	57,847	-	57,847	18,036	6,881	32,930	8.8
St. Vincent and the Grenadines	46,790	-	46,790	19,486	5,128	22,176	5.9
Trinidad and Tobago	5,018	1,000	4,018	3,941	-	77	0.0
Turks and Caicos Islands	11,160	-	11,160	2,989	1,615	6,556	1.7
Regional	9,051	-	9,051	4,458	-	4,593	1.2
Sub-total	\$681,686	\$21,536	\$660,150	\$199,516	\$86,225	\$374,409	100.0
Accrued interest	-	-	-	-	-	1,381	
Total – December 31, 2007	\$683,067	\$21,536	\$661,531	\$199,516	\$86,225	\$375,790	
Total – December 31, 2006	\$656,575	\$27,001	\$629,574	\$180,283	\$87,227	\$363,334	

1/ Net of lapses and cancellations

2/ Includes overdue instalments of principal amounting to \$144 (2006 - \$376)

CARIBBEAN DEVELOPMENT BANK
SPECIAL FUNDS RESOURCES - SPECIAL DEVELOPMENT FUND

SUMMARY STATEMENT OF LOANS...CONTINUED

DECEMBER 31, 2007

(EXPRESSED IN THOUSANDS OF UNITED STATES DOLLARS - Note A)

SCHEDULE 2

Effective Loans – Other

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	\$1,458	-	\$1,458	\$1,458	-	-	0.0
Antigua and Barbuda	3,900	-	3,900	3,335	-	\$565	2.5
Bahamas	774	-	774	774	-	-	0.0
Barbados	1,620	-	1,620	1,620	-	-	0.0
Belize	28,067	-	28,067	18,340	-	9,727	43.3
British Virgin Islands	4,878	-	4,878	4,424	-	454	2.0
Cayman Islands	655	-	655	655	-	-	0.0
Dominica	14,575	-	14,575	12,423	-	2,152	9.6
Grenada	5,194	-	5,194	5,026	-	168	0.7
Guyana	22	-	22	22	-	-	0.0
Jamaica	6,871	-	6,871	4,654	-	2,217	9.9
Montserrat	787	-	787	787	-	-	0.0
St. Kitts and Nevis	11,961	-	11,961	5,645	\$1,404	4,912	21.9
St. Lucia	22,670	-	22,670	20,958	677	1,035	4.6
St. Vincent and the Grenadines	12,360	-	12,360	10,884	245	1,231	5.5
Turks and Caicos Islands	1,555	-	1,555	1,555	-	-	0.0
Regional	2,519	-	2,519	2,519	-	-	0.0
Sub-total	\$119,866	-	\$119,866	\$95,079	\$2,326	\$22,461	100.0
Accrued interest	-	-	-	-	-	112	
Total – December 31, 2007	\$119,978		\$119,978	\$95,079	\$2,326	\$22,573	
Total – December 31, 2006	\$117,735		\$117,735	\$91,603	\$3,086	\$23,046	

1/ Net of lapses and cancellations

2/ There were no overdue instalments of principal (2006 - \$28)

CARIBBEAN DEVELOPMENT BANK
SPECIAL FUNDS RESOURCES - SPECIAL DEVELOPMENT FUND

SUMMARY STATEMENT OF LOANS...CONTINUED

DECEMBER 31, 2007

(EXPRESSED IN THOUSANDS OF UNITED STATES DOLLARS - Note A)

SCHEDULE 2

Effective Loans

Analysis by Contributor	Total loans approved ^{1/}	Loans approved but not yet effective	Signed agreements	Principal repaid to bank	Undisbursed	Outstanding ^{2/}	% of total loans outstanding
Special Development Fund – Unified							
Members/Contributors	\$681,686	\$21,536	\$660,150	\$199,516	\$86,225	\$374,409	100.0
Accrued interest	-	-	-	-	-	1,381	
Total SDF – (Unified)	\$683,067	\$21,536	\$661,531	\$199,516	\$86,225	\$375,790	
Special Development Fund – Other							
Members							
Colombia	\$8,534	-	\$8,534	\$7,975	-	\$559	2.5
Germany	21,157	-	21,157	21,016	-	141	0.6
Mexico	8,816	-	8,816	6,075	-	2,741	12.2
Venezuela	52,797	-	52,797	31,489	\$2,326	18,982	84.5
	91,304	-	91,304	66,555	2,326	22,423	
Other contributors							
Sweden	5,731	-	5,731	5,693	-	38	0.2
United States of America	22,831	-	22,831	22,831	-	-	-
	28,562	-	28,562	28,524	-	38	100.0
Sub-total	\$119,866	-	\$119,866	\$95,079	\$2,326	\$22,461	
Accrued interest	-	-	-	-	-	112	
Total – SDF (Other)	\$119,978	-	\$119,978	\$95,079	\$2,326	\$22,573	
Total SDF – December 31, 2007	\$803,157	\$21,536	\$781,621	\$294,595	\$88,551	\$398,363	
Total SDF – December 31, 2006	\$775,580	\$27,001	\$748,579	\$271,886	\$90,313	\$386,380	

^{1/} Net of lapses and cancellations

^{2/} Includes overdue instalments of principal amounting to \$144 (2006 - \$404)

CARIBBEAN DEVELOPMENT BANK
SPECIAL FUNDS RESOURCES - SPECIAL DEVELOPMENT FUND

SUMMARY STATEMENT OF LOANS...CONTINUED

DECEMBER 31, 2007

(EXPRESSED IN THOUSANDS OF UNITED STATES DOLLARS - Note A)

SCHEDULE 2

Currencies Receivable	Loans out- standing 2006	Trans- lation adjust- ment	Disburse- ments	Sub- total	Repay- ments	Loans out- standing 2007
(a) Special Development Fund – Unified						
Canadian dollars	\$134	\$25	-	\$159	\$(19)	\$140
Pounds sterling	22	1	-	23	-	23
Euros	272	31	-	303	(20)	283
United States dollars	361,636	-	\$27,671	389,307	(15,344)	373,963
Sub-total	362,064	57	27,671	389,792	(15,383)	374,409
Accrued interest	1,270	-	-	-	-	1,381
Total – December 31, 2007	\$363,334	57	\$27,671	\$389,792	\$(15,383)	\$375,790
Total – December 31, 2006	\$352,060	\$27	\$26,962	\$377,906	\$(15,842)	\$363,334
(b) Special Development Fund – Other						
Euros	244	29	-	273	(132)	141
Swedish kroners	37	2	-	39	(1)	38
United States dollars	22,656	-	397	23,053	(771)	22,282
Sub-total	22,937	31	397	23,365	(904)	22,461
Accrued interest	-	-	-	-	-	112
Total – December 31, 2007	\$23,049	\$31	\$397	\$23,477	\$(904)	\$22,573
Total – December 31, 2006	\$23,595	\$45	\$309	\$23,843	\$(906)	\$23,046

Maturity structure of loans outstanding

January 1, 2008 to December 31, 2008	\$16,777
January 1, 2009 to December 31, 2009	16,836
January 1, 2010 to December 31, 2010	16,833
January 1, 2011 to December 31, 2011	18,050
January 1, 2012 to December 31, 2012	16,236
January 1, 2013 to December 31, 2017	95,256
January 1, 2018 to December 31, 2022	87,686
January 1, 2023 to December 31, 2027	67,193
January 1, 2028 to December 31, 2042	63,496
Total	\$398,363

CARIBBEAN DEVELOPMENT BANK
SPECIAL FUNDS RESOURCES - SPECIAL DEVELOPMENT FUND

STATEMENT OF CONTRIBUTED RESOURCES
DECEMBER 31, 2007
(EXPRESSED IN THOUSANDS OF UNITED STATES DOLLARS -Note A)

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
Special Development Fund - Unified Members						
Trinidad and Tobago	\$25,200	-	\$25,200	-	\$25,200	\$4,875
Bahamas	14,144	-	14,144	-	14,144	7,876
Barbados	14,140	-	14,140	\$1,052	13,088	2,078
Jamaica	23,020	-	23,020	1,875	21,145	3,587
Guyana	14,145	\$4,215	9,930	-	9,930	2,796
Antigua and Barbuda	1,652	-	1,652	425	1,227	32
Belize	3,740	-	3,740	275	3,465	1,269
Dominica	3,480	-	3,480	210	3,270	803
St. Kitts and Nevis	3,740	-	3,740	275	3,465	1,624
St. Lucia	3,740	-	3,740	275	3,465	550
St. Vincent and the Grenadines	3,752	-	3,752	275	3,477	1,643
Grenada	2,740	940	1,800	-	1,800	1,167
Montserrat	1,440	-	1,440	105	1,335	112
British Virgin Islands	1,440	-	1,440	105	1,335	298
Turks and Caicos Islands	1,440	-	1,440	105	1,335	-
Cayman Islands	1,340	-	1,340	105	1,235	442
Anguilla	1,440	740	700	-	700	160
Colombia	23,533	-	23,533	900	22,633	-
Venezuela	18,382	3,600	14,782	-	14,782	2,192
Canada	196,620	-	196,620	13,850	182,770	-
United Kingdom	163,675	-	163,675	23,567	140,108	48,718
Germany	67,028	-	67,028	3,485	63,543	14,496
Italy	56,106	4,946	51,160	-	51,160	-
China	33,200	-	33,200	1,300	31,900	-
Haiti	650	-	650	-	650	-
Mexico	14,000	-	14,000	-	14,000	-
	693,787	14,441	679,346	48,184	631,162	94,718
Other contributors						
France	58,607	-	58,607	-	58,607	-
Netherlands	24,756	-	24,756	-	24,756	-
	777,150	14,441	762,709	48,184	714,525	94,718
Technical assistance allocation	(217,000)	-	(217,000)	-	(217,000)	-
Sub-total	\$560,150	\$14,441	\$545,709	\$48,184	\$497,525	\$94,718

CARIBBEAN DEVELOPMENT BANK
SPECIAL FUNDS RESOURCES - SPECIAL DEVELOPMENT FUND

STATEMENT OF CONTRIBUTED RESOURCES...CONTINUED

DECEMBER 31, 2007

(EXPRESSED IN THOUSANDS OF UNITED STATES DOLLARS - Note A)

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	\$560,150	\$14,441	\$545,709	\$48,184	\$497,525	\$94,718
Special Development Fund – Other						
Members						
Colombia	\$5,000	-	\$5,000	-	\$5,000	-
Germany ^{3/}	293	-	293	-	293	-
Mexico ^{4/}	13,067	-	13,067	-	13,067	-
Venezuela	17,474	-	17,474	-	17,474	-
	35,834	-	35,834	-	35,834	-
Other contributors						
Sweden	4,061	-	4,061	-	4,061	-
United States of America ^{3/}	6,102	-	6,102	-	6,102	-
	10,163	-	10,163	-	10,163	-
Sub-total	45,997	-	45,997	-	45,997	-
Total – SDF – 2007	\$606,147	14,441	\$591,706	\$48,184	\$543,522	\$94,718
Summary						
Members	512,621	14,441	498,180	48,184	449,996	94,718
Other contributors	93,526	-	93,526	-	93,526	-
Total – SDF – 2007	\$606,147	\$14,441	\$591,706	\$48,184	\$543,522	\$94,718
Total – SDF – 2006	\$596,014	\$16,191	\$581,757	\$89,466	\$490,357	\$129,115

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, 2007
(EXPRESSED IN THOUSANDS OF UNITED STATES DOLLARS - Note A)

SCHEDULE 3

Currencies	Amounts made available 2006	Trans-lation adjust-ment	Draw-downs/ Appro-priations from Capital ^{1/}	Sub-total	Repay-ments	Amounts made available 2007
(a) Special Development Fund – Unified						
Canadian dollars	\$39,291	\$8,276	\$(47,379)	\$188	-	\$188
Euros	17,246	2,881	(5,609)	14,859	-	14,859
Pounds sterling	36,095	790	11,784	48,669	-	48,669
United States dollars	350,623	-	83,527	433,809	-	433,809
Total – December 31, 2007	\$443,255	\$11,947	\$42,323	\$497,525	-	\$497,525
Total – December 31, 2006	\$476,715	\$7,044	\$(40,504)	\$443,255	-	\$443,255
(b) Special Development Fund – Other						
Euros	\$768	\$89	-	\$857	\$(564)	\$293
Swedish kroners	3,790	272	-	4,062	-	4,062
United States dollars	42,544	-	-	42,545	(903)	41,642
Total – December 31, 2007	\$47,102	\$361	-	\$47,464	\$(1,467)	\$45,997
Total – December 31, 2006	\$47,830	\$653	-	\$48,483	\$(1,381)	\$47,102

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

Maturity structure of repayable contributions outstanding*

January 1, 2008 to December 31, 2008	\$1,223
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, 2012	1,047
January 1, 2013 to December 31, 2014	1,163
Total	\$6,395

* 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, 2007

(EXPRESSED IN THOUSANDS OF UNITED STATES DOLLARS - Note A)

SCHEDULE 4

Contributors	Brought forward 2006	Trans-lation adjust-ments	Net income 2007	Appro-priations	Carried forward 2007
Special Development Fund – Unified	\$23,027	-	\$5,027	-	\$28,054
Special Development Fund - Other					
Members					
Colombia	\$1,826	-	\$281	-	\$2,107
Germany	(245)	-	(169)	-	(414)
Mexico	5,017	-	865	-	5,882
Venezuela	19,808	-	720	-	20,528
	26,406	-	1,697	-	28,103
Other contributors					
Sweden	5,909	-	649	-	6,558
United States of America	9,505	-	704	-	10,209
	15,414	-	1,353	-	16,767
	41,820	-	3,050	-	44,870
Total SDF	\$64,847	-	\$8,077	-	\$72,924
Summary					
Members	49,433	-	6,724	-	56,157
Other contributors	15,414	-	1,353	-	16,767
Total SDF – December 31, 2007	\$64,847	-	\$8,077	-	\$72,924
Total SDF – December 31, 2006	\$61,759	\$127	\$5,091	\$(2,130)	\$64,847

CARIBBEAN DEVELOPMENT BANK

SPECIAL FUNDS RESOURCES - SPECIAL DEVELOPMENT FUND

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2007

(EXPRESSED IN THOUSANDS OF UNITED STATES DOLLARS - Note A)

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 Caribbean Development 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) 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.

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 fair value (which excludes 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.

CARIBBEAN DEVELOPMENT BANK

SPECIAL FUNDS RESOURCES - SPECIAL DEVELOPMENT FUND

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2007

(EXPRESSED IN THOUSANDS OF UNITED STATES DOLLARS - Note A)

A. Summary of significant accounting policies...continued

Investments...continued

All purchases and sales of trading securities that require delivery within the timeframe 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 Government 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 in the year in which it occurs.

The average interest rate earned on loans outstanding was 2.31% (2006 - 2.29%). There were no impaired loans at December 31, 2007 and 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, 2007

(EXPRESSED IN THOUSANDS OF UNITED STATES DOLLARS - Note A)

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 5.64% (2006 – 4.58%). Net realised gains on investments traded during 2007 totalled \$140 (2006 – gains of \$54) while net unrealised losses totalled \$746 (2006 – \$4)

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”) [as well as funds made available to the Bank under] 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

	2007	2006
Contributions (as per Schedule 3)	\$497,525	\$443,255

CARIBBEAN DEVELOPMENT BANK
SPECIAL FUNDS RESOURCES - SPECIAL DEVELOPMENT FUND

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2007

(EXPRESSED IN THOUSANDS OF UNITED STATES DOLLARS - Note A)

C. Funds...continued

(i) Special Development Fund – Unified...continued

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

	<u>2007</u>	<u>2006</u>
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 \$39,000 (2006 - \$39,000) has been incurred on technical assistance and has been charged against the income from the contribution.

	<u>2007</u>	<u>2006</u>
Germany		
First Contribution	\$9,960	\$9,960
Less repayments	(9,960)	(9,960)
	<u>-</u>	<u>-</u>
Second Contribution	8,759	7,026
Less repayments	(8,466)	(6,259)
	<u>293</u>	<u>767</u>
	\$293	\$767

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 was repayable during the period 1993 to 2012.

CARIBBEAN DEVELOPMENT BANK
SPECIAL FUNDS RESOURCES - SPECIAL DEVELOPMENT FUND

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007
(EXPRESSED IN THOUSANDS OF UNITED STATES DOLLARS - Note A)

C. Funds...continued

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

	2007	2006
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.

	2007	2006
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

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.

CARIBBEAN DEVELOPMENT BANK
SPECIAL FUNDS RESOURCES - SPECIAL DEVELOPMENT FUND

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2007

(EXPRESSED IN THOUSANDS OF UNITED STATES DOLLARS - Note A)

C. Funds...continued

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

	2007	2006
Sweden	\$4,061	\$3,790

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

	2007	2006
United States of America		
First contribution	\$10,000	\$10,000
Less repayments	(7,682)	(7,258)
	2,318	2,742
Second contribution	12,000	12,000
Less repayments	8,216	7,738
	3,784	4,262
	\$6,102	\$7,004

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.

CARIBBEAN DEVELOPMENT BANK
SPECIAL FUNDS RESOURCES - SPECIAL DEVELOPMENT FUND

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2007

(EXPRESSED IN THOUSANDS OF UNITED STATES DOLLARS - Note A)

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, 2007 and 2006 were as follows:

Balance at January 1, 2006	\$23,020
Allocations for the year	59,029
Expenditure for the year	(2,925)
	<hr/>
Balance at December 31, 2006	79,124
Allocations for the year	39
Expenditure for the year	(9,434)
	<hr/>
Balance at December 31, 2007	\$69,729

F. Prior period adjustment

Effective January 1, 2006 certain contributions previously recorded in the currencies of the contributors were restated to reflect the amounts in United States dollars at the time of conversion of such funds. As a result, the accumulated net income at January 1, 2006 has been increased by \$1,934 which is the amount of the adjustment relating to prior periods. The effects of the restatement are tabulated below.

The effects on the balance sheet for 2006:

	Unified	Other	Total
Total contributed resources as previously recorded	\$445,189	\$47,102	\$492,291
Decrease in contributions	(1,934)	-	(1,934)
	<hr/>	<hr/>	<hr/>
Contributed resources as restated	\$443,255	\$47,102	\$490,357

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INDEPENDENT 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 set out on pages 116 to 136. These special purpose financial statements are the responsibility of the Bank's management. Our responsibility is to express an opinion on these 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 also includes assessing the accounting policies used and the 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, 2007, 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
March 5, 2008
Bridgetown Barbados

CARIBBEAN DEVELOPMENT BANK
SPECIAL FUNDS RESOURCES - OTHER SPECIAL FUNDS

BALANCE SHEET
DECEMBER 31, 2007

(EXPRESSED IN THOUSANDS OF UNITED STATES DOLLARS - Note A)

	2007	2006
Assets		
Due from banks	\$3,102	\$1,226
Investments (Schedule 1)	88,002	94,959
Loans (Schedule 2)	84,275	68,494
Receivables – other		
Accounts receivable including interfund receivables	50,179	58,508
Total assets	\$225,558	\$223,187
Liabilities and Funds		
Liabilities		
Accounts payable including interfund payables	1,014	883
Accrued charges on contributions	310	307
	1,324	1,190
Funds		
Contributed resources (Schedule 3)		
Contributions	89,920	101,775
Less amounts not yet made available	8,173	24,214
Amounts made available	81,747	77,561
Accumulated net income (Schedule 4)	43,388	39,311
	125,135	116,872
Technical assistance and other grant resources (Schedule 5)	99,099	105,125
Total liabilities and funds	\$225,558	\$223,187

The notes on pages 127 to 136 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, 2007
(EXPRESSED IN THOUSANDS OF UNITED STATES DOLLARS - Note A)

	<u>2007</u>	<u>2006</u>
Income		
From loans	\$1,392	\$1,240
From investments and cash balances	5,944	3,881
From other sources	-	566
	<u>7,336</u>	<u>5,687</u>
Expenses		
Administrative expenses	1,773	1,520
Charges on contributions	1,068	1,091
Exchange	147	(71)
Total expenses	<u>2,988</u>	<u>2,540</u>
Net income for the year	<u>\$4,348</u>	<u>\$3,147</u>
<hr/>		
Statement of Changes in Accumulated Net Income		
Accumulated net income – beginning of year	39,311	36,417
Currency translation adjustments	-	(253)
Appropriations	(271)	-
Net income for the year	4,348	3,147
Accumulated net income – end of year	<u>\$43,388</u>	<u>\$39,311</u>

The notes on pages 127 to 136 are an integral part of these financial statements.

CARIBBEAN DEVELOPMENT BANK
SPECIAL FUNDS RESOURCES - OTHER SPECIAL FUNDS

STATEMENT OF OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2007
(EXPRESSED IN THOUSANDS OF UNITED STATES DOLLARS - Note A)

	2007	2006
Operating activities:		
Net income for the year	\$4,348	\$3,147
Adjustments:		
Unrealised gain on trading portfolio	(417)	(72)
Interest income	(6,919)	(5,049)
Interest expense	1,068	1,091
Total cash flows from operating profits before changes in operating assets and liabilities	(1,920)	(883)
Changes in operating assets and liabilities:		
Increase in loans resulting from exchange rate fluctuations	(1,521)	(1,505)
Decrease/(increase) in accounts receivable	8,329	(28,444)
Increase in accounts payable	131	24
Cash from operating activities	5,019	(30,808)
Disbursements on loans	(16,718)	(5,302)
Principal repayments to the Bank on loans	2,516	1,818
Interest received	7,203	4,297
Interest paid	(1,065)	(1,008)
Net decrease/(increase) in trading securities	12,441	(4,161)
Technical assistance disbursements	(11,094)	(11,903)
Net cash used in operating activities	(1,698)	(47,067)
Financing activities		
Contributions		
Increase in contributions for loans	5,272	3,807
Repayments	(3,451)	(3,300)
Increase in contributions resulting from exchange rate fluctuations	2,365	2,004
Technical assistance contributions	5,068	39,273
Net cash provided by financing activities	9,254	41,784
Translation adjustments	-	(253)
Appropriations	(271)	-
Net increase/(decrease) in cash and cash equivalents	7,285	(5,536)
Cash and cash equivalents at beginning of year	8,087	13,623
Cash and cash equivalents at end of year	\$15,372	\$8,087
Represented by		
Due from banks	3,102	1,226
Time deposits	12,270	6,861
	\$15,372	\$8,087

The notes on pages 127 to 136 are an integral part of these financial statements.

CARIBBEAN DEVELOPMENT BANK
SPECIAL FUNDS RESOURCES - OTHER SPECIAL FUNDS

SUMMARY STATEMENT OF INVESTMENTS

DECEMBER 31, 2007

(EXPRESSED IN THOUSANDS OF UNITED STATES DOLLARS - Note A)

SCHEDULE 1

	2007	2006
	Market value	Market value
Financial assets through profit and loss		
Government and Agency obligations	\$58,856	\$71,206
Supranationals	4,138	3,270
Time deposits	12,270	6,861
Mutual funds	7,117	6,848
	82,381	88,185
Available for sale		
Equity investments	4,556	5,367
Sub-total	86,937	\$93,552
Accrued interest	1,065	1,407
Total	\$88,002	\$94,959

Residual Term to Contractual Maturity

	2007	2006
One month to three months	\$27,945	\$29,867
Over three months to one year	23,835	26,917
From one year to five years	20,046	23,868
From five years to ten years	4,503	2,092
Total – Note 1	\$76,329	\$82,774

Note 1 – Total excludes Equity investments and Mutual funds.

CARIBBEAN DEVELOPMENT BANK
SPECIAL FUNDS RESOURCES - OTHER SPECIAL FUNDS

SUMMARY STATEMENT OF LOANS

DECEMBER 31, 2007

(EXPRESSED IN THOUSANDS OF UNITED STATES DOLLARS - Note A)

SCHEDULE 2

Effective Loans

Member countries in which loans have been made	Total loans approved ^{1/}	Un- committed loans	Signed agree- ments	Principal repaid to bank	Undis- bursed	Out- standing	% of total loans out- standing
Anguilla	\$500	-	\$500	\$300	-	\$200	0.2
Antigua and Barbuda	8,628	-	8,628	2,682	2,744	3,202	3.8
Barbados	26,229	-	26,229	17,577	4,124	4,528	5.4
Belize	9,731	-	9,731	9,731	-	-	0.0
British Virgin Islands	1,948	-	1,948	1,948	-	-	0.0
Cayman Islands	3,086	-	3,086	3,086	-	-	0.0
Dominica	35,237	-	35,237	11,703	4,970	18,564	22.1
Grenada	31,060	-	31,060	6,036	6,787	18,237	21.7
Guyana	20,860	-	20,860	15,990	-	4,870	5.8
Jamaica	39,284	-	39,284	37,463	-	1,821	2.2
Montserrat	1,275	-	1,275	1,275	-	-	0.0
St. Kitts and Nevis	8,806	-	8,806	4,084	95	4,627	5.5
St. Lucia	34,632	-	34,632	12,881	4,811	16,940	20.2
St. Vincent and the Grenadines	21,510	-	21,510	10,889	2,550	8,071	9.6
Trinidad and Tobago	3,850	-	3,850	1,968	-	1,882	2.2
Regional	2,271	-	2,271	1,307	36	928	1.1
Sub-total	248,907	-	248,907	138,920	26,117	83,870	100
Accrued interest	-	-	-	-	-	405	
Total – December 31, 2007	\$249,312	-	\$249,312	\$138,920	\$26,117	\$84,275	
Total – December 31, 2006	\$227,308	-	\$227,308	\$133,250	\$25,911	\$68,494	

^{1/} Net of lapses and cancellations

CARIBBEAN DEVELOPMENT BANK
SPECIAL FUNDS RESOURCES - OTHER SPECIAL FUNDS

SUMMARY STATEMENT OF LOANS...CONTINUED
DECEMBER 31, 2007
(EXPRESSED IN THOUSANDS OF UNITED STATES DOLLARS - Note A)

SCHEDULE 2

Analysis by Special Fund	Total Loans approved ^{1/}	Un-committed loans	Signed agreements	Principal repaid to Bank	Undisbursed	Out-standing	% of total loans outstanding
Members							
Trinidad and Tobago	\$1,334	-	\$1,334	\$1,331	-	\$3	0.0
Other contributors							
Caribbean Development Bank	42,346	-	42,346	11,010	10,461	20,875	24.9
Nigeria	9,636	-	9,636	3,899	-	5,737	6.8
United States of America	93,005	-	93,005	92,518	-	487	0.6
Inter-American Development Bank	57,944	-	57,944	14,541	15,244	28,159	33.6
European Union	12,050	-	12,050	7,511	36	4,503	5.4
International Development Association	32,592	-	32,592	8,110	376	24,106	28.7
Sub-total	248,907	-	248,907	138,920	26,117	83,870	100
Accrued interest	-	-	-	-	-	405	
Total – December 31, 2007	\$249,312	-	\$249,312	\$138,920	\$26,117	\$84,275	
Total – December 31, 2006	\$227,308	-	\$227,308	\$133,250	\$25,911	\$68,494	

^{1/} Net of lapses and cancellations

CARIBBEAN DEVELOPMENT BANK
SPECIAL FUNDS RESOURCES - OTHER SPECIAL FUNDS

SUMMARY STATEMENT OF LOANS...CONTINUED

DECEMBER 31, 2007

(EXPRESSED IN THOUSANDS OF UNITED STATES DOLLARS - Note A)

SCHEDULE 2

Currencies receivable	Loans out- standing 2006	Translation adjustment	Disburse- ments	Sub- total	Repay- ments	Loans out- standing 2007
Canadian dollars	\$106	\$20	-	\$126	\$(17)	\$109
Euros	4,738	553	-	5,291	(292)	4,999
Japanese yen	-	-	-	-	-	-
Pounds sterling	203	4	-	207	(19)	188
Special drawing rights	18,772	942	-	19,714	(639)	19,075
Trinidad and Tobago dollars	3	-	-	3	-	3
United States dollars	44,303	-	16,718	61,021	(1,544)	59,477
Others	22	2	-	24	(5)	19
Sub-total	68,147	1,521	16,718	86,386	(2,516)	83,870
Accrued interest	347	-	-	-	-	405
Total – December 31, 2007	\$68,494	\$1,521	\$16,718	\$86,386	\$(2,516)	\$84,275
Total – December 31, 2006	\$63,478	\$1,505	\$5,302	\$70,285	\$(1,818)	\$68,494

Maturity structure of loans outstanding

January 1, 2008 to December 31, 2008	\$ 2,498
January 1, 2009 to December 31, 2009	2,850
January 1, 2010 to December 31, 2010	3,471
January 1, 2011 to December 31, 2011	4,208
January 1, 2012 to December 31, 2012	3,933
January 1, 2013 to December 31, 2017	19,937
January 1, 2018 to December 31, 2022	19,200
January 1, 2023 to December 31, 2027	15,140
January 1, 2028 to December 31, 2033	8,188
January 1, 2034 to December 31, 2048	4,850
Total	<u>\$84,275</u>

CARIBBEAN DEVELOPMENT BANK
SPECIAL FUNDS RESOURCES - OTHER SPECIAL FUNDS

STATEMENT OF CONTRIBUTIONS

DECEMBER 31, 2007

(EXPRESSED IN THOUSANDS OF UNITED STATES DOLLARS - Note A)

SCHEDULE 3

Contributors	Contributions		
	Total ^{1/}	Amounts not yet made available	Amounts made available
Members			
Canada ^{2/}	\$2,039	-	\$2,039
Trinidad and Tobago	132	-	132
	2,171	-	2,171
Other contributors			
Nigeria	200	-	200
Inter-American Development Bank	43,650	\$8,173	35,477
European Investment Bank	1,472	-	1,472
United States of America	10,467	-	10,467
European Union	6,482	-	6,482
International Development Association	25,478	-	25,478
	87,749	8,173	79,576
Total – December 31, 2007	\$89,920	\$8,173	\$81,747
Total – December 31, 2006	\$101,775	\$24,214	\$77,561

^{1/}Net of cancellations and repayments

Maturity structure of repayable contributions outstanding

January 1, 2008 to December 31, 2008	\$3,516
January 1, 2009 to December 31, 2009	3,238
January 1, 2010 to December 31, 2010	3,341
January 1, 2011 to December 31, 2011	3,239
January 1, 2012 to December 31, 2012	3,281
January 1, 2013 to December 31, 2017	17,024
January 1, 2018 to December 31, 2023	13,969
January 1, 2024 to December 31, 2048	31,216
Total	\$78,824

CARIBBEAN DEVELOPMENT BANK
SPECIAL FUNDS RESOURCES - OTHER SPECIAL FUNDS

STATEMENT OF CONTRIBUTIONS...CONTINUED

DECEMBER 31, 2007

(EXPRESSED IN THOUSANDS OF UNITED STATES DOLLARS - Note A)

SCHEDULE 3

Currencies Repayable	Contri- butions made available 2006	Trans- lation adjust- ment	Draw-downs/ Appro- priations from Capital	Sub- total	Repay- ments	Contri- butions made available 2007
Canadian dollars	\$2,097	\$384	-	\$2,481	\$(52)	\$2,429
Euros	7,965	932	-	8,897	(429)	8,468
Japanese yen	266	16	-	282	(37)	245
Pounds sterling	720	16	-	736	(72)	664
Special Drawing Rights	20,069	1,008	-	21,077	(579)	20,498
Swedish kroners	169	12	-	181	(21)	160
Trinidad and Tobago dollars	189	(3)	-	186	(53)	133
United States dollars	46,086	-	\$5,272	51,358	(2,208)	49,150
Total – December 31, 2007	\$77,561	\$2,365	\$5,272	\$85,198	\$(3,451)	\$81,747
Total – December 31, 2006	\$77,050	\$2,004	\$3,807	\$80,861	\$(3,300)	\$77,561

CARIBBEAN DEVELOPMENT BANK
SPECIAL FUNDS RESOURCES - OTHER SPECIAL FUNDS

STATEMENT OF ACCUMULATED INCOME

DECEMBER 31, 2007

(EXPRESSED IN THOUSANDS OF UNITED STATES DOLLARS - Note A)

SCHEDULE 4

Contributors	Accumulated Net Income				
	Brought forward 2006	Trans- lation adjust- ments	Net Income 2007	Appro- priations	Carried forward 2007
General Funds	\$3,222	-	\$2,964	\$(494)	\$5,692
European Investment Bank	(570)	-	(77)	-	(647)
European Union	2,088	-	192	-	2,280
Inter-American Development Bank	1,367	-	(242)	(1)	1,124
International Development Association	293	-	(18)	-	275
Nigeria	6,657	-	112	-	6,769
United States of America	26,254	-	1,417	224	27,895
Total – December 31, 2007	\$39,311	-	\$4,348	\$(271)	\$43,388
Total – December 31, 2006	\$36,417	\$253	\$3,147	-	\$39,311

CARIBBEAN DEVELOPMENT BANK
SPECIAL FUNDS RESOURCES - OTHER SPECIAL FUNDS

STATEMENT OF TECHNICAL ASSISTANCE AND OTHER GRANT RESOURCES
DECEMBER 31, 2007
(EXPRESSED IN THOUSANDS OF UNITED STATES DOLLARS - Note A)

SCHEDULE 5

Contributors	Contributors				
	Total ^{1/}	Amounts not yet made available	Amounts made available	Amounts utilised	Net Amounts available
Members					
Canada	\$40,067	\$17,331	\$22,736	\$15,226	\$7,510
United Kingdom	4,030	-	4,030	3,116	914
Italy	504	-	504	252	252
	44,601	17,331	27,270	18,594	8,676
Other contributors					
Caribbean Development Bank	166,087	-	166,087	77,028	89,059
United States of America	1,407	-	1,407	1,405	2
Inter-American Development Bank	2,367	315	2,052	1,887	165
China	661	-	661	67	594
Venezuela	558	-	558	-	558
Nigeria	193	-	193	148	45
	171,273	315	170,958	80,535	90,423
Total – December 31, 2007	\$215,874	\$17,646	\$198,228	\$99,129	\$99,099
Total – December 31, 2006	\$207,143	\$13,983	\$193,160	\$88,035	\$105,125
Summary					
Basic Needs Trust Fund	103,750	-	103,750	48,552	55,198
Other resources	112,124	17,646	94,478	50,577	43,901
Total – December 31, 2007	\$215,874	\$17,646	\$198,228	\$99,129	\$99,099
Basic Needs Trust Fund	125,200	-	125,200	66,030	59,170
Other resources	81,943	13,983	67,960	22,005	45,955
Total – December 31, 2006	\$207,143	\$13,983	\$193,160	\$88,035	\$105,125

^{1/}Net of cancellation and resources fully utilised and expended in non-reimbursable operations

CARIBBEAN DEVELOPMENT BANK

SPECIAL FUNDS RESOURCES - OTHER SPECIAL FUNDS

NOTES TO SPECIAL PURPOSE FINANCIAL STATEMENTS

DECEMBER 31, 2007

(EXPRESSED IN THOUSANDS OF UNITED STATES DOLLARS - Notes A)

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.

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.

CARIBBEAN DEVELOPMENT BANK

SPECIAL FUNDS RESOURCES - OTHER SPECIAL FUNDS

NOTES TO SPECIAL PURPOSE FINANCIAL STATEMENTS

DECEMBER 31, 2007

(EXPRESSED IN THOUSANDS OF UNITED STATES DOLLARS - Notes A)

A. Summary of significant accounting policies...continued

Investments

All investment securities are held in a trading portfolio and reported at fair market value. Trading securities are initially recognized at fair value (which excludes 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.

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 sell the asset. Otherwise such transactions are treated as derivatives until settlement occurs.

Available-for-sale investments are those which are intended to be held for an indefinite period of time. These investments are equity investments in companies whose mandate are consistent with the Bank's developmental activities. They are initially recognised at cost with subsequent losses adjusted through profit and loss. Dividends on available-for-sale equity investments are recognised in the income statement when the Bank's right to receive payment has been established.

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 Government 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 in the period in which it occurs.

The average interest rates earned on loans outstanding was 1.89% (2006 – 1.89%). There were no impaired loans at December 31, 2007 and 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.

CARIBBEAN DEVELOPMENT BANK

SPECIAL FUNDS RESOURCES - OTHER SPECIAL FUNDS

NOTES TO SPECIAL PURPOSE FINANCIAL STATEMENTS

DECEMBER 31, 2007

(EXPRESSED IN THOUSANDS OF UNITED STATES DOLLARS - Notes A)

A. Summary of significant accounting policies...continued

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 million 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 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 unrealised rate of return on the average investments held during the year, including realised and unrealised gains and losses was 5.35% (2006 – 4.92%). Net realised gains on investments amounted to \$1,340 (2006 – gain of \$22), while net unrealised gains amounted to \$417 (2006 – losses of \$766).

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.

CARIBBEAN DEVELOPMENT BANK
SPECIAL FUNDS RESOURCES - OTHER SPECIAL FUNDS

NOTES TO SPECIAL PURPOSE FINANCIAL STATEMENTS

DECEMBER 31, 2007

(EXPRESSED IN THOUSANDS OF UNITED STATES DOLLARS - Notes A)

C. Funds...continued

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:

	<u>2007</u>	<u>2006</u>
Canada		
Agricultural ¹	<u>\$2,039</u>	<u>\$1,723</u>
Technical assistance resources	<u>\$22,736</u>	<u>\$17,398</u>
Italy		
Technical assistance resources	<u>\$504</u>	<u>\$478</u>
Trinidad and Tobago		
Counterpart contribution ²	<u>1,318</u>	<u>1,342</u>
Less repayments	<u>1,186</u>	<u>1,153</u>
	<u>\$132</u>	<u>\$189</u>
	<u>2007</u>	<u>2006</u>
Nigeria		
Contribution	<u>\$5,000</u>	<u>\$5,000</u>
Less repayments	<u>(4,800)</u>	<u>(4,600)</u>
	<u>\$200</u>	<u>\$400</u>
Technical assistance resources	<u>\$193</u>	<u>\$193</u>

¹ The contributions are interest-free with no date for repayment

² The contribution is subject to interest at the rate of 2.5% and is repayable during the period 1985-2010.

CARIBBEAN DEVELOPMENT BANK
SPECIAL FUNDS RESOURCES - OTHER SPECIAL FUNDS

NOTES TO SPECIAL PURPOSE FINANCIAL STATEMENTS

DECEMBER 31, 2007

(EXPRESSED IN THOUSANDS OF UNITED STATES DOLLARS - Notes A)

C. Funds...continued

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

	<u>2007</u>	<u>2006</u>
United Kingdom		
Technical assistance resources	<u>\$4,030</u>	<u>\$4,350</u>
Inter-American Development Bank		
First Global loan	\$8,464	\$8,035
Less repayments	<u>(8,464)</u>	<u>(8,035)</u>
	-	-
Second Global loan	5,184	4,920
Less repayments	<u>(3,476)</u>	<u>(3,108)</u>
	<u>1,708</u>	1,812
Pre-investment loan	454	454
Less repayments	<u>(454)</u>	<u>(454)</u>
	-	-
975/SF-RG	14,211	17,000
Less repayments	<u>(2,270)</u>	<u>(1,803)</u>
	<u>11,941</u>	15,197
1108/SF-RG Global Credit	<u>12,751</u>	8,820
1637/SF-RG Credit	<u>9,077</u>	4,946
	<u>\$35,477</u>	<u>\$30,775</u>
Technical assistance resources	<u>\$2,052</u>	<u>\$1,950</u>

CARIBBEAN DEVELOPMENT BANK
SPECIAL FUNDS RESOURCES - OTHER SPECIAL FUNDS

NOTES TO SPECIAL PURPOSE FINANCIAL STATEMENTS

DECEMBER 31, 2007

(EXPRESSED IN THOUSANDS OF UNITED STATES DOLLARS - Notes A)

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.

	2007	2006
European Investment Bank		
Global loan II – B	\$1,472	\$1,318

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

	2007	2006	Due dates
United States of America			
Contributions			
Agricultural	\$7,052	\$7,052	1988-2018
Less repayments	(3,879)	(3,626)	
	3,173	3,426	
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, 2007

(EXPRESSED IN THOUSANDS OF UNITED STATES DOLLARS - Notes A)

C. Funds...continued

	2007	2006	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	(19,750)	(19,633)	
	120	237	
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)	
	-	-	
	120	237	
Employment Investment Promotion	6,732	6,732	1990-2000
Less repayments	(3,226)	(2,998)	
	\$3,506	\$3,734	
Housing	8,400	8,400	1983-2012
Less repayments	(6,097)	(5,752)	
	\$2,303	\$2,648	

CARIBBEAN DEVELOPMENT BANK
SPECIAL FUNDS RESOURCES - OTHER SPECIAL FUNDS

NOTES TO SPECIAL PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 2007
(EXPRESSED IN THOUSANDS OF UNITED STATES DOLLARS - Notes A)

C. Funds...continued

	<u>2007</u>	<u>2006</u>	<u>Due dates</u>
United States of America...continued			
Regional Agri-business Development	\$6,300	\$6,300	1991-2021
Less repayments	(4,935)	(4,570)	
	1,365	1,730	
	\$10,467	\$11,775	
Technical assistance resources	\$1,407	\$22,348	

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.

	<u>2007</u>	<u>2006</u>
European Union		
First contribution	\$8,610	\$7,708
Less repayments	(4,327)	(3,617)
	4,283	4,091
Second contribution	3,649	3,267
Less repayments	(1,450)	(1,192)
	2,199	2,075
	\$6,482	\$6,166

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, 2007

(EXPRESSED IN THOUSANDS OF UNITED STATES DOLLARS - Notes A)

C. Funds...continued

International Development Association

	2007		2006		Due dates
Credit No. 960/CRG	\$6,481		\$6,481		1990-2029
Less repayments	(2,203)	4,278	(2,009)	4,472	
Credit No. 37/CRG (EEC)	1,065		977		
Less repayments	(363)	702	(303)	674	
Credit No. 1364/CRG	8,563		8,154		
Less repayments	(2,012)	6,551	(1,672)	6,482	1993-2033
Credit No. 1785/CRG	7,314		6,964		
Less repayments	(841)	6,473	(661)	6,303	1997-2030
Credit No. 2135/CRG	8,793		8,372		2000-2030
Less repayments	(1,319)	7,474	(1,088)	7,284	
Credit No. 2640/CRG	-	-	-	-	2004-2034
	\$25,478		\$25,215		

The credits are subject to a service charge of 0.75% per annum on amounts outstanding. In addition, the credits totalling \$44,515 (2006 - \$42,387) 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 \$702 (2006 - \$674) consisting of various currencies represents resources from the Special Action Credit of the European Commission.

	2007	2006
Caribbean Development Bank		
Technical assistance resources	\$166,087	\$166,718

CARIBBEAN DEVELOPMENT BANK
SPECIAL FUNDS RESOURCES - OTHER SPECIAL FUNDS

NOTES TO SPECIAL PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 2007
(EXPRESSED IN THOUSANDS OF UNITED STATES DOLLARS - Notes A)

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, SECONDARY MORTGAGE, EQUITY AND GRANTS APPROVED (NET) BY COUNTRY AND BY FUND - 2007 (\$'000)

Country	Ordinary Capital Resources	Special Develop- ment Fund	Other Special Funds	Total	Percentage of Total
Anguilla	(80)	(215)	150	(145)	(0.1)
Antigua and Barbuda	16,364	383	5,455	22,202	11.2
Bahamas	-	22	-	22	0.0
Barbados	24,101	37	8,275	32,413	16.4
Belize	(1,348)	(502)	82	(1,768)	(0.9)
British Virgin Islands	2,716	300	-	3,016	1.5
Cayman Islands	-	12	-	12	0.0
Dominica	-	2,586	(40)	2,546	1.3
Grenada	3,476	1,905	2,000	7,381	3.7
Guyana	-	(979)	-	(979)	(0.5)
Haiti	-	10,000	-	10,000	5.1
Jamaica	43,408	17,517	200	61,125	30.9
Montserrat	-	55	-	55	0.0
St. Kitts and Nevis	(1,356)	(719)	-	(2,075)	(1.1)
St. Lucia	(3)	(193)	(151)	(347)	(0.2)
St. Vincent and the Grenadines	9,291	76	1,363	10,730	5.4
Trinidad and Tobago	24,786	-	-	24,786	12.5
Turks and Caicos Islands	-	(237)	-	(237)	(0.1)
Regional :					
LDC Focus	10,000	453	-	10,453	5.3
LDC/MDC	-	8,173	10,150	18,323	9.3
Total	131,355	38,674	27,484	197,513	
Percentage of Total	66.5	19.6	13.9		100.0
LDCs	29,060	13,451	8,859	51,370	26.0
MDCs	92,295	16,597	8,475	117,367	59.4
Regional	10,000	8,626	10,150	28,776	14.6

APPENDIX I - B

DISTRIBUTION OF LOANS, SECONDARY MORTGAGE,
EQUITY AND GRANTS APPROVED (NET) BY SECTOR AND BY FUND - 2007 (\$'000)

Sector	Ordinary Capital Resources	Special Develop- ment Fund	Other Special Funds	Total
Total All Sectors	131,355	38,674	27,484	197,513
Agriculture, Forestry and Fishing	-	(2,097)	-	(2,097)
Crop Farming	-	(33)	-	(33)
Agriculture (excluding Crop Farming)	-	46	-	46
Mixed Farming	-	(66)	-	(66)
Land Settlement and Rural Development	-	(2,044)	-	(2,044)
Tourism	(3)	(91)	-	(94)
Tourism Supporting Services	(3)	(91)	-	(94)
Transportation, Communication and Sea Defense	62,746	124	15,300	78,170
Transport:				
Road Transport	19,730	(156)	-	19,574
Water Transport	-	-	150	150
Air Transport	43,016	500	15,150	58,666
Sea Defence	-	(220)	-	(220)
Power, Energy and Water	-	394	(140)	254
Water Supply	-	394	(140)	254
Social Services	22,784	17,006	1,925	41,715
Housing	-	(85)	-	(85)
Health	(1,356)	(909)	(75)	(2,340)
Education	24,140	18,000	2,000	44,140
Multi-Sector and Other	6,128	23,168	399	29,695
Urban Development	(444)	2,486	-	2,042
Disaster Rehabilitation	6,572	10,756	200	17,528
Other	-	9,926	199	10,125
Financing and Distribution	39,700	170	10,000	49,870
Agriculture	10,000	-	-	10,000
Industry and Tourism	15,000	-	10,000	25,000
Micro and Small-Scale Enterprises	-	(130)	-	(130)
Housing	10,000	-	-	10,000
Education	4,700	300	-	5,000

APPENDIX I - C

DISTRIBUTION OF LOANS, CONTINGENT LOANS, EQUITY AND GRANTS APPROVED (NET) BY COUNTRY AND BY SECTOR - 2007 (\$'000)

Country	Directly Productive Sector				Economic Infrastructure & Other					Multi-Sector Total			
	Agri-culture, Forestry & Fishing	Manufacturing	Tourism	Sub-Total	Power & Energy	Water	Transportation & Communication	Housing	Education (including Student loans)		Health & Sanitation		
Anguilla	-	-	-	-	-	-	150	-	-	-	150	(295)	(145)
Antigua and Barbuda	-	-	-	-	-	-	21,819	-	-	-	-	383	22,202
Bahamas	-	-	-	-	-	-	-	-	-	-	-	22	22
Barbados	-	-	-	-	-	-	32,727	-	-	-	32,727	(314)	32,413
Belize	(2,044)	-	-	(2,044)	-	399	-	-	-	-	399	(123)	(1,768)
British Virgin Islands	-	-	-	-	-	-	(1,984)	-	5,000	-	3,016	-	3,016
Cayman Islands	-	-	-	-	-	-	-	-	-	-	-	12	12
Dominica	(66)	-	-	(66)	-	-	-	-	-	(99)	(99)	2,711	2,546
Grenada	-	(130)	-	(130)	-	-	-	7,476	-	-	7,476	35	7,381
Guyana	-	-	(104)	(104)	-	-	(518)	-	(320)	-	(838)	(37)	(979)
Haiti	-	-	-	-	-	-	-	10,000	-	-	10,000	-	10,000
Jamaica	-	-	-	-	-	-	14,777	-	25,586	-	40,363	20,762	61,125
Montserrat	-	-	-	-	-	-	-	-	-	-	-	55	55
St. Kitts and Nevis	-	-	-	-	-	-	-	-	-	(2,097)	(2,097)	22	(2,075)
St. Lucia	(81)	-	(3)	(84)	-	(140)	-	-	-	-	(140)	(123)	(347)
St. Vincent and the Grenadines	-	-	-	-	-	-	10,559	-	-	-	10,559	(10)	10,549
Trinidad and Tobago	10,000	15,000	-	25,000	-	-	(10)	-	(204)	-	(214)	26	24,812
Turks and Caicos Islands	-	-	-	-	-	-	-	(105)	-	(132)	(237)	-	(237)
Regional :													
LDC Focus	-	-	(18)	(18)	-	-	-	10,020	451	-	10,471	-	10,453
LDC/MDC Focus	94	10,000	31	10,125	-	(5)	650	-	1,151	(12)	1,784	6,569	18,478
Total	7,903	24,870	(94)	32,679	-	254	78,170	9,915	49,140	(2,340)	135,139	29,695	197,513

APPENDIX I - D

DISTRIBUTION OF LOANS APPROVED (NET) BY COUNTRY AND BY FUND - 2007 (\$'000)

Country	Ordinary Capital Resources	Special Develop- ment Fund	Other Special Funds	Total	Percentage of Total
Anguilla	(80)	(271)	-	(351)	(0.2)
Antigua and Barbuda	16,364	-	5,455	21,819	13.1
Barbados	24,101	-	8,182	32,283	19.4
Belize	(1,348)	(953)	-	(2,301)	(1.4)
British Virgin Islands	2,716	300	-	3,016	1.8
Dominica	-	2,139	(75)	2,064	1.2
Grenada	3,476	1,850	2,000	7,326	4.4
Guyana	-	(518)	-	(518)	(0.3)
Jamaica	43,408	17,374	-	60,782	36.4
St. Kitts and Nevis	(1,356)	(741)	-	(2,097)	(1.3)
St. Lucia	(3)	(201)	(140)	(344)	(0.2)
St. Vincent and the Grenadines	9,291	(115)	1,363	10,539	6.3
Trinidad and Tobago	24,786	-	-	24,786	14.9
Turks and Caicos Islands	-	(237)	-	(237)	(0.1)
Regional	10,000	-	-	10,000	6.0
Total	131,355	18,627	16,785	166,767	
Percentage of Total	78.8	11.2	10.1		100.0
LDCs	29,060	1,771	8,603	39,434	23.6
MDCs	92,295	16,856	8,182	117,333	70.4
Regional	10,000	-	-	10,000	6.0

APPENDIX I - E

DISTRIBUTION OF LOANS APPROVED (NET) BY SECTOR AND BY FUND - 2007 (\$'000)

Sector	Ordinary Capital Resources	Special Develop- ment Fund	Other Special Funds	Total
Total All Sectors	131,355	18,627	16,785	166,767
Agriculture, Forestry and Fishing	-	(2,191)	-	(2,191)
Crop Farming	-	(81)	-	(81)
Mixed Farming	-	(66)	-	(66)
Land Settlement and Rural Development	-	(2,044)	-	(2,044)
Tourism	(3)	-	-	(3)
Integrated Tourism Facilities	(3)	-	-	(3)
Power, Energy and Water	-	250	(140)	110
Water	-	250	(140)	110
Transportation, Communication and Sea Defence	62,746	(376)	15,000	77,370
Transport:				
Road Transport	19,730	(156)	-	19,574
Air Transport	43,016	-	15,000	58,016
Sea Defence	-	(220)	-	(220)
Social Services	22,784	5,716	1,925	30,425
Housing	-	(105)	-	(105)
Health	(1,356)	(897)	(75)	(2,328)
Education	24,140	6,718	2,000	32,858
Multi-Sector and Other	6,128	15,058	-	21,186
Urban Development	(444)	2,486	-	2,042
Disaster Rehabilitation	6,572	10,056	-	16,628
Other	-	2,516	-	2,516
Financing and Distribution	39,700	170	-	39,870
Agriculture	10,000	-	-	10,000
Industry and Tourism	15,000	-	-	15,000
Medium and Small Scale Enterprises	-	(130)	-	(130)
Housing	10,000	-	-	10,000
Education	4,700	300	-	5,000

APPENDIX I - F
LOAN APPROVALS - 2007,
CDB COST COMPONENT AND CHANNEL - 2007 (\$'000)

Country	No. of Loan Projects	Estimated Project Cost	Financing				Channel	
			CDB	Local	Other Foreign	Public	Private Direct	Indirect
Antigua and Barbuda	1	21,819	21,819	-	-	21,819	-	-
Barbados	1	32,727	32,727	-	-	32,727	-	-
Belize	2 a/	3,402	2,766	636	-	2,766	-	-
British Virgin Islands	1	6,669	5,000	1,669	-	-	-	5,000
Dominica	1	3,192	2,486	393	313	2,486	-	-
Grenada	1	8,657	7,476	1,181	-	7,476	-	-
Jamaica	3	90,883	61,145	29,538	200	61,145	-	-
St. Vincent and the Grenadines	2	14,179	10,654	3,525	-	10,654	-	-
Trinidad and Tobago	1	25,000	25,000	-	-	-	-	25,000
Regional	1	10,000	10,000	-	-	-	-	10,000
Total	14	216,528	179,073	36,942	513	139,073	-	40,000
LDCs	8	57,918	50,201	7,404	313	45,201	-	5,000
MDCs	5	148,610	118,872	29,538	200	93,872	-	25,000
Regional	1	10,000	10,000	-	-	-	-	10,000

a/ Technical assistance loans.

APPENDIX I - G

GROSS LOAN APPROVALS BY PROJECT AND LOAN EQUIVALENT - 2007 (\$'000)

Project Name	Country	OCR		SDF Unified		Other Special Funds		Total
		Amount	Loan Equivalent	Amount	Loan Equivalent	Amount	Loan Equivalent	
1. Support for Transformation Process - LIAT (1974) Ltd	Antigua and Barbuda	16,364	0.75	-	-	5,455	0.25	21,819
2. Support for Transformation Process - LIAT (1974) Ltd	Barbados	24,545	0.75	-	-	8,182	0.25	32,727
3. TA Loan	Belize	-	-	2,516	1.00	-	-	2,516
4. Feasibility Study, Expansion of Water and Sewerage Facilities - (Contingent Loan)	Belize	-	-	250	1.00	-	-	250
5. Student Loan - 6th Loan	British Virgin Islands	4,700	0.94	300	0.06	-	-	5,000
6. Carib Territory Community Capacity Building Project	Dominica	-	-	2,486	1.00	-	-	2,486
7. Schools Rehabilitation and Reconstruction Project	Grenada	3,476	0.46	2,000	0.27	2,000	0.27	7,476
8. Fifth Road Project (Washington Boulevard Improvement)	Jamaica	14,540	0.98	237	0.02	-	-	14,777
9. Natural Disaster Management, Hurricane Dean Rehabilitation Works	Jamaica	8,000	0.39	12,500	0.61	-	-	20,500
10. University of Technology Enhancement Project	Jamaica	20,868	0.81	5,000	0.19	-	-	25,868
11. Support for Transformation Process - LIAT (1974) Ltd	St. Vincent and the Grenadines	4,091	0.75	-	-	1,363	0.25	5,454
12. Windward Highway Reconstruction (Add Loan)	St. Vincent and the Grenadines	5,200	1.00	-	-	-	-	5,200
13. Third Agricultural and Industrial Credit - FINCOR	Trinidad and Tobago	25,000	1.00	-	-	-	-	25,000
14. Secondary Mortgage Market - East Caribbean Home Mortgage Bank	Regional	10,000	1.00	-	-	-	-	10,000
Total	Total	136,784	8.84	25,289	4.15	17,000	1.02	179,073
<u>Distribution by Country Groups</u>								
LDCs		53,831	5.91	7,552	3.33	8,818	0.77	70,201
MDCs		92,953	3.93	17,737	0.82	8,182	0.25	118,872
Regional		10,000	1.00	-	-	-	-	10,000
<u>Proportion of Lending by Country Groups</u>								
LDCs		0.39		0.30		0.52		0.39
MDCs		0.68		0.70		0.48		0.66
Regional		0.07		-		-		0.06
Total		0.76		0.14		0.09		1.00

APPENDIX II - A

SUMMARY OF TOTAL FINANCING APPROVED (NET) (1970-2007) LOANS, CONTINGENT LOANS, EQUITY AND GRANTS (\$'000)

Financing Type	1970-2006	2007	Total
Loans	2,479,972	166,517	2,646,489
Contingent Loans	4,031	250	4,281
Equity	23,193	10,000	33,193
Grants	231,722	20,746	252,468
Total	2,738,918	197,513	2,936,431

APPENDIX II - B

SUMMARY OF TOTAL FINANCING APPROVED (NET) BY SECTOR (1970-2007) LOANS, CONTINGENT LOANS, EQUITY AND GRANTS (\$'000)

Sector	1970-2006	2007	Total
Agriculture, Forestry and Fishing	120,528	(2,097)	118,431
Mining and Quarrying	35,534	-	35,534
Manufacturing	154,312	-	154,312
Tourism	88,905	(94)	88,811
Transportation, Communication and Sea Defence	644,445	78,170	722,615
Power, Energy and Water	201,863	254	202,117
Social Services	306,760	41,715	348,475
Multi-Sector and Other	688,990	29,695	718,685
Financing and Distribution	497,581	49,870	547,451
Total	2,738,918	197,513	2,936,431

APPENDIX II - C

DISTRIBUTION OF LOANS, CONTINGENT LOANS, EQUITY AND GRANTS APPROVED (NET) BY SECTOR AND BY FUND (1970-2007) (\$'000)

Sector	Ordinary Capital Resources	Venezuelan Trust Fund	Special Develop- ment Fund	Other Special Funds	Total
Total All Sectors	1,597,517	17,412	939,307	382,195	2,936,431
Agriculture, Forestry and Fishing	31,463	-	65,234	21,734	118,431
Crop Farming	15,933	-	19,469	8,828	44,230
Agriculture (excluding Crop Farming)	207	-	642	3,371	4,220
Mixed Farming	-	-	8,514	-	8,514
Drainage and Irrigation	11,283	-	6,923	409	18,615
Fishing	-	-	2,478	872	3,350
Land Settlement and Rural Development	367	-	2,094	342	2,803
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	67,488	4,722	11,908	4,693	88,811
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	3,357	-	3,639	1,125	8,121
Transportation, Communication and Sea Defence	490,117	-	159,389	73,109	722,615
Transport:					
Road Transport	301,688	-	73,322	27,776	402,786
Water Transport	23,534	-	42,343	15,697	81,574
Air Transport	150,952	-	26,913	27,603	205,468
Communication	8,250	-	518	106	8,874
Sea Defence	5,693	-	16,293	1,927	23,913
Power, Energy and Water	114,076	3,240	71,452	13,349	202,117
Power and Energy:					
Electric Power	64,534	-	31,519	1,873	97,926
Alternative Energy	8,250	-	-	3,520	11,770
Water Supply	41,292	3,240	39,933	7,956	92,421
Social Services	160,723	-	107,772	79,980	348,475
Housing	4,101	-	8,462	19,982	32,545
Health	21,256	-	20,837	12,842	54,935
Education	135,366	-	78,473	47,156	260,995
Multi-Sector and Other	265,527	-	337,241	115,917	718,685
Urban Development	38,377	-	13,341	5,528	57,246
Disaster Rehabilitation	61,135	-	110,663	10,621	182,419
Distributive Trade	3,530	-	7,575	2,957	14,062
Structural Adjustment Programme	27,000	-	64,689	9,400	101,089
Other	135,485	-	140,973	87,411	363,869
Financing and Distribution	378,569	7,244	130,686	30,952	547,451
Agriculture	119,862	6,023	25,317	12,560	163,762
Industry and Tourism	149,166	1,221	26,642	15,311	192,340
Micro and Small-Scale Enterprises	-	-	6,074	-	6,074
Housing	65,894	-	22,725	3,081	91,700
Education	43,647	-	49,928	-	93,575

APPENDIX II - D

DISTRIBUTION OF LOANS, CONTINGENT LOANS, EQUITY AND GRANTS APPROVED (NET) BY COUNTRY AND BY SECTOR - 1970-2007 (\$'000)

Country	Directly Productive Sector				Economic Infrastructure & Other							Education		Multi-Sector	Total	
	Agri-culture, Forestry & Fishing	Manufacturing	Small-Scale Enterprise	Tourism	Mining	Total	Power & Energy	Water	Transportation & Communication	Sea Defence	Housing	Health & Sanitation	Student loans			Total
Anguilla	2,871	5,865	200	773	-	9,709	11,996	288	2,287	-	2,050	-	2,759	19,380	5,112	34,201
Antigua and Barbuda	3,455	5,723	1,000	1,922	-	12,100	272	-	28,494	-	3,483	-	19,652	51,901	7,427	71,428
Bahamas	10,086	10,849	-	2,187	-	23,122	-	15,252	14,745	-	-	37	-	30,034	794	53,950
Barbados	4,181	45,470	-	28,921	100	78,672	105	765	88,102	-	1,395	3,240	50,156	143,763	53,538	275,973
Belize	23,437	12,504	1,654	1,172	-	38,767	28,050	22,945	55,045	-	13,546	6,032	22,120	147,738	61,451	247,956
British Virgin Islands	3,503	4,951	-	349	-	8,803	4,812	-	36,018	-	3,500	-	7,778	52,108	724	61,635
Cayman Islands	1,308	1,499	-	6,429	388	9,624	-	2,775	23,047	-	5,515	7,000	452	38,789	91	48,504
Dominica	23,221	11,521	600	7,363	-	42,705	6,159	8,139	16,921	9,383	13,733	7,527	17,251	79,113	50,125	171,943
Grenada	16,444	6,864	600	4,298	451	28,657	158	2,453	64,525	-	7,063	5,550	19,674	99,423	63,486	191,566
Guyana	22,395	45,872	-	128	-	68,395	3,558	8,895	36,186	14,750	1,176	-	1,742	66,307	89,639	224,341
Haiti	-	-	-	-	-	-	-	-	-	-	-	-	10,000	10,000	-	10,000
Jamaica	77,283	86,498	-	15,626	578	179,985	8,791	6,177	97,028	-	17,602	2,000	46,811	178,409	167,377	525,771
Montserrat	1,382	1,444	-	124	86	3,036	987	-	6,024	-	653	-	975	8,639	5,595	17,270
St. Kitts and Nevis	5,699	9,116	900	1,731	123	17,569	17,082	126	40,723	-	10,919	7,659	36,481	112,990	46,095	176,654
St. Lucia	24,171	23,200	575	14,197	62	62,205	1,376	18,978	75,983	-	18,195	8,517	43,932	166,981	36,131	265,317
St. Vincent and the Grenadines	13,814	16,582	375	522	2,765	34,058	25,037	2,716	53,146	-	3,590	5,480	33,143	123,112	17,566	174,736
Trinidad and Tobago	36,793	37,270	-	-	30,862	104,925	-	2,615	38,262	-	-	604	8,459	49,940	33,375	188,240
Turks and Caicos Islands	1,580	2,394	300	1,302	-	5,576	-	-	3,147	-	10,217	240	7,565	21,169	3,081	29,826
Regional :																
LDC Focus	1,010	94	-	430	119	1,653	677	104	11,059	-	10,155	334	1,166	23,495	7,907	33,055
MDC Focus	25	-	-	-	-	25	-	-	6,313	-	-	-	9,452	15,765	3,170	18,960
MDC/LDC Focus	9,535	18,806	-	1,337	-	29,678	636	193	1,427	-	1,453	715	15,002	19,426	66,001	115,105
Total	282,193	346,522	6,204	88,811	35,534	759,264	109,696	92,421	698,482	24,133	124,245	54,935	354,570	1,458,482	718,685	2,936,431
LDCs	120,885	101,663	6,204	40,182	3,875	272,809	95,929	58,420	405,360	9,383	92,464	48,005	221,782	931,343	296,884	1,501,036
MDCs	150,738	225,959	-	46,862	31,540	455,099	12,454	33,704	274,323	14,750	20,173	5,881	107,168	468,453	344,723	1,268,275
Regional	10,570	18,900	-	1,767	119	31,356	1,313	297	18,799	-	11,608	1,049	25,620	58,686	77,078	167,120

APPENDIX II - E

APPROVALS OF LOANS, CONTINGENT LOANS, EQUITY AND GRANTS (NET) BY COUNTRY AND BY YEAR (1970-2007) (\$'000)

Country	1970-2001	2002	2003	2004	2005	2006	2007	Total
Anguilla	22,751	24	15	18	11,130	57	206	34,201
Antigua and Barbuda	42,253	4,696	2,204	8	21	44	22,202	71,428
Bahamas	53,585	33	114	147	27	22	22	53,950
Barbados	189,891	15,021	13,527	100	136	24,441	32,857	275,973
Belize	179,988	5,684	13,080	52	8,250	37,603	3,299	247,956
British Virgin Islands	51,368	-	5,267	-	-	-	5,000	61,635
Cayman Islands	48,492	-	-	-	-	-	12	48,504
Dominica	131,029	8,925	8,244	14,795	5,916	54	2,980	171,943
Grenada	123,412	6,847	8,049	9,371	25,248	11,107	7,532	191,566
Guyana	141,073	313	61,008	7,388	14,485	46	28	224,341
Haiti	-	-	-	-	-	-	10,000	10,000
Jamaica	292,471	45,045	28,819	30,802	54,224	12,872	61,538	525,771
Montserrat	16,352	10	658	81	9	105	55	17,270
St. Kitts and Nevis	120,422	4,806	15,588	6,423	842	28,551	22	176,654
St. Lucia	213,784	12,847	10,582	5,484	22,580	32	8	265,317
St. Vincent and the Grenadines	108,542	15,370	3,746	36,234	128	50	10,666	174,736
Trinidad and Tobago	129,290	1,026	31,616	1,229	7	46	25,026	188,240
Turks and Caicos Islands	22,103	-	461	254	8	7,000	-	29,826
Regional :								
LDC Focus	18,744	3,401	353	33	13	40	10,471	33,055
MDC Focus	18,810	-	-	-	-	150	-	18,960
LDC/MDC Focus	62,413	3,313	13,337	1,510	9,673	6,199	18,660	115,105
Total	1,986,773	127,361	216,668	113,929	152,697	128,419	210,584	2,936,431
LDCs	1,080,496	59,209	67,894	72,720	74,132	84,603	61,982	1,501,036
MDCs	806,310	61,438	135,084	39,666	68,879	37,427	119,471	1,268,275
Regional	99,967	6,714	13,690	1,543	9,686	6,389	29,131	167,120

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 (1970-2007) (\$'000)

Country	Ordinary Capital Resources	Venezuelan Trust Fund	Special Develop- ment Fund	IDB	IDA	Development Fund	Other Special Funds	Total	Percentage of Total
Anguilla	21,387	-	10,707	-	-	-	500	32,594	1.2
Antigua and Barbuda	41,338	-	15,057	-	558	5,779	3,009	65,741	2.5
Bahamas	47,520	3,240	2,376	-	-	-	-	53,136	2.0
Barbados	236,841	3,646	6,909	388	-	8,199	17,546	273,529	10.3
Belize	129,278	740	87,414	373	-	5,171	4,981	227,957	8.6
British Virgin Islands	43,870	-	14,791	-	-	300	1,594	60,555	2.3
Cayman Islands	40,009	-	4,994	2,132	-	313	868	48,316	1.8
Dominica	30,456	-	82,822	9,043	5,347	12,368	8,179	148,215	5.6
Grenada	52,223	-	92,181	20,961	5,628	369	3,729	175,091	6.6
Guyana	55,788	1,579	120,794	-	-	-	20,585	198,746	7.5
Jamaica	372,173	5,665	103,088	-	-	-	39,166	520,092	19.7
Montserrat	485	-	8,678	-	-	79	1,293	10,535	0.4
St. Kitts and Nevis	86,460	260	68,612	2,360	5,181	26	1,198	164,097	6.2
St. Lucia	136,804	676	77,738	17,940	5,625	3,358	6,120	248,261	9.4
St. Vincent and the Grenadines	77,652	1,606	58,370	6,302	4,497	2,105	7,521	158,053	6.0
Trinidad and Tobago	179,914	-	5,018	-	-	-	2,566	187,498	7.1
Turks and Caicos Islands	13,141	-	12,436	-	-	-	-	25,577	1.0
Regional:									
LDC Focus	10,000	-	5,232	-	-	-	2,626	17,858	0.7
MDC Focus	7,266	-	5,544	-	-	-	2,174	14,984	0.6
MDC/LDC Focus	14,912	-	742	-	-	-	-	15,654	0.6
Total	1,597,517	17,412	783,503	59,499	26,836	38,067	123,655	2,646,489	100.0
Percentage of Total	60.4	0.7	29.6	2.2	1.0	1.4	4.7		
LDCs	673,103	3,282	533,800	59,111	26,836	29,868	38,992	1,364,992	51.6
MDCs	892,236	14,130	238,185	388	-	8,199	79,863	1,233,001	46.6
Regional	32,178	-	11,518	-	-	-	4,800	48,496	1.8

APPENDIX II - G

DISTRIBUTION OF LOANS (NET) BY SECTOR AND BY FUND (1970-2007) (\$'000)

Sector	Ordinary Capital Resources	Venezuelan Trust Fund	Special Development Fund	Other Special Funds	Total
Total All Sectors	1,597,517	17,412	783,503	248,057	2,646,489
Agriculture, Forestry and Fishing	31,463	-	62,119	17,522	111,104
Crop Farming	15,933	-	17,618	6,870	40,421
Agriculture (excluding Crop Farming)	207	-	100	1,421	1,728
Mixed Farming	-	-	8,514	-	8,514
Fishing	-	-	2,437	694	3,131
Drainage and Irrigation	11,283	-	6,803	409	18,495
Land Settlement and Rural Development	367	-	2,094	312	2,773
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	67,488	4,722	10,531	2,220	84,961
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	3,357	-	2,654	-	6,011
Transportation and Communication	490,117	-	155,265	68,857	714,239
Transport:					
Main Roads and Bridges	301,688	-	72,894	27,752	402,334
Water Transport	23,534	-	40,787	15,041	79,362
Air Transport	150,952	-	25,254	24,137	200,343
Communication	8,250	-	37	-	8,287
Sea Defences	5,693	-	16,293	1,927	23,913
Power, Energy and Water	114,076	3,240	69,739	8,860	195,915
Power and Energy:					
Electric Power	64,534	-	30,832	1,577	96,943
Alternative Energy	8,250	-	-	-	8,250
Water Supply	41,292	3,240	38,907	7,283	90,722
Social Services	160,723	-	79,258	68,877	308,858
Housing	4,101	-	6,657	19,803	30,561
Health	21,256	-	19,074	12,523	52,853
Education	135,366	-	53,527	36,551	225,444
Multi-Sector and Other	265,527	-	221,225	20,162	506,914
Urban Development	38,377	-	13,236	-	51,613
Disaster Rehabilitation	61,135	-	108,554	8,600	178,289
Distributive Trade	3,530	-	7,501	2,250	13,281
Structural Adjustment Programme	27,000	-	63,000	3,000	93,000
Other	135,485	-	28,934	6,312	170,731
Financing and Distribution	378,569	7,244	130,686	20,505	537,004
Agriculture	119,862	6,023	25,317	12,337	163,539
Manufacturing	149,166	1,221	26,642	5,087	182,116
Micro and Small-Scale Enterprises	-	-	6,074	-	6,074
Housing	65,894	-	22,725	3,081	91,700
Education	43,647	-	49,928	-	93,575

APPENDIX II - H

CONTINGENT LOANS APPROVED (NET) BY COUNTRY AND BY FUND (1970-2007) (\$'000)

Country	Special Development Fund	IDB/CDB Pre- Investment Fund	Technical Assistance Fund	Total
Anguilla	-	71	-	71
Barbados	384	-	156	540
Belize	784	-	152	936
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	2,921	175	1,185	4,281
MDCs	584	-	156	740
LDCs	2,337	175	1,029	3,541

APPENDIX II - I

CONTINGENT LOANS APPROVED (NET) BY SECTOR AND BY FUND (1970-2007) (\$'000)

Sector	Special Development Fund	IDB/CDB Pre-Investment Fund	Technical Assistance Fund	Total
Total-All Sectors	2,921	175	1,185	4,281
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	583	71	781	1,435
Power and Energy:				
Electric Power	222	71	56	349
Alternative Energy	-	-	697	697
Water Supply	361	-	28	389
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 (1970-2007) (\$'000)

Country	Special Development Fund	IDB	Technical Assistance Fund	Other Special Funds	Total
Anguilla	730	39	60	707	1,536
Antigua and Barbuda	1,417	54	64	4,152	5,687
Bahamas	694	-	20	100	814
Barbados	890	-	112	455	1,457
Belize	11,065	85	166	6,305	17,621
British Virgin Islands	578	-	52	296	926
Cayman Islands	156	-	-	32	188
Dominica	7,882	307	227	14,541	22,957
Grenada	8,521	752	208	6,936	16,417
Guyana	21,118	-	1	4,476	25,595
Haiti	10,000	-	-	-	10,000
Jamaica	4,522	-	-	532	5,054
Montserrat	3,841	78	19	2,711	6,649
St. Kitts and Nevis	6,370	143	239	5,382	12,134
St. Lucia	8,750	337	247	7,527	16,861
St. Vincent and the Grenadines	8,188	763	291	7,051	16,293
Trinidad and Tobago	362	83	-	97	542
Turks and Caicos Islands	2,315	-	77	821	3,213
Regional:					
LDC Focus	6,523	973	416	4,185	12,097
MDC Focus	976	-	-	-	976
LDC/MDC Focus	47,777	6,552	659	20,463	75,451
Total	152,675	10,166	2,858	86,769	252,468
LDCs	69,813	2,558	1,650	56,461	130,482
MDCs	27,586	83	133	5,660	33,462
Regional	55,276	7,525	1,075	24,648	88,524

APPENDIX II - K

GRANTS APPROVED (NET) BY SECTOR AND BY FUND (1970-2007) (\$'000)

Sectors	Special Development Fund	IDB	Technical Assistance Fund	Other Special Funds	Total
Total - All Sectors	152,675	10,166	2,858	86,769	252,468
Agriculture, Forestry and Fishing	2,934	805	515	1,303	5,557
Crop Farming	1,738	594	355	958	3,645
Agriculture (excl. crop farming)	542	168	28	312	1,050
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 and Repairs	-	-	-	43	43
Industrial Estates	89	-	130	-	219
Tourism	1,310	1,158	45	198	2,711
Hotels and Lodging Places	165	-	-	100	265
Integrated Tourism Facilities	160	78	-	98	336
Tourism Supporting Services	985	1,080	45	-	2,110
Transportation and Communication	2,301	361	406	3,280	6,348
Transport:					
Main Roads and Bridges	283	24	-	-	307
Water Transport	462	-	327	225	1,014
Air Transport	1,075	256	79	3,030	4,440
Communication	481	81	-	25	587
Power, Energy and Water	1,130	-	367	3,270	4,767
Power and Energy:					
Electric Power	465	-	81	88	634
Alternative Energy	-	-	-	2,823	2,823
Water Supply	665	-	286	359	1,310
Social Services	28,514	1,658	539	8,906	39,617
Housing	1,805	-	108	71	1,984
Health	1,763	-	10	309	2,082
Education	24,946	1,658	421	8,526	35,551
Multi-Sector and Other	115,816	6,000	722	69,224	191,762
Urban Development	105	-	-	5,372	5,477
Disaster Rehabilitation	2,109	662	-	1,359	4,130
Distributive Trade	74	-	208	499	781
Structural Adjustment Programme	1,689	-	-	6,400	8,089
Other	111,839	5,338	514	55,594	173,285

APPENDIX II - L

GRANTS APPROVED (NET) BY COUNTRY AND BY YEAR (1970-2007) (\$'000)

Country	1970-2001	2002	2003	2004	2005	2006	2007	Total
Anguilla	1,175	24	15	18	41	57	206	1,536
Antigua and Barbuda	5,221	6	4	8	21	44	383	5,687
Bahamas	449	33	114	147	27	22	22	814
Barbados	968	21	27	100	136	75	130	1,457
Belize	14,676	92	2307	13	-	-	533	17,621
British Virgin Islands	926	-	-	-	-	-	-	926
Cayman Islands	176	-	-	-	-	-	12	188
Dominica	14,247	28	1,353	6,415	366	54	494	22,957
Grenada	13,648	150	1,427	791	269	76	56	16,417
Guyana	20,560	313	4,205	38	405	46	28	25,595
Haiti	-	-	-	-	-	-	10,000	10,000
Jamaica	2,472	1,012	119	222	124	712	393	5,054
Montserrat	5,731	10	658	81	9	105	55	6,649
St. Kitts and Nevis	10,654	189	828	81	242	118	22	12,134
St. Lucia	14,241	203	2,334	31	12	32	8	16,861
St. Vincent and the Grenadines	13,961	257	1,546	339	128	50	12	16,293
Trinidad and Tobago	298	26	16	123	7	46	26	542
Turks and Caicos Islands	2,730	-	461	14	8	-	-	3,213
Regional:								
LDC Focus	10,886	401	253	33	13	40	471	12,097
MDC Focus	826	-	-	-	-	150	-	976
LDC/MDC Focus	38,062	3,313	13,337	1,350	4,673	6,056	8,660	75,451
Total	171,907	6,078	29,004	9,804	6,481	7,683	21,511	252,468
LDCs	97,386	959	10,933	7,791	1,096	536	11,781	130,482
MDCs	24,747	1,405	4,481	630	699	901	599	33,462
Regional	49,774	3,714	13,590	1,383	4,686	6,246	9,131	88,524

Cancellations are applied to the year of approval.

APPENDIX III

RESOLUTIONS OF THE BOARD OF GOVERNORS DURING 2007

No.	SUBJECT	DATE OF ADOPTION
1/07	Amendment of the Agreement Establishing The Bank to provide for the Expansion of Membership of the Bank	Adopted January 31, 2007 by the Special Procedure for Voting under Section 9 of the By-Laws of the Bank
2/07	Audited Financial Statements and Reports of Independent Accountants	May 30, 2007
3/07	Allocation of Net Income	May 30, 2007
4/07	Expenses of Governors and Alternates Attending Meetings of the Board of Governors	May 30, 2007
5/07	Place and Date of Thirty-Eighth (2008) Annual Meeting	May 30, 2007
6/07	Election of Officers of the Board of Governors	May 30, 2007
7/07	Appreciation	May 31, 2007

MEMBER COUNTRIES

REGIONAL

BORROWING

MEMBER

COUNTRIES

Anguilla

Antigua and Barbuda

The Bahamas

Barbados

Belize

British Virgin Islands

Cayman Islands

Dominica

Grenada

Guyana

Haiti

Jamaica

Montserrat

St. Kitts and Nevis

St. Lucia

St. Vincent and the Grenadines

Trinidad and Tobago

Turks and Caicos Islands

OTHER

Colombia

Mexico

Venezuela

NON-REGIONAL

Canada

People's Republic of China

Germany

Italy

United Kingdom

ABBREVIATIONS

APEC	Audit and Post-Evaluation Committee
BMC	Borrowing Member Country
BNTF	Basic Needs Trust Fund
CARICOM	Caribbean Community
CDB	Caribbean Development Bank
CPAs	Country Poverty Assessments
CSME	CARICOM Single Market and Economy
CTCS	Caribbean Technological Consultancy Services Network
CWC	Cricket World Cup
DMFC	Disaster Mitigation Facility for the Caribbean
ICC	International Cricket Council
IDB	Inter-American Development Bank
LDCs	Less Developed Countries
MDCs	More Developed Countries
MDGs	Millennium Development Goals
mn	million
OCR	Ordinary Capital Resources
SDF	Special Development Fund
SDF(U)	Special Development Fund (Unified)
SFR	Special Funds Resources
TA	Technical Assistance
US	United States of America

Board of Governors

CDB's highest policy-making body is the Board of Governors on which each Member Country is represented. The Board of Governors meets once a year when CDB's operations are reviewed and major policy decisions taken. Special meetings are held as necessary. As at December 31, 2007, CDB's Board of Governors was as follows:

The Hon. Maxine Bernier	Canada	Chairman
The Hon. Camille Robinson-Regis	Trinidad and Tobago	Vice-Chairman
Mr. Oscar Ivan Zuluaga	Colombia	Vice-Chairman

COUNTRY GROUP

ANGUILLA, BRITISH VIRGIN ISLANDS,
CAYMAN ISLANDS, MONTSERRAT AND
TURKS AND CAICOS ISLANDS

GOVERNOR

Hon. Ralph T. O'Neal
Chief Minister and
Minister of Finance
British Virgin Islands

ALTERNATE GOVERNOR

Hon. Lowell L. Lewis
Chief Minister and
Minister of Finance
Montserrat

COUNTRY

ANTIGUA AND BARBUDA

GOVERNOR

Dr. the Hon. Errol Cort
Minister of Finance and the Economy

ALTERNATE GOVERNOR

Mr. Whitfield Harris Jr.
Financial Secretary

COUNTRY

THE BAHAMAS

GOVERNOR

Hon. Zhivargo S. Laing
Minister of State for Finance
Ministry of Finance

ALTERNATE GOVERNOR

Mr. Calvin Knowles
Managing Director
Bahamas Development Bank

COUNTRY

BARBADOS

GOVERNOR

The Hon. Mia A. Mottley
Deputy Prime Minister and Minister of
Economic Affairs and Development

ALTERNATE GOVERNOR

Mr. Grantley Smith
Director of Finance and Economic Affairs

COUNTRY

BELIZE

GOVERNOR

The Rt. Hon. Said Musa
Prime Minister and Minister of Finance

ALTERNATE GOVERNOR

Hon. José Coyo
Minister of the Public Service,
Works and Transport

COUNTRY

CANADA

GOVERNOR

Hon. Maxime Bernier
Minister of Foreign Affairs
Department of Foreign Affairs
and International Trade

ALTERNATE GOVERNOR

Vacant

COUNTRY

COLOMBIA

GOVERNOR

Mr. Oscar Ivan Zuluaga
Minister of Finance and
Public Credit

ALTERNATE GOVERNOR

Mr. José Darío Uribe
Governor
Banco de la República

COUNTRY

DOMINICA

GOVERNOR

Hon. Roosevelt Skerrit
Prime Minister and Minister
for Finance and Planning

ALTERNATE GOVERNOR

Mrs. Rosamund Edwards
Financial Secretary

COUNTRY
GERMANY

GOVERNOR

Ms. Karin Kortmann
Parliamentary State Secretary
Federal Ministry for Economic
Cooperation and Development

ALTERNATE GOVERNOR

Dr. Rolf Wenzel
Deputy Director-General
Federal Ministry of
Finance

COUNTRY
GRENADA

GOVERNOR

Hon. Anthony Boatman
Minister of Finance, Trade
and Planning

ALTERNATE GOVERNOR

vacant

COUNTRY
GUYANA

GOVERNOR

H.E. Mr. Bharrat Jagdeo
President

ALTERNATE GOVERNOR

Hon. Dr. Ashni Singh
Minister of Finance

COUNTRY
HAITI

GOVERNOR

Hon. Daniel Dorsainvil
Minister of Finance

ALTERNATE GOVERNOR

Mr. Raymond Magloire
Governor
Central Bank of Haiti

ITALY

GOVERNOR

Mr. Tommaso Padoa-Schioppa
Minister of the Economy
and Finance

ALTERNATE GOVERNOR

Mr. Ignazio Angeloni
Director for International
Financial Relations
Ministry of the Economy and Finance

COUNTRY
JAMAICA

GOVERNOR

The Honourable Audley Shaw
Minister of Finance and
the Public Service

ALTERNATE GOVERNOR

Dr. Wesley Hughes
Director General
Planning Institute of Jamaica

COUNTRY
MEXICO

GOVERNOR

Dr. Augustin G. Carstens Carstens
Secretary of Finance and
Public Credit

ALTERNATE GOVERNOR

Dr. Alejandro M. Werner
Under-Secretary of Finance
and Public Credit

COUNTRY
PEOPLE'S REPUBLIC OF CHINA

GOVERNOR

Mr. Zhou Xiaochuan
Governor
People's Bank of China

ALTERNATE GOVERNOR

Mr. Ma Delun
Assistant Governor
People's Bank of China

COUNTRY
ST. KITTS AND NEVIS

GOVERNOR
Dr. the Hon. Denzil Douglas
Prime Minister and Minister
of Finance

ALTERNATE GOVERNOR
Hon. Joseph Parry
Premier and Minister of Finance
Nevis Island Administration

COUNTRY
ST. LUCIA

GOVERNOR
The Hon. Stephenson King
Prime Minister and Minister for Finance

ALTERNATE GOVERNOR
Mr. Isaac Anthony
Permanent Secretary/Director of Finance
Ministry of Finance, International Financing
Services and Economic Affairs

COUNTRY
ST. VINCENT AND THE
GRENADINES

GOVERNOR
Dr. the Hon. Ralph Gonsalves
Prime Minister and Minister of Finance and
Minister of Foreign Affairs, Commerce and
Trade

ALTERNATE GOVERNOR
Hon. Louis Straker
Deputy Prime Minister

COUNTRY
TRINIDAD AND TOBAGO

GOVERNOR
Hon. Camille R. Robinson-Regis
Minister of Planning and Development

ALTERNATE GOVERNOR
Mr. Ewart Williams
Governor
Central Bank of Trinidad and Tobago

COUNTRY
UNITED KINGDOM

GOVERNOR
The Rt. Hon. Douglas Alexander
Secretary of State for International Develop-
ment Department for International Develop-
ment

ALTERNATE GOVERNOR
The Right Hon. Shahid Malik
Parliamentary Under-Secretary of State for
International Development,

COUNTRY
VENEZUELA

GOVERNOR
Mr. Rafael Isea Romero
President
Venezuela Economic and Social Develop-
ment Bank (BANDES)

ALTERNATE GOVERNOR
Mr. Rodolfo Sanz
Vice-Minister for Latin America
Ministry of Popular Power for Foreign Affairs

BOARD OF DIRECTORS AND VOTING GROUPS

The powers of the Board of Governors, except those specially reserved to it under the Charter, have been delegated to the Board of Directors, which is responsible for the conduct of investments, borrowing programmes, technical assistance, administrative budget, and submits accounts pertaining to each financial year for approval by the Board of Governors. The Board of Directors comprises 17 members, 12 representing Regional Members and 5 representing non-Regional Members. Directors are appointed for two-year terms of office and are eligible for re-appointment. As at December 31, 2007, CDB's Board of Directors was as follows:

CHAIRMAN

Dr. Compton Bourne, President

DIRECTOR

ALTERNATE DIRECTOR

COUNTRY OR GROUP OF COUNTRIES

Regional

Mr. Locksley Smith	Mrs. Carol Nelson	Jamaica
Mr. Anthony Bartholomew	Mr. Vishnu Dhanpaul	Trinidad and Tobago and Haiti
	Mr. Hancy Pierre-Louis (Adviser)	
Mrs. Ruth R. Millar	Mr. Calvin Knowles	The Bahamas
Mr. Neermal Rekha	Mr. Keith Burrowes	Guyana
Mr. Bentley Gibbs	Mrs. June Simpson-Clarke	Barbados
Mr. Isaac Anthony	Mrs. Rosamund Edwards	St. Lucia and Dominica
Mr. Crispin Frederick	Mr. Maurice Edwards	Grenada and St. Vincent and the Grenadines
Mr. Delton Jones, MBE	Mr. Joseph Waight	Belize and Anguilla, British Virgin Islands, Cayman Islands, Montserrat and Turks and Caicos Islands
Mr. Whitfield Harris, Jr.	Mrs. Janet Harris	Antigua and Barbuda and St. Kitts and Nevis
Mr. Alberto de Brigard	Mr. Adolfo Meisel	Colombia
Mr. Luis Arias	Mr. Carlos Pérez	Venezuela
Ms. Claudia Grayeb Bayata	Mr. Alejandro Ruiz Flores	Mexico
Ms. Kathryn Dunlop	Ms. Nalini Ablack	Canada
Ms. Elizabeth Carriere	Mr. Cedrik Schurich	United Kingdom
Mr. Adolfo Di Carluccio	Mr. Pablo Facchinei	Italy
Mr. Uwe Wolff	Dr. Julia Lehmann	Germany
Ms. Jin Qi	Ms. Wang Lin	People's Republic of China

PRINCIPAL OFFICERS OF CDB

(As at December 31, 2007)

OFFICE OF THE PRESIDENT

President

DR. COMPTON BOURNE

Deputy Director, Evaluation and Oversight

MISS ANNE BRAMBLE

FINANCE

Vice-President

MR. NEVILLE GRAINGER

Director, Finance and Corporate Planning

DR. WARREN SMITH

Deputy Director, Finance

MR. DENNIS SMELLIE

Deputy Director, Corporate Planning

MR. ADRIAN DEBIQUE

OPERATIONS

Vice-President

MR. P. DESMOND BRUNTON

Director, Economics

MR. ALAN SLUSHER

Director, Projects

MR. CARLSON GOUGH

Division Chief, Social Sector

MRS. YVONNE MOSES GRANT

Division Chief, Economic Infrastructure

MRS. TESSA WILLIAMS-ROBERTSON

Division Chief, Private Sector Development

MR. ALFRED HELM

Division Chief, Project Services

MR. NORMAN CAMERON

CORPORATE SERVICES

Director, Information and Technology Solutions

MR. MARK TAITT

Deputy Director, Information and Technology Solutions

DR. KATHLEEN GORDON

Director, Human Resources and Administration

MR. FRANK SAMPSON

Deputy Director, Human Resources

MISS JENNIFER COURTENAY

LEGAL

General Counsel

MR. DOUGLAS LEYS

Deputy General Counsel

MRS. YVETTE LEMONIAS-SEALE

DEPOSITORIES AND CHANNELS OF COMMUNICATION

COUNTRY	DEPOSITORY	CHANNEL
Anguilla	*ECCB P.O. Box 89 Headquarters Building Basseterre St. Kitts and Nevis	Permanent Secretary, Finance Office of the Permanent Secretary Finance P.O. Box 60 The Valley Anguilla
Antigua and Barbuda	ECCB P.O. Box 89 Headquarters Building Basseterre St. Kitts and Nevis	Permanent Secretary Ministry of External Affairs and Defence St. John's Antigua and Barbuda
The Bahamas	Central Bank of the Bahamas P.O. Box N-4868 Nassau The Bahamas	Financial Secretary Ministry of Finance and Planning P.O. Box 3017 Nassau The Bahamas
Barbados	Central Bank of Barbados P.O. Box 1016 Bridgetown Barbados	Director of Finance and Economic Affairs Ministry of Finance Government Headquarters Bay Street, St. Michael Barbados
Belize	Central Bank of Belize P.O. Box 852 Belize City Belize	Permanent Secretary Ministry of National Development P.O. Box 42, Administrative Building Belmopan Belize
British Virgin Islands	ECCB P.O. Box 89 Headquarters Building Basseterre St. Kitts and Nevis	Financial Secretary Ministry of Finance Central Administration Building Road Town Tortola British Virgin Islands
Canada	Bank of Canada 234 Wellington Street Ottawa Canada	President Canadian International Development Agency 200 Promenade du Portage Hull, Quebec K1A 0G4 Canada
Cayman Islands	ECCB P.O. Box 89 Headquarters Building Basseterre St. Kitts and Nevis	Financial Secretary Office of the Financial Secretary Portfolio of Finance and Economic Development Government Administration Building George Town, Grand Cayman Cayman Islands

* ECCB - Eastern Caribbean Central Bank

COUNTRY	DEPOSITORY	CHANNEL
Colombia	Banco de la República Carrera 7a, Numero 14-18 Oficina Principal Bogotá Colombia	General Manager Carrera 7a, Numero 14-18 Oficina Principal Bogotá Colombia
Dominica	*ECCB P.O. Box 89 Headquarters Building Basseterre St. Kitts and Nevis	Financial Secretary Ministry of Finance, Industry and Planning Government Headquarters Kennedy Avenue Roseau Dominica
Germany	Deutsche Bundesbank P.O. Box 10 06 02 Wilhelm-Epstein Strasse 14 Postfach 12 03 22 Germany	Bundesministerium für Wirtschaftliche Zusammenarbeit und Entwicklung(BMZ) Referat 302 Stresemannstr. 94 10963 Berlin Germany
Grenada	ECCB P.O. Box 89 Headquarters Building Basseterre St. Kitts and Nevis	Permanent Secretary Ministry of Finance St. George's Grenada
Guyana	Bank of Guyana Avenue of the Republic Georgetown Guyana	Secretary to the Treasury Ministry of Finance P.O. Box 1073 Georgetown Guyana
Haiti	Banque de la Republic d'Haiti BP 1750 rue des Mirades Port-au-Prince Haiti	
Italy	Bank of Italy Casella Postale 2484 00100 Rome Italy	Ministry of the Economy and Finance Via XX Settembre Rome Italy
Jamaica	Bank of Jamaica P.O. Box 621 Kingston Jamaica	Financial Secretary Ministry of Finance and Planning 30 National Heroes Circle Kingston 4 Jamaica
Mexico	Banco de Mexico, S.A. Subgerencia de Control de Operaciones Area Internacional Edificio Guardiola, 2do Piso 0659 Mexico, D.F. Mexico	Director General of International Affairs Secretariat of Finance and Public Credit Plaza de la Constitución No. 1 Palacio Nacional Cuarto Piso, Oficina 4037 Co. Centro., CP 06000 Mexico D.F. Mexico

* ECCB - Eastern Caribbean Central Bank

COUNTRY	DEPOSITORY	CHANNEL
Montserrat	*ECCB P.O. Box 89 Headquarters Building Basseterre St. Kitts and Nevis	Financial Secretary Ministry of Finance, Economic Development and Trade Government Headquarters Brades Montserrat
People's Republic of China	International Department People's Bank of China 32 Cheng Fang Street West District Beijing 100800 China	CDB Desk Economist Division for International Financial Institutions International Department People's Bank of China 32 Cheng Fang Street West District Beijing 100800 China
St. Kitts and Nevis	ECCB P.O. Box 89 Headquarters Building Basseterre St. Kitts and Nevis	Director Planning Unit of St. Kitts P.O. Box 186 Basseterre St. Kitts and Nevis
St. Lucia	ECCB P.O. Box 89 Headquarters Building Basseterre St. Kitts and Nevis	Director Finance Ministry of Finance and Economic Affairs Treasury Building Castries St. Lucia
St. Vincent and the Grenadines	ECCB P.O. Box 89 Headquarters Building Basseterre St. Kitts and Nevis	Director of Finance and Planning Ministry of Finance P.O. Box 608 Kingstown St. Vincent and the Grenadines
Trinidad and Tobago	Central Bank of Trinidad and Tobago P.O. Box 1250 Port of Spain Trinidad and Tobago	Permanent Secretary Ministry of Finance Eric Williams Finance Building Eric Williams Plaza Independence Square Port of Spain Trinidad and Tobago
Turks and Caicos Islands	FirstCaribbean Int'l. Bank Main Branch Grand Turk Turks and Caicos Islands	Permanent Secretary/Finance Ministry of Finance NJS Francis Bldg. Grand Turk Turks and Caicos Islands
United Kingdom	Bank of England Threadneedle Street London EC2R 8AH England	Department for International Development 1 Palace Street London SW1E 5HE England

* ECCB - Eastern Caribbean Central Bank

COUNTRY**DEPOSITORY****CHANNEL****Venezuela**

Banco Central de Venezuela
Av. Urdaneta
Esquina Las Carmelitas
Caracas 1010
Venezuela

President
Venezuelan Economic and Social
Development Bank
Avenida Universidad
Traposos a Colón
Torre BANDES, Piso 7
Caracas 1010
Venezuela