



CARIBBEAN DEVELOPMENT BANK  
ANNUAL REPORT 2005

**THE CARIBBEAN DEVELOPMENT BANK (CDB)** is a regional financial institution established by an Agreement signed in Kingston, Jamaica, in 1969. The Bank was established for the purpose of contributing to the harmonious economic growth and development of the member countries in the Caribbean, having special and urgent regard to the needs of the Less Developed Countries (LDCs) of the Region. CDB uses the CARICOM definition of LDCs, which comprises the following countries: Anguilla, Antigua and Barbuda, Belize, Dominica, Grenada, Montserrat, St. Kitts and Nevis, St. Lucia and St. Vincent and the Grenadines. The United Kingdom Overseas Territories of the British Virgin Islands, the Cayman Islands and the Turks and Caicos Islands have been added to these.

CDB's founding membership included 16 English-speaking Caribbean countries as Regional Members, and Canada and the United Kingdom as non-Regional Members. In addition to these, Anguilla, Colombia, Germany, Italy, Mexico, Venezuela and the People's Republic of China make up the current membership.

**MISSION STATEMENT** CDB intends to be the leading catalyst for development resources into the Region, working in an efficient, responsive and collaborative manner with our BMCs and other development partners, towards the systematic reduction of poverty in their countries through social and economic development.



**ABOUT THE COVER:**  
*Children in Guyana celebrate Phagwah – a Hindu festival that is observed in several countries.*

Willey, St. Michael  
Barbados, West Indies  
March 9, 2006

My Dear Chairman:



I enclose the Annual Report of the Caribbean Development Bank (CDB) for the year ended December 31, 2005, 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,*

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

**DR. THE HON. OMAR DAVIES**  
*Chairman*  
*Board of Governors*  
*Caribbean Development Bank*



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# CDB *Perspectives*

## BELIZE



**WATER FOR ALL IN BELIZE** Step over to the sink. Turn on the tap... For many of us, accessing a regular supply of clean water, one of the world's most valuable resources and one absolutely necessary to human life, is that simple. However, for millions of people around the world, sourcing, collecting, purifying and using water is a prolonged and arduous process.

The provision of potable water to rural communities has been a strategic focus of the Government of Belize for over 10 years. In the main town centres, the water systems are collectively managed by the country's municipal water service. However, the system of water development and supply to rural areas is complicated by the wide spread of the small population over a large land area, with villages being separated from each other by long distances. Therefore most rural village water systems are closed systems solely managed and largely maintained by elected Village Water Boards governed under a system of Village Councils.

The Basic Needs Trust Fund (BNTF) Fifth Project has supported the development of such rural water systems in some 26 communities to date, at a cost of USD 2.9 million.

Ensuring sustainability through community leadership, the Project expanded the scope of its activities to include management and maintenance training for newly established Village Water Boards. Furthermore, given the importance of a clean water supply to public health, training is offered to villagers in sanitation practices and efficient water usage. The BNTF Fifth Project at work, so that soon in every village in Belize, water can be just a step away.



# President's *Review*

The activities of the Bank were all driven by the need to address the development challenges faced by our borrowing member countries (BMCs), to accelerate and sustain economic growth, and to reduce poverty, in line with the Bank's over-arching objective of eliminating poverty in the region.

**THE PAST YEAR WAS A VERY ACTIVE** and challenging one for the Bank. Apart from the high level of loan and grant approvals of \$152.8 mn:

- *negotiations for the Sixth Cycle of the Special Development Fund were brought to a successful conclusion with a substantial increase in resources compared with the previous replenishment;*
- *work proceeded on a new strategic plan for the Bank for the period ending 2009, and on a revision of the Bank's financial policies to improve its efficiency and effectiveness;*
- *the re-named Caribbean Forum for Development held its first conference in Barbados, following the assumption of Secretariat responsibility by CDB for the former Caribbean Group for Cooperation in Economic Development (CGCED);*
- *substantial effort went into the Bank's continuing membership expansion drive, and there is the prospect of at least one new member during 2006; and*
- *considerable staff time was spent on the effort to operationalise the Regional Development Fund, as part of the process to deepen regional economic integration, and it is expected that regional governments will be in a position to make final decisions during the first half of 2006.*

The activities of the Bank were all driven by the need to address the development challenges faced by our borrowing member countries (BMCs), to accelerate and sustain economic growth, and to reduce poverty, in line with the Bank's over-arching objective of eliminating poverty in the region. Under its Basic Needs Trust Fund programme, the Bank approved a record \$14.2 mn in grants during the year, compared with \$8.7 mn during 2004.

In countries affected by natural disaster events in 2004 and 2005, the year 2005 was one of reconstruction and renewal, with substantial support coming from other CDB member countries, particularly Trinidad and Tobago; from the region's traditional development partners; and from CDB itself. The IDB, through CDB, was particularly supportive of Grenada, which had been seriously affected by hurricanes in both 2004 and 2005. In response to the severity and cost of the damage caused by recent natural disasters

in the region, CDB, through its Disaster Mitigation Facility for the Caribbean, has launched an initiative to mainstream disaster risk reduction and risk management in the budgeting and investment programming processes of ministries of finance and planning in BMCs.

The year was also one in which fresh impetus was given to the refashioning of trade policies, to economic restructuring in response to continuing change in the global economic environment, and to completion of the institutional arrangements for the introduction of the single market phase of the CSME. CDB played an active part in these activities, and its ongoing involvement served to emphasize the critical importance of cooperation and coordination among all major stakeholders in the quest for sustainable livelihoods for Caribbean people.

The management of the Bank is highly appreciative of the hard work of the staff of the institution, and of the continuing effort and involvement of the Board of Directors, all of which were critical and essential inputs into the outcomes for 2005.



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



PART I

# *The Caribbean Economies in 2005*



## THE GLOBAL ECONOMY

The global economy continued to expand during 2005, driven mainly by private consumption and investment; although, at around 4%, the pace was somewhat slower than the 5% growth rate of 2004. High and volatile oil prices, terrorist attacks in Europe, a continuing anti-inflationary monetary stance and a number of natural disaster events, together with ongoing political instability and armed conflict in the Middle East and Africa, all contributed to a sense of uncertainty which was exacerbated by indications of a resurgence and spread of avian flu. Much of the growth was in response to continuing expansion in the United States and China, with smaller contributions coming from the Eurozone and Japan. In the US, economic performance was affected by two Gulf Coast hurricanes, although the impact was more immediately obvious on the petroleum sector and on oil prices than on growth, following considerable damage to oil installations in the Gulf of Mexico.

The outturn for emerging markets and in other developing economies, especially in Latin America, was generally favourable, particularly given the continuing effort to manage fiscal deficits and to contain imbalances. Unemployment rates maintained a general downward trend under the influence of the ongoing expansion. Despite the rise in oil prices during the year (the average price of the OPEC basket rose from about \$36 to \$53, largely reflecting higher global demand) growth in inflation rates remained low, with the initial pass-through effects of the rising oil

prices being most visible in the profit-and-loss accounts of petroleum companies and airlines, and in the fiscal outturns of oil-producing countries; although there was some consumer reaction to the rising cost of fuel for transportation. At the same time, however, the expectation of continued high economic growth rates in China, the prospect of increasing expansion in India, and continued growth in the US, together with continuing political instability in the Middle East, suggested some uncertainty over supply capacity, and in consequence the likelihood that oil prices would remain high and volatile. Given the importance of petroleum to production and lifestyles in the global economy, such an outturn would contribute both to inflation and to a slowing in economic activity in the future.

With demand still relatively strong, and with increasing concern to prevent inflation from gaining a foothold, gradual action to remove monetary stimuli and to dampen fiscal expansion in the Americas continued during the year, although the combination of military activity in the Middle East and the effects of domestic tax cuts contributed to a weakening of the fiscal effort in the US. In contrast, the Bank of England reduced rates in light of weak household spending and subdued growth in business investment; and the policy stance in the Eurozone remained largely expansionary.

Overall prospects for 2006 include a continuation of growth from 2005, with some downside risk. Preliminary indications are for



*JAMAICA Through the CTCS, Jamaicans have benefited from practical training in beekeeping.*

# CDB *Perspectives*

## ST. LUCIA



### **BETTER QUALITY OF LIFE IN ST. LUCIA**

**“St Lucia recognizes the contribution of the BNTF projects, particularly as they relate to the social development of our community. We note, with commendation, the impact on a number of our poor and vulnerable communities, and the benefit to *women in particular*.**

The programme has spanned across sectors embracing varied mechanisms to improve the quality of life of our people:

- Many of our Health Centres were built through the support of BNTF;
- Improved access to communities by facilitating the building of walkways/footpaths;
- Direct support to the education system, where schools have been repaired, extended, and in some instances built;
- Access to utilities, in particular, bringing water to rural communities.

The results, thus far, are tangible and can truly be measured by interaction with those who have benefited:

- The child who now has access to water and a better school environment
- The mother who has access to a better health service within reasonable reach
- The family who can easily access their home as a result of improved infrastructure.

Thanks Basic Needs Trust Fund.”

**THE HON. MENISSA RAMBALLY,**  
*Minister for Social Transformation,  
Culture & Local Government  
Government of St. Lucia*



somewhat increased rates of expansion in the Eurozone and Japan, based on increased private investment. However, these economies, and those of Latin America, are likely to be adversely affected by an expected slowing in the rate of output growth in the US, which is likely to affect the export economies of South-East Asia as well. Whether the largely tourism driven economies of the Caribbean region will continue to expand as they did in 2005 will depend on the effectiveness of marketing and promotion efforts in the Americas and in Europe, and on the occurrence of other events which are largely outside of their control.

## REGIONAL ECONOMIC DEVELOPMENTS

**OVERVIEW** Preliminary indications are that GDP expanded in a larger number of countries during 2005 compared with the previous year, but that the overall rate of that growth declined somewhat. The slowdown resulted from a lower rate of expansion in tourism and a decline agricultural production. In contrast, construction sector activity rose strongly across the region, reflecting reconstruction and rehabilitation of hurricane damaged assets, accelerating investment in facilities in support of the major cricket competition in 2007, and as both the public and private sectors continued their investment programmes in infrastructure and housing, and in production facilities. The increase in output was reflected in a rise in government revenue collections, with this rise also resulting from efforts to improve the efficiency and effectiveness of the management of the public finances. Following a period of relaxation, some administrations moved to tighten monetary policy, mainly through an increase in interest rates, to counter continued strong expansion in private sector borrowing and its resultant pressure on foreign exchange reserves. The policy tightening also reflected increasing concern over the likely effects of the sharp rise in oil prices early in 2005, and the maintenance of high oil price levels throughout the rest of the year; and some administrations established arrangements for a faster pass-through of oil price increases to consumers. There was a perception of an acceleration in price inflation in a number of countries, although substantial price increases were not generally evident in the official consumer price indices. Unemployment rates generally trended downwards during the year.

Significant effort was focused during the year on meeting the end-December 2005 target-date for putting arrangements in place for the introduction of the single market component of the CARICOM Single Market and Economy (CSME), as the regional economic integration movement gathered momentum following the inauguration of the Caribbean Court of Justice as the region's apex disputes settlement institution earlier in the year. There was substantial policy discussion on the design and implementation of arrangements to support countries disadvantaged by the economic integration process, and consultations were held with a range of stakeholders across the region on possible approaches to providing such support while encouraging the transformation of regional production in order to achieve global competitiveness. The offer of long-term development credits on a government-to-government basis by Venezuela tied to petroleum purchases from that country encouraged some re-examination of the existing regional trading arrangements for petroleum products. More broadly, countries in the region continued to participate in hemispheric and global trade negotiations, although the prospects for traditional regional commodity exports to Europe remained discouraging.



*INVESTING IN THE FUTURE* Dr. Compton Bourne, President of the CDB visits a primary school project in Jamaica.

**REAL OUTPUT** Real GDP growth in CDB's borrowing member countries (BMCs) as a group is estimated to have slowed in 2005 compared with 2004 as a result of slower growth in tourism and a decline in agricultural production. A surge in construction activity, however, provided a substantial offset. Preliminary estimates suggest that while five BMCs had higher levels of output in 2005 compared with 2004, all the others recorded lower rates of growth, with actual output contractions occurring in Guyana (-3%), where a substantially higher level of rainfall resulted in major flooding, causing substantial damage and disruption and compounding the effects of the closure of a major mining operation; and in Montserrat (-1%), where the completion of a new airport in the safe zone of the island led to a sharp decline in construction sector activity.

The slowdown in tourism activity was a main contributing factor to the deceleration in Antigua and Barbuda (growth of 3.2% in 2005 as against 5.2% in 2004) and Belize (1.7% compared with 4.5%), with a contraction in sugar and banana production caused by adverse weather conditions also contributing to the outturn in Belize. Similarly GDP growth in Barbados (4.1% compared with 4.8%), St. Kitts and Nevis (3% as against 6.4%), Dominica (2.4%, down from 3.6%) and St. Vincent and the Grenadines (4.5%, reduced from 5.4% in 2004), were affected by the reduced performance level of the tourism industry, with the situation in St. Kitts and Nevis and Dominica being further affected by ongoing structural change. The decline in Anguilla from 14% in 2004 to 8% mainly reflected a slowdown in construction activity associated with the completion of an airport expansion project. Hurricane-related reconstruction was a major contributor to output expansion in those economies (The Bahamas, Cayman Islands, Grenada, Jamaica and St. Lucia) showing increased growth rates in 2005, although in St. Lucia new construction sector activity was a major contributor to the 5% growth rate as against 4% in 2004. Output rose by an estimated 3.5% in The Bahamas compared with 3% in 2004; 1.6% in Jamaica as against 1.1%; 6.5% in Cayman Islands from less than 1% in 2004; and 1.5% in Grenada, up from a 3% contraction in 2004.

The rate of output growth in Trinidad and Tobago was maintained at about the 7% level recorded for 2004, reflecting continuing high activity levels in the petroleum and petrochemicals-related areas. While quantitative information was not available, indications are that output continued to expand in the British Virgin Islands and in the Turks and Caicos Islands during 2005, driven mainly by tourism and construction.

**TOURISM** Following strong growth during the previous year, the performance of the tourism industry was mixed in 2005. Substantial damage to hotel accommodation in Grenada and in the Cayman Islands caused by Hurricane Ivan in 2004 was responsible for sharp declines in the number of stayover visitors, although reconstruction and rehabilitation work continued. In others, except for Antigua and Barbuda where a 4% decline partly reflected hotel closure for renovation, the movement in stayover visitor arrivals was marginal compared with 2004. Performance in the cruise segment of the market was weak, with the available data suggesting an overall decline in the number of cruise passenger arrivals to the region. This appears to have resulted mainly from the repositioning of cruise ships and changes in cruise routes in response to market demand for changes in cruise destinations. Only Cayman Islands and Jamaica recorded increases in cruise passenger arrivals, although the picture was somewhat complicated because of the large proportion of day-visitors by sea to Anguilla.

The overall regional tourism outturn for 2005 was reflective of the active hurricane seasons of 2004 and 2005, increasing competition from the non-English-speaking Caribbean and from the Asia/Pacific region, the rising price of oil, and slower growth in the main source market countries, particularly those in Europe. At the same time, however, the data suggest a global slowdown in industry growth during 2005, probably as a result of a combination of factors including heightened political tensions, increased cost of travel, an apparent increase in the incidence of natural disasters, and a general sense of increased uncertainty.

**AGRICULTURE** Agricultural output declined in the region during 2005, mainly reflecting unfavourable weather conditions in 2004 and 2005, but also as a consequence of the ongoing contraction in sugar and banana production as a result of changes in the marketing arrangements. Regional sugar production contracted by approximately 22%, as output declined in Belize, Guyana, Jamaica, and Trinidad and Tobago, with only Barbados showing some growth. St Kitts and Nevis closed its sugar industry after a sustained period of loss-making operations. The decline in banana production was equally broad-based, with output declining by 15.9% in the Windwards as the effects of hurricane Ivan, leaf-spot disease, cash flow difficulties and the exit of farmers from the industry depressed output; and as production declined in both Belize (6.5%) and Jamaica (70.7), the latter as a result of hurricane damage. The region's non-traditional crops also fared poorly,

# CDB *Perspectives*

## GUYANA



**ROAD REWARDS IN GUYANA** Driving can be a harrowing experience, particularly in parts of the Caribbean where, difficult terrain and poor road conditions can have a combined negative effect on road safety. The Third Road Project (Guyana) has focused on improving road conditions as a means of enhancing the safety of road users and roadside communities. Under the Project, significant improvements have been made to the most heavily trafficked roads between Georgetown and other urban areas on both banks of the Demerara River in Guyana.

To deal with increased traffic flows and to reduce travel time, 6km of the East Bank Road was upgraded from two lanes to a four lane dual carriageway, and 4km of the West Bank Road was widened. Proper lighting and additional traffic signs were installed along the road's entire length, including the busy Mandela Avenue junction at Ruimveldt. Safety enhancements were also made to many other intersections with minor roads.

Cyclists and pedestrians from the surrounding communities can now move safely and conveniently along the recently constructed cycle paths and concrete sidewalks along the route.

Three bridges were widened, and the ones at Versailles and Plantain Walk repaired, while three timber bridges at Boerasirie and Ruby were replaced with reinforced concrete structures more suitable to contemporary transport requirements. Not only will the Demerara Harbour Bridge be resurfaced, but the roadworks mentioned also all involve improving riding surfaces and the construction of adequate drainage – a key factor in a city that is below sea level.

This investment in Guyana's roadways will go a long way toward reducing traffic time and increasing commuters' productivity, lowering vehicle repair costs and most importantly, reducing the risk of road accidents. Making walking, cycling, and driving on Guyana's roads an experience to look forward to.

#### **BELIZE**

The bank has funded several projects throughout the Caribbean targeted to providing safe, clean housing for the elderly.



reflecting reduced acreage under cultivation as a result of hurricane Ivan, drought in some countries particularly during the early part of the year, and flooding in others.

Agriculture production in the region is currently undergoing considerable restructuring. Changes to the European Union's agricultural policy continue to affect exports and earnings from sugar and bananas, and the medium-term prospect is for further contraction in banana production, and for a shift from raw sugar production to greater emphasis on value-added products, including premium rums, and energy from sugarcane.

**CONSTRUCTION** There was a sharply increased level of activity in the construction sector in 2005 compared with 2004, reflecting increased investment by both the public and private sectors. Hurricane-related rebuilding, which got fully underway during 2005, accounted for a significant part of the growth, while preparations for the cricket world cup competition in 2007 gathered momentum. In the public sector, these preparations included the rebuilding and refurbishing of stadia, with accompanying improvements to supporting infrastructure, including roads and urban centres; while activity in the private sector focussed on improving and expanding accommodation and entertainment facilities. In addition, normal public and private sector investment activities continued, involving substantial work

on roads, public and private housing development, and on ports; with these operations contributing to some tightening in the supply of skilled labour and in the supply of materials, in particular cement. Construction sector activity has led to a perceptible movement of labour between countries, and the high level of activity is expected to continue during 2006.

**MANUFACTURING** The manufacturing sector showed some performance improvement in 2005, with output increases recorded for construction materials, food, beverages, chemicals, electronic components, and other non-metallic products. Output in the sector rose in Trinidad and Tobago, partly in response to demand from the rest of the region; while output rose in the export enclave sub-sector in St Kitts and Nevis in response to demand from the US. There was some expansion in Barbados partly as a result of a strong domestic marketing effort, with some support from the public sector. In the OECS sub-region, concern was expressed by some manufacturers over the likely effects of CSME implementation on the ability of OECS manufacturers to compete with those from more developed member countries of CARICOM; and the view was expressed that there was an urgent need to operationalize the support arrangements set out in the Revised Treaty of Chaguaramas for disadvantaged countries, regions, and sectors.

Generally, the non-sugar and non-mineral-processing manufacturing sector in the region remained small, and there was little prospect of substantial expansion in the medium term. Export output continued to be substantially niche-based, while production for domestic consumption benefited from regional trading arrangements and consumer preferences, and from value-weight ratio considerations.

**MINING AND QUARRYING** Mining and quarrying activity showed some performance improvement in 2005, with output rising in Trinidad and Tobago, and Jamaica, but falling in Guyana. In Trinidad and Tobago, the energy sector continued to benefit from high oil and petrochemicals prices, and from past expansion in productive capacity; and output in the exploration and production, refining, and petrochemicals sub-sectors rose strongly. In Jamaica, bauxite production rose 10.3% during the first ten months of the year, while output of alumina grew by 3.2%. In contrast, the level of activity in the mining and quarrying sector in Guyana declined by 17.3%, reflecting lower diamond and gold declarations, with gold production being adversely affected by the closure of operations of a major enterprise. The contraction in the sector would have been greater were it not for a rise of 13.4% in bauxite production, reflecting the operations of a new entrant into the industry during the year.

In the recent past there has been significant investment in the region's mining sector in order to boost productive capacity. This has been fuelled to a large extent by rising international prices for oil and metals as a result of increasing demand due to strong economic growth in some countries.

**TRANSPORTATION AND COMMUNICATION** Activity in the area of transport and communications rose during the year. On the one hand, there was substantial expansion in telecommunications, telecomputing and in information processing operations, as both capacity and the use of that capacity continued to expand in both the public and private sectors. Sea transportation expanded with the provision of increased capacity and faster service between Trinidad and its sister island, Tobago, and with increasing use of ferry services in the Leewards and in the northern Windwards. On land, public sector programmes to expand and improve road networks to accommodate a rapidly increasing motor vehicle population continued, although there was increasing concern that more effort should be directed towards providing or improving mass transit services as an alternative to additional expensive road construction. Growth in the motor vehicle population has been facilitated by an expansion in banking system credit to consumers, and by the increasing availability of used vehicles mainly from Japan.



**ST. LUCIA**  
Large bridge construction under the CDB funded Roads Development Programme.

# CDB *Perspectives*



**VYBZING WITH CARIBBEAN YOUTH** The title of the CDB's Forum for Youth in Development is difficult to find in the average dictionary. But this word, commonly used among Caribbean youth, aptly describes the initiative born at CDB Headquarters in November 2005.

*Vybzing* was conceived as a forum for dialogue, to increase awareness of the CDB among young people in the region, as well as to listen to their views on development issues that affect their lives. Participants were encouraged to identify problems they faced and share possible solutions.

The original idea grew out of the Bank's annual outreach programme to young people during the Annual Meeting of the Board of Governors, when selected sixth form students in the host country are informed about CDB's role in the region and give their perspectives on a topical issue related to the Bank's operational programme.

The *Vybzing* sessions - two high-energy, interactive encounters and multimedia presentations - proved to be inspirational for both the young guests and participating Bank staff. Students from sixth form secondary schools and tertiary education institutions in Barbados were invited to participate in the first session. Then later on in November, the forum moved to St. Kitts

and Nevis, where students from the Clarence Fitzroy Bryant College had the opportunity to express themselves on issues confronting their society.

In both countries, the lively discussions and debates covered issues ranging from crime, unemployment and HIV/AIDS, to governance and regional integration. Some of the solutions proposed by the students were mentoring programmes, support for youth entrepreneurship and curriculum reform. There was a notable similarity between the views expressed by participants in Barbados and St. Kitts, marking a common thread of concern among the region's youth.

As a result of this forum, the CDB can now draw on a rich resource base as it develops policies and programmes specifically for young people. Plans are underway to host the forum in other Borrowing Member Countries, and to establish links via the internet for deepening and expanding the relationships developed during the sessions. The programme also aims, over time, to create links to the youth programmes of other development institutions; building a lasting network of youth in development for dialogue, support and collaborative action.

The definition of "*Vybzing*" according to the CDB Youth Forum?  
To inspire, inform and engage.





**EARLY CHILDHOOD EDUCATION** Under the Reduction of Vulnerability priority area of the SDF, a regional grant was approved for a Child Focus III project aimed at strengthening early childhood education.

Air transportation arrangements within the region continued to be a source of concern, given the region's dependence both on tourism and on air transport, with all the main regionally owned carriers reporting substantial operating losses. This outturn carried with it the continuing threat of possible closure of operations, and substantial public sector support continued to be provided to three carriers. Efforts during the year to restructure the regional air transport industry into a financially viable operation were not successful.

**OFFSHORE BUSINESS SECTOR** The offshore business sector is estimated to have expanded in 2005, based on an increase in the volume of registrations and revenues, particularly from the international business companies. The stable macroeconomic and political climate, as well as the region's efforts to improve the legislative and regulatory environment to reduce money laundering and related criminal activity generally had a positive impact on the performance of the main offshore jurisdictions. In addition, there was further diversification within the sector during the year as Anguilla commenced operations involving mutual funds and captive insurance companies.

**FINANCIAL SECTOR DEVELOPMENTS** Financial sector activity expanded during the year as commercial banks and non-bank institutions sought to expand their business operations and increase their individual market shares, using past excess liquidity

accumulation to finance credit growth. With much of the credit expansion going to finance consumer imports and non-tradeables, particularly housing, the increased levels of lending were reflected in increased foreign reserves utilisation, resulting in declines in international reserves. This prompted corrective action in some jurisdictions.

During the year, the larger of the private domestic banks continued to consolidate their position as regional entities, with smaller institutions, particularly those in the OECS, increasingly contemplating alliances with strategic partners as a more attractive alternative to competition with the large institutions after the expected full implementation of the CSME. In at least one jurisdiction the credit union movement continued to expand, provoking comment from the private banks about unfair competition. Work continued during the year to harmonise the operations of the stock exchanges operating in the region as part of the effort to promote and increase cross-listings, facilitate trading, and deepen regional integration; and a newly-established regional financial rating agency sought to expand operations from its Port-of-Spain operations base.

**PUBLIC FINANCES AND DEBT** The region continued to struggle with public debt and public finances management issues during the year. Most countries strengthened their revenue collection and administration systems, with a number of them undertaking

**IMPROVED WATER SUPPLY** Lack of a sustainable access to water (MDG 7/15) is a problem throughout the Caribbean. The CDB addresses this problem through its BNTF.



preparatory work for the introduction of transactions-based taxes given the increasing pressure for global reduction in border taxes on traded items. CARTAC, the regional technical assistance agency, together with CDB, provided considerable assistance in this area during the year. As part of the effort to address the management of the public finances, member-countries of the Eastern Caribbean Currency Union, with assistance from the Eastern Caribbean Central Bank and CDB, paid increasing attention to the design and management of the public sector investment programmes in individual countries, and to associated debt management issues. Remaining current with financial obligations, including debt service, while financing the ordinary operations of Government at a satisfactory level, remained a challenge across the region during the year. This was particularly evident in the problems faced by some countries with remaining current with financial contributions to regional institutions, and in the discussions on possible approaches to financing the Regional Development Fund contemplated in the Revised Treaty of Chaguaramas.

During the course of the year debt/GDP ratios remained high, and at least four countries had debt service/current revenue ratios above 30%. Grenada organised a successful debt restructuring exercise, following the major difficulties with debt servicing which developed as a result of the impact of Hurricane Ivan; and at least one other country was, at year end, exploring similar arrangements.

**PROSPECTS** The prospects for 2006 are reasonably favourable, driven largely by construction in anticipation of continued growth in tourism. As preparations for the 2007 ICC Cricket World Cup competition gather momentum it is likely that there will be further acceleration in construction activity, both in the public and private sectors. This will require attention to be paid to existing and potential supply bottlenecks. While the spin-off benefits from the increased construction activity and from the expected increase in visitor spending should be considerable, careful attention needs to be paid to the level of financial exposure that will be generated by the investment in facilities, and to the possible impact of future debt-servicing requirements, particularly for the public sector. In addition, early attention will need to be paid to ensuring that the new and expanded facilities are appropriately utilised after the World Cup cricket events. It should be noted that growth in tourism is expected even without the added stimulus of the cricket competition.

Continued expansion is expected in the telecommunications and information processing industries in the region, as investment in new technology remains high, and as service providers continue to compete for new customers and for market share. Further growth is expected from both domestic and offshore financial and business services, as the offshore jurisdictions continue efforts to improve their attractiveness, and as governments continue to press

domestic financial institutions to broaden their support for electronic commerce to accommodate government services transactions.

Growth in mining sector output is likely to continue, given the capacity expansion in the bauxite industry in Guyana and Jamaica, and the continuing favourable environment for petroleum and petrochemicals production in Trinidad and Tobago. Petroleum production and exploration in Belize, though currently at a low level, could make some contribution to output growth in that country over the medium term.

With respect to traditional agriculture, the future of sugar and bananas in most jurisdictions is not particularly favourable, and much effort is needed to identify and develop substitute products, perhaps as specialty or niche market items with substantial value-added, rather than commodities. As noted earlier, considerable effort is now going into expanding the range of products from the sugarcane industry, while reducing the emphasis on the production of raw sugar; and the focus of non-sugar agricultural

production is being redirected towards national and regional tourism markets. While the initial research and development effort may place some pressure on domestic financing, the targeted outcomes are well worth the investment risk. One area requiring policy attention is the continuing arrogation into housing of land suitable for agriculture.

Pressure on the fiscal accounts is likely to increase as a result of demand for increased wages, support for ongoing infrastructure development at both the physical and institutional level, and to support the accelerating regional integration effort. Economic growth elsewhere has already increased the competition for skilled workers, and the region has had to cope with staff losses in a number of areas. As the integration processes deepen there is an increasing likelihood of shifts in the location of enterprises, and this will affect both revenue flows and expenditure requirements. Governments will need to maintain the flexibility to respond to unanticipated developments, and will need to devise creative solutions which go beyond purely national concerns in dealing with issues that will be increasingly regional in scope.



**TRADITIONAL RIVER USE** Throughout the Caribbean rivers and streams are still used to meet basic everyday needs such as bathing, cooking, washing and drinking.



PART II

# *The Caribbean Development Bank Operations in 2005*

## INTRODUCTION

As the pace of global economic and technological change quickens and intensifies, the Caribbean Region faces unprecedented challenges. In this evolving environment, CDB is ever mindful of its mandate to work toward enhancing the quality of life for the people in its BMCs. The Bank continues to search for ways to enable communities to participate effectively and efficiently in a more competitive environment.

The Bank's work programme in 2005 was aimed at ensuring that its communities secure such opportunities by improving market access, strengthening their resilience in the face of natural disasters, and empowering them for improved social and community management. It was also aimed at ensuring that the operations of the Bank were adequately resourced.

The Bank's overarching goal is poverty reduction through sustainable economic and social development. In keeping with this mandate, operations during 2005 focussed on three broad thematic areas:

- a) *Infrastructure for Sustainable Development*
- b) *Building Sustainable Communities*
- c) *Regional Economic Integration*

## THE SDF REPLENISHMENT

Negotiations for the sixth cycle replenishment of CDB's Special Development Fund (Unified) [SDF (U)] were successfully concluded in December 2005 after four sets of meetings.

The twenty-six Contributors to the SDF agreed to contribute \$158.1 mn for the SDF 6 programme, covering the period 2005 to 2008. The programme level for the four-year cycle approved by Contributors amounts to \$257.7 mn. Additional funding will be provided from net income and reflows during the period, as well as from the proceeds arising from accelerated payment schemes and expected new Contributors.

An ambitious development agenda was endorsed by Contributors under the following development themes:

- (a) *poverty reduction and broad-based economic growth as an overarching goal;*
- (b) *addressing the Millennium Development Goals (MDGs) with the further development of the MDGs as a framework for SDF programming, monitoring and preparation of appropriate targets and indicators for SDF operational programmes;*
- (c) *strengthening development effectiveness and results-based management, together with other elements of the monitoring agenda; and*
- (d) *planning for and implementing the expansion of BMC membership, in particular Haiti's.*



**BELIZE** The Bank's overarching goal is poverty reduction through sustainable economic and social development. The Bank provided support to the government of Belize for the preparation of the National Poverty Elimination Strategy and Action Plan (2005-2010).



**DOMINICA** Dominica received a loan for the improvement and maintenance of the Valley Roads. This loan is expected to finance road works and engineering services, and will provide better access to Eco-Tourism sites.

## FINANCING OPERATIONS

The Bank approved loans and grants for activities in the economic, social and financial sectors in 2005. Significant resources were also directed to disaster rehabilitation and disaster risk management.

**LOANS** Fifteen loans amounting to \$146.2 mn were approved in 2005 for the public and private sectors. The average loan size in 2005 was \$9.7 mn, compared with \$7.1 mn in 2004. Loans were made to eight BMCs and to one regional project. Disbursements for the year totalled \$128.1 mn. Of this latter amount, \$93.9 mn (73%) was disbursed from Ordinary Capital Resources (OCR) resources loans, with the remaining \$34.2 mn (27%) being disbursed from the concessionary Special Funds Resources (SFR).

**Table II:1** details the levels of approvals and disbursements on loans, equity investments and grants during 2005 and 2004.

Of the total lending, loans to the LDCs amounted to \$73.1 mn, comprising \$41.6 mn from OCR and \$31.5 mn from the SFR. Lending to the private sector without government guarantee using OCR amounted to \$5.0 mn.

The two largest borrowers in 2005 were Jamaica and Grenada, which received \$54.1 mn or 37% and \$25.0 mn or 17% of the total, respectively. Other significant borrowers were St. Lucia (\$22.6 mn or 15%) and Guyana (\$14.1 mn or 10%).

**GRANTS** Grant disbursement during 2005 amounted to \$14.6 mn of which \$9.3 mn or 63.9% was to the LDCs. The two major beneficiary countries were Guyana and Dominica with \$5.6 mn and \$1.7 mn respectively. Disbursements to Guyana were primarily under the HIPC debt relief programme, while disbursements to Dominica were provided as part of a debt relief operation.

**CUMULATIVE APPROVALS** Net cumulative approvals (loans, contingent loans, equity and grants) as at December 31, 2005 (**Table II:2** refers), amounted to \$2,621.6 mn. Of this amount, \$1,370.6 mn, or 52%, went to the LDCs (\$1,291.6 mn, or 52%, in 2004), with the remainder being allocated to the MDCs (43%) and regional projects (5%). The cumulative value of grants approved as at December 31, 2005, was \$214.4 mn, of which \$162.6 mn, or 78.3% was for the LDCs.

**CUMULATIVE DISBURSEMENTS** Cumulative disbursements, including grants (**Table II:3** refers), increased by 7% in 2005 to \$2,105.5 mn, from \$1,962.9 mn in 2004. Approximately 8.9% of cumulative disbursements were represented by grant disbursements (2004-8.8%)

A comparative analysis of cumulative disbursements shows that CDB's Ordinary Operations accounted for 52% of total disbursements (2004 – 51%) with the SFR share decreasing to 48% in 2005 from 49% in 2004.

The distribution of cumulative disbursements between MDCs and LDCs is provided at **Table II:4**. At the end of 2005, total disbursements to MDCs increased 6% to \$911.4 mn from \$861.5 mn in 2004.

Cumulative disbursements to LDCs increased 8% to \$1,194.1 mn from \$1,101.4 mn in 2004. At December 31, 2005, the LDCs' share of cumulative disbursements was 57% (2004 – 56%).

The MDCs accounted for 57% and the LDCs for the remaining 43% 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, 2005, principal repayments on loans since the inception of the Bank amounted to \$786.2 million (2004 - \$738.8 mn) (**Table II:5** refers).

OCR principal repayments during the year amounted to \$51.8 mn, bringing cumulative OCR repayments of \$402.9 mn, after taking into account exchange rate fluctuations. Cumulative SFR principal repayments, after exchange rate fluctuations, were \$383.2 mn in 2005 (2004 - \$368.7 mn).

**RESOURCE TRANSFERS** For the eighth 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. Net transfers were \$20.4 mn in 2005, compared with \$122.4 mn in 2004. The decline was due to the one-off disbursement of loans relating to the Caribbean Court of Justice amounting to \$100.0 mn in 2004.

#### INFRASTRUCTURE FOR SUSTAINABLE DEVELOPMENT

The role of economic infrastructure in development is well established. The efficient provision of infrastructure services contributes significantly to economic growth, poverty reduction and environmental sustainability. Economic infrastructure is also the most capital intensive of development investments, underscoring the importance of efficiency in implementation and operation of infrastructural services.

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

ACTIVITY/SOURCE OF FUNDS	APPROVALS		DISBURSEMENTS	
	2005	2004	2005	2004
<b>A. Loans</b>				
<b>Ordinary Operations</b>	<b>104,287</b>	<b>73,980</b>	<b>93,928</b>	<b>170,949</b>
OCR	104,287	73,980	93,928	170,949
<b>SFR</b>	<b>41,929</b>	<b>39,363</b>	<b>34,143</b>	<b>51,222</b>
SDF	26,302	24,413	30,309	38,637
OSF	15,627	14,950	3,834	12,585
<b>Total</b>	<b>146,216</b>	<b>113,343</b>	<b>128,071</b>	<b>222,171</b>
<b>B. Equity</b>	-	160	-	-
<b>C. Grants</b>	<b>6,574</b>	<b>10,141</b>	<b>14,550</b>	<b>9,258</b>
<b>Total Financing</b>	<b>152,790</b>	<b>123,644</b>	<b>142,621</b>	<b>231,429</b>

# CDB *Perspectives*

## DOMINICA



**WAI'TUKUBULI LIVES: INDIGENOUS HISTORY MEETS ECO-TOURISM IN DOMINICA** Much has changed since the island known as Dominica was first named “Wai’tukubuli” by the Kalinago/Karifuna people – indigenous inhabitants of the Caribbean. The six hundred years since Columbus’ arrival have seen massive shifts in the island’s population, the creation of local creole language and culture, and the rise and fall of the banana industry as the country’s main source of income.

Yet despite these changes, and in the face of formidable odds, the Kalinago people (called Caribs by European voyagers) have survived as a growing population of about 3,400 people, living primarily on a 3,700 acre Territory on Dominica’s east coast.

A combination of persistent natural beauty, and rich, ongoing history and culture has become the underpinning of the Government’s move toward economic diversification through the development of the tourism sector. And it is not at all surprising that the Kalinago people have a key role to play in this process.

One such initiative supported by the CDB, has been the establishment of the Kalinago Barana Auté, Carib Village by the Sea. Built on 4.2 acres of land in Kalinago territory, the Village honours the important heritage of the Kalinago people, while providing visitors with the opportunity to learn about their unique way of life.

The Village is an educational, enjoyable blend of the past and present, with thatched-roof buildings from the pre-Columbus

era standing alongside modern infrastructure and facilities. Extensive interpretive information and displays about Kalinago customs and cultural traditions are now available at centres in the Morne Diablotin/Syndicate area, as well as at the Freshwater Lake, Middleham Falls and Soufriere sites. The Morne Diablotin/Syndicate area also offers bathroom facilities, along with a Craft Shop and Snackette for refreshments and souvenirs.

In addition, the Village boasts impressive eco-attractions such as a waterfall, lake and a number of trails. At the Middleham Falls and Soufriere sites, the visitor experience has been enhanced through the provision of extensive signage, easy vehicular access, improved wilderness trails and a picnic shelter (at the falls). A new all-weather road from Laudat now provides easy access to the Fresh Water Lake, and visitors to the lake can now benefit from signed wilderness trails and boat trips.

This project is expected to greatly benefit the Kalinago community and the Government through providing employment and small business opportunities including, but not limited to the sale of crafts, traditional foods and herbs, reducing environmental stress at existing ecotourism sites, and increasing tourism revenues.

So Wai’tukubuli may have gone through some upheavals, but the name which means “tall is her body”, is still an apt description of Dominica’s beautiful, mountainous terrain, and the original inhabitants who bestowed it, live on with the support of the CDB.



The continuing demand for improvements in economic infrastructure to meet the development needs of BMCs was facilitated through the provision of assistance for road construction and improvement projects in Dominica, Grenada, Jamaica and St. Lucia. Significant benefits to road users and communities in the areas served by these projects will include improved road safety, time savings, reduced vehicle operating costs and generation of new commercial and tourism-related business opportunities. Anguilla and Belize received assistance to expand power generation capacity and improve the efficiency of transmission and distribution of electricity to customers. The project in Belize is noteworthy in that it promotes the use of renewable resources in a biomass cogeneration power plant. St. Kitts and Nevis, as part of a stabilisation programme aimed at achieving fiscal balance and reducing the level of public debt, also received assistance in the power sector with the provision of a technical assistance loan to

define and recommend actions necessary for the smooth transition of the current Electricity Department into an autonomous electric utility. Lending for economic infrastructure accounted for 74% of total new lending in 2005, comprising \$94.1 mn (64%) for the road projects and \$14.9 mn (10%) for energy investments.

## BUILDING SUSTAINABLE COMMUNITIES

**CAPACITY BUILDING** CDB's grant resources, apart from resources used in the Basic Needs Trust Fund, are used primarily for activities which contribute to capacity building and institutional strengthening and to provide assistance to BMCs in project development and preparation. The single largest approval from the special funds resources in 2005 was allocated for the re-introduction of project management training for the BMCs. It is proposed that the programme, which will include a combination

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

Year	TOTAL APPROVALS 1970-2005			Total
	MDC's	LDC's	Regional	
1970-99	695,972	914,947	76,538	1,687,457
2000	85,891	81,642	7,983	175,516
2001	30,927	94,208	16,455	141,590
2002	61,623	59,749	6,771	128,143
2003	135,088	72,956	13,728	221,772
2004	39,721	72,976	1,646	114,343
2005	68,929	74,139	9,722	152,790
<b>Total 1970-2005</b>	<b>1,118,151</b>	<b>1,370,617</b>	<b>132,843</b>	<b>2,621,611</b>
<b>% Distribution</b>	<b>43</b>	<b>52</b>	<b>5</b>	<b>100</b>

**TABLE II: 3 DISBURSEMENTS 1970-2005 (\$'000)**

Source of Funds	1970-79	1980-89	1990-99	1970-05	2004	2005
<b>Ordinary Operations</b>	<b>40,197</b>	<b>159,026</b>	<b>360,391</b>	<b>1,099,973</b>	<b>170,949</b>	<b>93,928</b>
OCR (incl. VTF)	40,197	159,026	360,391	1,099,973	170,949	93,928
<b>Special Operations</b>	<b>88,864</b>	<b>317,850</b>	<b>315,986</b>	<b>1,005,527</b>	<b>60,480</b>	<b>48,693</b>
SDF	55,958	139,079	253,873	667,808	41,677	32,337
OSF	32,906	178,771	62,113	337,764	18,803	16,356
<b>Total</b>	<b>129,061</b>	<b>476,876</b>	<b>676,377</b>	<b>2,105,545</b>	<b>231,429</b>	<b>142,621</b>

of residential teaching and distance instruction in a modular format, will be open to both public and private sector participants with public sector participants receiving a subsidy.

Training and skills development activities accounted for the largest number of interventions undertaken in 2005. These interventions were undertaken in seven BMCs and ranged from training in organic fertiliser production through a workshop on strategic planning for the national development foundations in the OECS, to a seminar on creating a sustainable framework for monitoring the achievement of the MDGs in the Caribbean.

Grant resources were also used to support activities undertaken in cooperation with development partners. Disaster mitigation and management activities necessary for the pursuit of the Bank's strategic objectives in reducing vulnerability were well supported throughout the year. In conjunction with development partners CDB sponsored workshops and seminars related to ongoing work on establishing a regional building code, vulnerability assessment and natural hazard risk reduction. The social and human resource development sectors were also supported through the holding

of major symposiums in cooperation with The University of the West Indies on strengthening early childhood development and financing tertiary education. The issue of competitiveness in the global environment received specific attention during the year with a training course on creating an enabling environment for small and medium sized enterprise development carried out in cooperation with the International Labour Organization and the challenges facing civil society organisations were addressed in the second annual consultation co-sponsored with the IDB.

Concessionary loan resources were also devoted to building capacity with a view to developing sustainable communities. The strategy of the Government of Guyana to improve governance and services in rural communities was assisted through the provision of a loan to make improvements and facilitate access to essential social and economic infrastructure and undertake policy reform and institutional strengthening in four communities. Guyana also benefited from an immediate response loan following the severe flooding early in the year. However, Grenada received the bulk of the assistance provided by CDB in the disaster management sector.

**TABLE II: 4 DISTRIBUTION OF CUMULATIVE DISBURSEMENTS TO MDCs AND LDCs 1970-2005 (\$'000)**

Source of Funds	Total		MDCs		LDCs	
<b>Ordinary Operations</b>	<b>1,099,973</b>	100.0%	<b>621,678</b>	56.5%	<b>478,295</b>	43.5%
OCR	1,099,973		621,678		478,295	
<b>Special Operations</b>	<b>1,005,572</b>	100.0%	<b>289,751</b>	28.8%	<b>715,821</b>	71.2%
SDF	667,808		177,501		490,307	
OSF	337,764		112,250		225,514	
<b>Total</b>	<b>2,105,545</b>	<b>100.0%</b>	<b>911,429</b>	<b>43.3%</b>	<b>1,194,116</b>	<b>56.7%</b>

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

Source of Funds	Cumulative Loan Repayments to December 2004	Translation Adjustments	Repayments in 2005	Cumulative Loan Repayments to December 2005
OCR (incl. VTF)	370,035	(18,931)	51,848	402,952
SFR	368,725	(3,351)	17,862	383,236
<b>Total</b>	<b>738,760</b>	<b>(22,282)</b>	<b>69,710</b>	<b>786,188</b>



**FLOODS IN GUYANA**  
 The CDB assisted the Government of Guyana in its relief and recovery efforts in the aftermath of severe flooding in that country. In accordance with its Natural Disaster Management Policy, the Bank can provide a grant to the Caribbean Disaster Emergency Response Agency of up to USD100,000 to assist CDERA in providing emergency relief.

The Inter-American Development Bank (IDB) was a major supporter of CDB in the reconstruction and rehabilitation effort in Grenada, providing \$10.2 mn in loan and grant resources.

## POVERTY REDUCTION

**DIRECT POVERTY REDUCTION: THE BASIC NEEDS TRUST FUND (BNTF)** Since CDB launched the BNTF in 1979, the result for the year 2005 is a record for annual grant amounts approved and disbursed. This was due to improved implementation performance of most of the 10 participating BMCs, with additional technical assistance provided by CDB staff. In 2005, CDB approved \$14.2 mn, consisting of \$12.1 mn for 158 sub-projects and \$2.1mn for consultancy services and regional coordination.

The use of Poverty Reduction Action Plans (PRAPs) to guide the selection of BNTF interventions has resulted in many more funding interventions in disadvantaged communities and more sub-projects (SPs) in favour of human capital development (such as education, water, and health), and ensures that SPs funded are directly related to national poverty reduction priorities.

Following a gestation period of building institutional capacity through designing new implementation tools and staff training, BNTF 5 has completed many of the expected solutions (121), with many more (209) in the implementation phase, in all 10 participating BMCs.

A new feature of the BNTF 5 programme is a focus on gender equality, signalling the awareness by the CDB that demand driven projects that are socially inclusive and involve men, women, youth, elderly persons and marginalized groups, give voice to these groups and have a greater likelihood of sustainability. CDB hosted a series of "Gender Roundtables" in St. Kitts, Nevis, St. Lucia, Grenada, Belize and Jamaica. BNTF stakeholders and key social development partners, including partners working in gender equality, met to establish networks of agency support for the programme and define a strategic framework by which each BNTF country programme can contribute to policy and programme interventions in BMCs, aimed at removing social and gender inequities which may hinder effective use and access to social and economic infrastructure and services in designated poor communities.



The Bank has been active in complementing the programme by capacity building inputs, to increase programme effectiveness and to respond to the expanded demands of the programme. A five-day training programme in conducting gender sensitive community needs assessments was held in Belize. The findings of the workshop will direct a comprehensive review of the BNTF 5 Operations Manual, with a focus on the integration of gender equality in the processes and procedures.

As a result of employing a different set of governance mechanisms, much greater involvement by community residents, and guided by the PRAPs, the resulting mix of SPs selected for funding by BNTF 5 has changed since BNTF 4, in favour of more human capital development. Education has replaced Roads as the dominant use of resources, almost doubling, and water and health sub-projects have also increased very significantly. Use of funds for Roads has reduced very significantly from 44% (BNTF 4) to only 12% in BNTF 5.

**COUNTRY POVERTY ASSESSMENTS** The year 2005 marked ten years of the Bank's support to BMCs in conducting Country Poverty Assessments (CPAs) which accompanied a re-organisation of its operations to place greater emphasis on poverty reduction as a development imperative. This emphasis included the integration of poverty reduction into economic and social development

initiatives and the introduction of social analysis as a standard requirement in the project preparation and appraisal process and has been extended to matters related to Good Governance and attainment of the Millennium Development Goals.

The Governments of Grenada and St. Kitts and Nevis which are scheduled to conduct their second CPA each in 2006, have signalled their intention to combine their poverty assessment with the collection of data to update their consumer price indices and are also planning to use this model for their CPAs. It is expected that this approach will be adopted by other BMCs and is likely to become the new standard for future CPAs in the region.

In response to a request from the Government of Grenada, CDB co-financed a Core Welfare Indicators Questionnaire survey (CWIQ) with the United Nations Development Programme following the damage caused by Hurricane Ivan in September 2004. This survey was required to update social and economic baseline indicators which were altered by the effects of the Hurricane. The CWIQ is a household survey that measures changes in key social indicators for different population groups. It is a very effective tool for improving project and sector programme design and the targeting of services towards the poor and most disadvantaged communities. When repeated annually, the CWIQ can be used to monitor implementation effectiveness and the impact of programmes and projects on living conditions.

# CDB *Perspectives*

## GRENADA



St. George's



**GRENADA AFTER IVAN AND EMILY: HURRICANE RELIEF, REBUILDING AND RISK REDUCTION** *"Everything was dead calm. . . We saw smashed windows, roofless houses, cracked concrete-work, broken veranda chairs, uprooted trees, twisted and splintered fences and lots more. . . a whole section of [the bridge] had been torn away. The iron rods, which are normally put into the concrete-mixture as supports were bare and mangled and jutting out like long, thin fingers pointing in many directions."* (From *Hurricane* by Andrew Salkey)

On September 7, 2004, Hurricane Ivan devastated Grenada, and in the midst of the reconstruction process, in July 2005, the island once again faced a natural onslaught in the form of Hurricane Emily.

The CDB has been playing a major role in financing the rehabilitation and economic recovery of the country. In December 2004, the Bank approved a financial package of USD 8.1 million to facilitate the recovery and reconstruction effort and to improve general economic conditions, reducing economic vulnerabilities and preserving the country's debt sustainability.

In the aftermath of the passage of Hurricane Emily in July 2005, an immediate response loan of USD 0.5 million was provided for the clearing and cleaning effort, as well as the restoration of essential services, such as water and electricity, to the affected areas. A second loan was provided by the CDB to assist the Government in meeting its financial obligations in the wake of a sharp decrease in revenues resulting from damage caused by Hurricane Emily, and the related escalating reconstruction costs.

Providing safe, adequate housing for low-income and vulnerable households remains a continuing challenge. The Government has identified two suitable sites which can accommodate 186 households on fully serviced plots, with community amenities and shared recreational spaces. Financing for this project, in the amount of USD 1.9 million, was successfully negotiated with the IDB.

Intra-island transport is also a key area in need of reconstruction. A USD 12 million bridge and road improvement project, will reconstruct 2.1 km of main arterial road (including a bridge) in St. Georges. Two other bridges on the Western Main Road, which are no longer safe for commuters, will be replaced. Approval has been given for a second road project geared at mitigating hazards in areas which have been identified as prone to rockfalls and landslips. It is expected that this project, estimated at USD 5.2 million, will improve the safety of road users, as well as reduce rehabilitation and road-clearing costs in the aftermath of future natural hazards.

CDB role in financing Grenada was greatly facilitated by credits from the IDB.

Long before the losses were assessed, media and first-hand images of Grenada's countryside along with the shared expressions of shock and loss on people's faces as they moved through their ravaged and gutted communities, told the world their story. The CDB is doing its part, not only to help Grenadians rebuild their country, but also to facilitate adequate disaster preparation and risk reduction for the future.

**NATIONAL POVERTY REDUCTION STRATEGIES** CDB continued to provide assistance for the preparation of National Poverty Reduction Strategies in its BMCs. These are medium to long term strategies and plans to reduce poverty in the country and provide *inter alia*, the road map for addressing the poverty issues highlighted by the CPAs. CDB's support includes financial resources and technical oversight at different stages of the preparation process. In conjunction with the Inter-American Development Bank, such support was given to the Government of Belize for preparation of the National Poverty Elimination Strategy and Action Plan 2005-2010. The strategy and action plan is expected to be completed in June 2006.

Work on the poverty map for Dominica started in the fourth quarter of the year. The poverty map which is expected to be completed in the second quarter of 2006 will be used to finalise the country's poverty reduction targeting strategy. It is also vital for the identification of beneficiary households for the social protection, public assistance and social welfare programmes being implemented by the State and non-Governmental organisations.

CDB served on a Technical Working Group (TWG) set up by the Poverty and Social Sector Development Donor Group (PSSDDG) to reactivate the Support for Poverty Assessment and Reduction in the Caribbean (SPARC). SPARC, a multi-agency programme to promote the strengthening of statistical systems for poverty monitoring and social policy development in the Caribbean, was formulated three years ago. It was intended to operate as a regional programme and as a coordination facility for bi-lateral activities in areas related to poverty reduction.

As part of the SPARC related activities, CDB collaborated with the OECS Secretariat in the conduct of regional training seminars in survey design and administration and in data analysis and interpretation for participants from statistics offices and social development ministries in the OECS. This training programme was funded by the World Bank and the UNDP.

**MILLENNIUM DEVELOPMENT GOALS** The Millennium Development Goals (MDGs) were endorsed as strategic benchmarks for Special Development Fund (SDF) programming and as a framework for monitoring overall progress under SDF 6. The Contributors also endorsed the Caribbean specific MDG targets and indicators which were developed as part of the plan of action to assist BMCs in assessing and monitoring the attainment of MDGs. In keeping with this decision and the

recommendations of the CDB/UNDP organised workshop on "Achieving the Millennium Development Goals in the Caribbean" held in Trinidad and Tobago in September 2004, the proposed Caribbean specific MDG targets and indicators were presented at a follow-up regional workshop held in November 2005 with the overall objective of creating a sustainable framework for monitoring achievement of the MDGs in the Caribbean.

The workshop concluded that the proposed MDG targets and indicators were relevant but a lack of institutional capacity in most BMCs to effectively assess and monitor the attainment of these goals would be a major handicap. It therefore identified the need to develop the capability and institutional capacity to conduct social surveys at the regional and national levels and establishment of effective mechanisms for monitoring the attainment of the



*CTCS The Bank's Caribbean Technological Consultancy Service continues to have considerable impact on the reduction of poverty, the empowerment of Caribbean people, and the development and enhancement of technical and managerial skills within the Region at the individual and institutional levels.*

MDGs as being among the priority areas for intervention. Poorly organised statistical systems, untrained staff, inadequate equipment and software, were highlighted among the major challenges identified. CDB in collaboration with CARICOM and other development partners is in the process of developing a systematic programme to effectively address this critical deficiency at the regional, sub-regional and country levels.

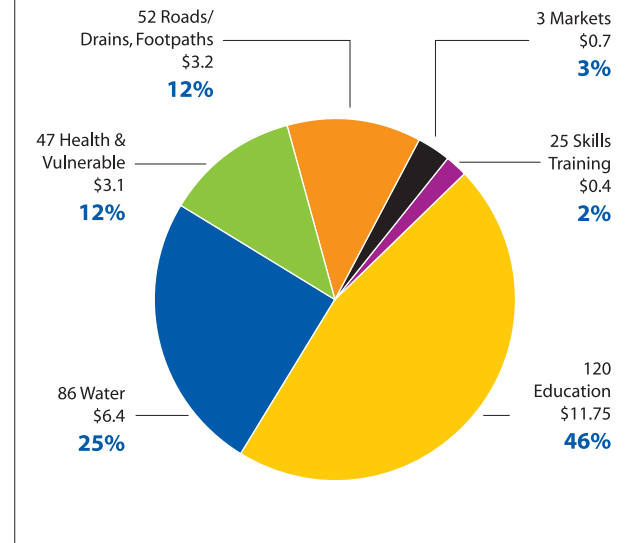
**NATURAL HAZARD VULNERABILITY REDUCTION** The reduction of vulnerability to natural hazards is a key facet of CDB's Strategy for sustainable economic growth and poverty reduction. During 2005, the Bank's Disaster Mitigation Facility for the Caribbean (DMFC) pursued the strengthening of regional capacity for disaster mitigation through the provision of grant technical assistance for mainstreaming disaster risk reduction into development planning.

A national hazard mitigation policy for Jamaica was completed in 2005. This brings to four the number of BMCs whose national hazard mitigation policies have been financed by DMFC. These policies are expected to provide the respective BMCs with the enabling framework to guide disaster risk reduction and to integrate DRR into national development planning.

In 2005, CDB, with cooperation from CDERA, supported the Governments of Belize and Grenada in developing national hazard mitigation plans through the operationalising of these respective national hazard mitigation policies, and in the case of the Government of St. Lucia, through the harmonization of its national policy and existing national plan. National capacity to conduct hazard and vulnerability assessments and to update hazard and vulnerability maps was significantly enhanced in the three participating BMCs, through the completion of:

- national common digital databases for hazard mapping and vulnerability assessment in Belize, Grenada and St. Lucia, and training of physical planning technicians in their use;
- a suite of draft flood, landslide and coastal erosion hazard maps for Grenada; flood, landslide and wind/wave/storm surge hazard maps for St. Lucia; and coastal erosion and wind/wave/storm surge maps for San Pedro region and Caye Caulker in Belize;

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



- training in flood hazard mapping and coastal erosion mapping techniques for personnel in physical planning, national disaster office, agriculture, and the private sector (electricity and telecommunications); and
- Legislative reviews and capability assessments for hazard mitigation in Belize, Grenada and St. Lucia, as well as a generic framework for a national hazard mitigation plan.

The Bank financed the preparation and publication of a **Volcanic Hazard Atlas of the Lesser Antilles**, which provides a comprehensive summary of the hazards associated with each live volcano in 11 Caribbean countries, including 7 of CDB's BMCs. These risk reduction tools are expected to considerably enhance land use planning as well as public education in the context of natural hazard risk. In addition, the atlas is an important tool for improved emergency management in affected BMCs.

As part of its overall regional effort, CDB approved technical assistance for the enhancement of CDERA's Comprehensive Disaster Management database. The enhancement, involving the development of a web-based database, including improvement in design, is expected to enhance CDERA's capacity to coordinate access and information sharing on disaster risk management activities among its national, regional and international partners.



**ST. LUCIA** Critical environmental concerns will be addressed by CDB funded drainage works in Bacadere St. Lucia.

The process of mainstreaming disaster risk management within CDB's internal operations was advanced, integrating disaster risk reduction into the checklists and guidelines used by the BNTF.

CDB also strengthened collaboration with the international disaster risk management community. CDB staff presented a new procedure for integrating natural hazards into the project cycle at the World Conference on Disaster Reduction held in Kobe, Japan. The procedure was developed by CDB in collaboration with CARICOM. Utilizing this procedure, the ProVention Consortium and CDB will publish an international guidance document on "Mainstreaming disaster risk into environmental assessment"

## PRIVATE SECTOR DEVELOPMENT

**CAPITAL MARKETS DEVELOPMENT** Capital markets development in the Caribbean has been handicapped by a number of factors including the absence of national or regional credit rating agencies. The establishment of the Caribbean Information and Credit Rating Service Limited (CariCRIS) with equity participation by CDB goes towards addressing this constraint.

Through its rating activity, CariCRIS should bring to the market an independent, objective and reliable credit risk assessment which can be used by borrowers to improve access to capital markets, enhance borrower credibility, improve transparency, require greater prudence in financial management and enhance corporate

governance. Comparability across national boundaries and sectors will be facilitated to provide the investor with a capacity to improve risk analysis and risk management and to make highly informed decisions on investments across corporate and government offerings, and other institutional offerings in the regional markets.

**SKILLS DEVELOPMENT FOR SMES** After providing support to small and medium size enterprises (SMEs) for the past 20 years, the Caribbean Consultancy Services Network (CTCS) continued to enhance the production skills of SMEs through the sharing of technical expertise. During 2005, the CTCS provided technical assistance to more than 640 entrepreneurs through group (28) and customised (90) training sessions in craft (basketry/wicker, floral arranging and gift basket designs, pottery, ceramics), agro-processing and product development, strategic and business planning, techniques for short-term lending in the agricultural sector, hygiene, sanitation and food safety (specifically for school meals providers), farm-related activities, institutional strengthening and garment design and construction. Some of the trainees were indigenous persons from Dominica, Maroons from Jamaica and inner city residents in Kingston, Jamaica.

A Second Training Course on *Creating an Enabling Environment for Small Enterprise Development in the Caribbean* hosted by CDB in collaboration with the International Labour Organisation's (ILO) International Training Centre (ITC) sought to improve the technical skills of the 33 participants from private and public sector



organisations in 13 of the Bank's borrowing member countries in the areas of analysis, design and implementation of programmes aimed at managing reform and improving the business environment for small and medium-scale enterprise.

Providing lines of credit to national development finance institutions for onlending continues to be the principal vehicle through which CDB finances private sector development. New lines were approved in 2005 for Anguilla (\$5 mn), and to the Caribbean Financial Services Corporation (\$5 mn).

## REGIONAL ECONOMIC INTEGRATION

### SUPPORTING THE CARICOM SINGLE MARKET AND ECONOMY

Consistent with its charter mandate, CDB continues to support the initiatives of its BMCs in the regional integration movement, CARICOM, and participates in all of its organs. Through this

participation, senior management and staff of the Bank provide considerable assistance to the regional integration movement and, by extension, to the people of the region.

**CARIBBEAN COURT OF JUSTICE** Quite apart from the role that the Bank plays in the regional fora, CDB has been at the forefront of some leading initiatives in recent times. The Caribbean Court of Justice (CCJ) has been one such significant initiative in which the CDB undertook to raise the necessary capital to finance the Court's operations. In 2005, the CCJ was inaugurated at its headquarters in Trinidad and Tobago.

**REGIONAL DEVELOPMENT FUND** The Regional Development Fund (RDF) is an indispensable part of Chapter 7 of the Revised Treaty of Chaguaramas, which seeks to address issues affecting disadvantaged countries, sectors and regions. At the request of CARICOM, CDB is the lead institution in creating the RDF and thus



**GUYANA** The CDB has assisted the Government of Guyana emergency restoration of sea defenses. The project is designed to reconstruct the sea dyke and façade drain to prevent further salt intrusion and flooding in the West Berbice area.

# CDB *Perspectives*

## BELIZE



### **CLEAN AND COST-EFFECTIVE FUEL FROM BELIZE SUGAR INDUSTRY**

In Belize, the CDB is helping the sugar industry put waste material to work.

*From bagasse to electrical energy...* The Belcogen Project consists of the design, construction and commissioning of a 32.5 megawatt biomass co-generation power plant to be located adjacent to Belize Sugar Industries Limited's (BSI) Tower Hill sugar factory in the Orange Walk district. The project, which is sponsored by BSI, will utilise bagasse from the sugar factory as its primary fuel source. This will produce electrical energy and processed steam for BSI's sugar factory, and cheaper electrical energy for the entire country.

Total financing requirements, estimated at USD46.5 million, will be provided by the CDB and a consortium including the Inter-American Corporation for Infrastructure Finance, the Inter-American Investment Corporation, and led by Nederlandse Financieringsmaatschappij voor Ontwikkelingslanden N.V. (FMO).

#### *...fuel flexibility*

The plant's design gives the factory more flexibility in its fuelling system, with the option of operating on bagasse, other biomass or heavy fuel oil, or a combination of biomass and fuel oil.

#### *...cleaner air*

Approximately 92% of the energy to be supplied by the co-generation plant will be generated from renewable biomass sources. Using bagasse instead of imported fossil fuel will have positive environmental benefits. In particular, the project will eliminate the growth of the bagasse stockpile and the high level of pollution generated by the current mode of co-generation at the sugar factory. For example, carbon dioxide emissions will be reduced by approximately 65,000 tonnes per annum - a 16% reduction in Belize's national emissions. In addition, it is estimated that approximately 13,000 -15,000 tonnes of fly ash will be eliminated annually.

#### *...savings, security and economic growth*

Belcogen is projected to meet approximately 21% of Belize's base energy load demand by 2008. By displacing a portion of imported power, the project will contribute to Belize's energy security and foreign exchange savings. Furthermore, in the medium to long term, it will be the catalyst for further diversification of the sugar cane industry and contribute to the socio-economic stability of the northern regions of Belize.





**EDUCATION IN THE CARIBBEAN** Overcrowded classrooms compromise the learning environment. Addressing this is one of the CDB's priority issues.

the Bank has expended considerable financial and human resources in the effort to have the RDF fully operational. Much of the preparatory work was conducted by a consultant financed by CDB, which has also been responsible for chairing the technical team as well as providing inputs to guide the development of the Fund. Heads of Government have agreed on the level of capitalization of the Fund.

**CARIBBEAN REGIONAL TECHNICAL ASSISTANCE CENTRE** CDB supports the work of the Caribbean Regional Technical Assistance Centre (CARTAC), which provides regional technical assistance in four key areas – Statistics, Macroeconomic Coordination and Planning, Financial Sector Regulation and Tax Policy. In 2005, CDB continued to serve as a permanent member of the Steering Committee of CARTAC. The Bank also coordinated the IDB's contribution to CARTAC, and continued the assignment of a CDB macroeconomist to CARTAC. CDB works very closely with CARTAC and has participated in joint missions with them.

**CARIBBEAN REGIONAL NEGOTIATING MACHINERY** The Caribbean Regional Negotiating Machinery was created by CARICOM Governments to develop, coordinate and execute an overall negotiating strategy for various external trade negotiations in which the Region is involved. CDB has supported the work of

the RNM by the provision of financial assistance and by the secondment of a staff officer.

**CARIBBEAN FORUM FOR DEVELOPMENT** In the area of policy dialogue, CDB has become the new secretariat of the Caribbean Forum for Development (CFD) which has replaced the Caribbean Group for Cooperation in Economic Development (CGCED). This forum is unique in some ways since it is the only forum that brings the donor and development community together with BMC governments, trade unions, civil society and the private sector, thus ensuring a very rich tapestry of ideas and views are fully represented to further Caribbean development. In May 2005, the CFD staged its inaugural plenary conference FORUM 2005. In addition, there have a number of sectoral fora held under the auspices of the CFD to bring governments, private sector, labour and civil society together.



PART III

# Organisation *and* Administration

## INCREASING INTERNAL EFFECTIVENESS

During the year, work proceeded on a number of activities aimed at increasing the Bank's internal efficiency and effectiveness. These initiatives were undertaken so that the Bank would be able to meet the new challenges in the external environment as well as be more accountable for delivering results in keeping with its recently upgraded Results Based Management (RBM) system.

Beginning with this fiscal year, the Bank moved towards the adoption of a multi-year budget framework. This new approach is expected to lead to more efficient planning of Work Programmes as well as allow for greater flexibility in the management of budgetary resources.

Management level staff held two retreats, including one with the Board of Directors, to consider the issues which need to be addressed in the Bank's new Strategic Plan for the period 2005-2009. It is expected that this effort at greater inclusiveness will lead to a Plan which is more focused and aligned to the needs of the Bank's BMCs.

A first draft of a Credit Risk Management Framework has been reviewed by the Board of Directors. The recommendations in that document, when adopted, will enable the Bank to strengthen its capacity to assess and manage the risks in its portfolio.

An active programme of training was in progress as part of a continuum which had started in the previous year with the major emphasis being on developing leadership and supervisory skills. This also formed part of a wider strategy aimed at improving organisational learning and performance management. Complementary activities in progress included work on upgrading the Bank's human resources systems and business processes to make them more client responsive and to serve as effective performance management tools. A draft Human Resources Communications Strategy had also been finalised and circulated internally for consideration.

Activities with respect to the ongoing Change Management Programme continued during the year. The programme is intended to support the process of change associated with the operational restructuring of the Bank.

With a view to achieving a more favourable climate, internally and externally, for marketing its achievements, the Bank embarked on a programme to upgrade its corporate communications outreach efforts. The programme seeks to develop a framework that addresses a number of elements deemed to be central to an effective communications strategy.

CDB intensified its efforts to use information technology to introduce systems which are more client responsive whilst also enabling the Bank's internal and external clients to reduce transaction costs of doing business with CDB. Improved document management systems were completed and are being implemented in a number of areas across the Bank whilst Requests for Proposals were sent to a number of vendors for the design and implementation of a Bank-wide Corporate Reporting System.

## COLLABORATION WITH GOVERNMENTS AND OTHER DEVELOPMENT PARTNERS

During the year, visits by senior management were made to a number of countries with the objective of securing their interest in becoming members of the Bank or in pursuing other forms of collaboration. The Bank also availed itself of the services of some of its member governments to lobby a number of countries with a view to them becoming members of the institution.

The Bank, in May, held its third high-level meeting with the IDB. These meetings, which began in 2003, provide an opportunity for the Presidents of the two institutions and their senior staff to review and discuss ongoing activities as well as areas of future cooperation.

**TABLE III.1: CDB STAFF POSITIONS**

ESTABLISHED POSITIONS	BUDGETED STAFF IN PLACE	OCR CONSULTANTS	PROVIDED TO CDB	PROVIDED BY CDB TO MEMBER COUNTRIES	TOTAL IN PLACE
MPS	111	84	4	1	97
SS	99	97	1	0	99
<b>TOTAL</b>	<b>210</b>	<b>181</b>	<b>5</b>	<b>1</b>	<b>196</b>

Institutional collaboration also involved visits by the President to CAF in Venezuela as well as to the Washington-based institutions. The Bank also received visits from representatives of a number of institutions during the year including the European Investment Bank (EIB).

Following on from discussions which were held earlier in the year, the Bank was able to secure a Global Line of Credit amounting to 40 mn Euros from the EIB to support both private and public sector development in its borrowing member countries. The Bank is actively engaging that institution in discussions which it hopes will lead to other forms of sustainable cooperation and support for its work in the region. Preparatory steps have also been taken to put in place a memorandum of understanding with the European Union to facilitate future collaboration between the two institutions.

Relations with development partners continue to be deepened. Bank staff participated more actively in donor coordination and harmonisation meetings, including attending workshops relating to Work Programme and Budgeting, Procurement, Credit Risk management, Performance-based Resource Allocation and Human

Resource Management. Bank staff also made presentations during country visits on opportunities for doing business with CDB.

Support for regional integration efforts continued with the Bank's participation in meetings of the CARICOM Heads of Government, providing assistance in the designing of the Regional Development Fund for those countries whose economies might be affected consequent upon joining the CARICOM Single Market and Economy and financial support for the Caribbean Forum for Development. Financial assistance was also provided to regional institutional partners as well as to civil society organisations for a number of conferences and workshops which took place during the year.

In March 2005, the Government of Haiti completed formalities for membership in the Bank. The Bank has since been taking steps to ensure that it can respond readily to its newest member through funding a consultancy to prepare a strategy and plan for its intervention in Haiti. It has also been engaging in discussions with a number of donors that currently have a presence in Haiti so that it can benefit from their operational experiences.

**FOSTERING INCLUSIVE DEVELOPMENT** Indigenous persons from Dominica and Jamaica and inner city residents from Jamaica, were among the beneficiaries of training in basketry, flower arrangement, wicker furniture making and micro business management.





**GUYANA** The Community Services Enhancement Project in Guyana will provide technical assistance in the areas of policy reform and institutional strengthening; and finance social and economic infrastructure to the rural communities of Bartica, Charly, Parika and Supenaam.

## GOVERNANCE

**BOARD OF GOVERNORS** The Thirty-Fifth Annual Meeting of CDB's Board of Governors was held in Georgetown, Guyana, on May 18 and 19, 2005.

When the President made his Annual Statement to the Governors, he chose the topic "The Soft Underbelly of Caribbean Economic Progress". The President noted that while there has been social progress in the BMCs, inequalities in its distribution across households and geographical districts are a source of discontent which threatens the sustainability of future economic growth. He drew attention specifically to indicators of education access, health status, poverty levels, unemployment and economic inequality. Therefore, there needs to be much more focus on social policy by governments and development agencies, including CDB.

Members of the Board also participated in a discussion on expanding the Bank's membership. Governors also appointed a Committee of Directors to further pursue the matter of membership and to report back to them in the coming year. The committee is supported by Bank management and two independent consultants.

At the end of the Annual Meeting, the Governor for Jamaica was elected Chairman, while the Governors for Canada and Venezuela were elected Vice-Chairmen for the period up to and including the Thirty-Sixth Annual Meeting. The Government of Jamaica will host that meeting in 2006.

Resolutions passed by the Board of Governors in 2005 are found at **Appendix III**.

**BOARD OF DIRECTORS** During the year, five meetings of the Board of Directors were convened. Such meetings afforded Directors the opportunity to guide Management in setting policy. Some key issues which received the consideration of Directors during the past year were:

- *Proposals for supporting regional cooperation and integration*
- *Expanding the Bank's membership*
- *Planning for Haiti's accession to membership of CDB*
- *Managing for development results*
- *Revision of guidelines for procurement*

Directors also considered a number of strategic and policy issues relating to CDB's operations, including the Draft Strategic Plan 2005-2009. Directors approved a Framework for Policy-Based Lending which would allow the Bank to be more flexible in its

# CDB *Perspectives*

**THE MILLENNIUM DEVELOPMENT GOALS** The bank has endorsed the millennium development goals as an integral part of its policy framework and together with other regional development partners has assisted BMCs in developing a set of Caribbean specific targets and indicators:

## GOAL 1

### ERADICATE EXTREME POVERTY AND HUNGER

1. Halve, between 1990 and 2015, the proportion of people who fall below the poverty line
2. Halve, between 1990 and 2015, the proportion of people who suffer from hunger
3. Halve, between 1990 and 2015, the proportion of persons without access to basic services
4. Halve, between 1990 and 2015, the proportion of persons living in inadequate housing

## GOAL 2

### ACHIEVE UNIVERSAL PRIMARY EDUCATION

5. Ensure that by 2015, children everywhere, boys and girls alike, will be able to complete a full course of primary and secondary schooling, up to Grade 12

## GOAL 3

### PROMOTE GENDER EQUALITY AND EMPOWER WOMEN

6. Eliminate gender disparity in primary and secondary education, preferably by 2005 and in all levels of education no later than 2015;
7. Eliminate gender disparities in income and occupational opportunities at all levels and in all sectors, no later than 2015;
8. Reduce by 60% by 2015, all forms of gender based violence

## GOAL 4

### REDUCE CHILD MORTALITY

9. Reduce by 2/3s between 1990 and 2015, the under-five mortality rate

## GOAL 5

### IMPROVE MATERNAL HEALTH

10. Reduce by 3/4 between 1990 and 2015, the maternal mortality ratio
11. Universal access to reproductive and sexual health services through the primary healthcare system by 2015.

## GOAL 6

### COMBAT HIV/AIDS MALARIA AND OTHER DISEASES

12. Have halted by 2015 and begun to reverse the spread of HIV/AIDS
13. Have halted by 2015 and begun to reverse the incidence of malaria and other major diseases

## GOAL 7

### ENSURE ENVIRONMENTAL SUSTAINABILITY

14. Integrate the principles of sustainable development into country policies and programmes and reverse the loss of environmental resources
15. Halve by 2015 the proportion of people without sustainable access to drinking water
16. Have achieved by 2020 significant improvement in the lives of at least 70% of persons living in poor communities
17. Construct and implement a vulnerability index for the Caribbean within the next five years, which is sensitive to economic, social and environmental threats

## GOAL 8

### DEVELOP A GLOBAL PARTNERSHIP FOR DEVELOPMENT

18. Develop further an open, ruled-based, predictable, non-discriminatory trading and financial system
19. Address the special needs of the Least Developed Countries, LDCs, (includes tariff and quota free access for LDCs' exports; enhanced programme of debt relief for HIPC and cancellation of official bilateral debt; and more generous programmes of debt relief for countries committed to poverty reduction)
20. Address the special needs of landlocked countries and SIDS
21. Deal comprehensively with the debt problems of developing countries, through national and international measures in order to make debt sustainable in the long term
22. In cooperation with developing countries, develop and implement strategies for decent and productive work for youth, women and especially vulnerable groups
23. In cooperation with pharmaceutical companies, provide access to affordable internationally approved essential drugs in developing countries
24. In cooperation with the private sector, make available the benefits of new technologies, especially information and communications

A major contributing factor to BMC capacity to monitor and manage the attainment of MDG is the timely completion and update of their CPAs. The bank is currently assisting several BMCs (Cayman, St. Lucia, Antigua, Grenada and St. Kitts) with this task.







**ST. VINCENT**  
Community access at Galbar Road in Chateau Bel Air will be improved under BNTF 5.

lending to BMCs by facilitating the funding of areas not previously funded by the Bank.

**BUDGET COMMITTEE** The Board met twice as a Budget Committee of the whole to consider the Bank's work programme and administrative and capital budgets. Directors also took the opportunity to review the Bank's corporate priorities to ensure consistency with the broader strategic objectives for the coming period.

**CHANGE MANAGEMENT TASK FORCE** The Change Management Task Force of the Board met on one occasion during the year, and subsequently reported to the full Board on developments in the Bank's Change Management Programme.

**AUDIT AND POST-EVALUATION COMMITTEE** The Audit and Post Evaluation Committee (APEC) is an advisory committee of Directors which has the principal role of assisting the Board of Directors discharge its oversight responsibility for the financial reporting process, the system of internal control and the internal audit, external audit and evaluation and oversight functions. It consists of four members of the Board of Directors who are appointed by the Board for a two-year term.

At the two APEC meetings which were held in 2005, Committee members reviewed the 2004 audited Financial Statements and the 2005 Audit Plan which were presented by the external auditors, PricewaterhouseCoopers (PwC), as well as reports prepared by the

Internal Audit Unit and the Evaluation and Oversight Division of the Bank. During 2005, the Committee continued to oversee the process of selecting external auditors which began in late 2004 and culminated in May 2005, when the Board of Governors appointed PwC as the Bank's external auditors for the 2005 to 2009 term.

A significant aspect of the meetings of this committee is that it enables members to gain useful and independent insights into the Bank's work and to ascertain the extent to which lessons learned from evaluation and similar exercises are being incorporated into the Bank's work.

**EVALUATION AND OVERSIGHT** As CDB's focus on managing for results strengthens, the Bank continues to evaluate its operations with a view to enhancing the efficiency and development effectiveness of the Bank.

The performance of CDB's public and private sector portfolio was reviewed for the year ended December 31, 2004, and the findings indicate that the loan portfolio maintained a consistent highly satisfactory rating.

Training workshops continued during the year under review to sensitise staff to the tools, approaches and experience of other multilateral financial institutions in measuring the development effectiveness of projects, programmes and country strategies.



PART IV

# Finance

## MANAGEMENT DISCUSSION AND ANALYSIS

### OVERVIEW

CDB's main goals are promoting sustainable economic development and reducing poverty. CDB is rated triple-A by Moody's Investor Services and Standard and Poor's. In pursuing its objectives, CDB provides loans and related technical assistance grants for projects and programmes in its borrowing member countries (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 borrowing member countries 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-in capital provided by member countries; and accumulated retained income (reserves), which provide a buffer for risk arising from operations.

CDB's objective is not to 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). Effective 1 January 2001, CDB complied with IAS 39, "Accounting for Derivative Instruments and Hedging Activities". IAS 39 allows hedge accounting only if qualifying criteria are met. However, applying IAS 39 hedge criteria does not entirely reflect CDB's risk management and hedging strategies. Compliance with hedge accounting would impose undue constraints on future borrowing, loan, and hedge programmes and would likely detract from minimizing the cost of borrowings, which CDB believes is more important.

**FINANCIAL POLICIES** The financial strength of CDB is based on the support it receives from its shareholders and on its array of financial policies and practices. Shareholder support for CDB is reflected in the capital backing it has received from its members and in the record of its borrowing members in meeting their debt-service obligations to it. CDB's financial policies and practices have led it to build reserves, to diversify its funding sources, to hold a

**VULNERABLE YOUTH** Over the period 2003 to 2005, a total of 310 sub-projects were approved under BNTF 5 at a cost of \$13.1 mn. This represented 47% of the overall BNTF 5 allocation. It is anticipated that those approved sub-projects will benefit an estimated 377,000 persons in vulnerable communities of which approximately 109,300 are young persons.



# CDB *Perspectives*

**FOCUS ON GENDER EQUALITY** Based on clear evidence of the contribution of gender equality to economic growth and poverty reduction, the Bank is working strategically to increase the efficacy of its efforts in BMCs by integrating the gender dimensions of development into its policy and analytical work in social and economic sectors, country diagnoses, and country based programming.

CDB's programmes support a broad range of activities which are contributing to the mainstreaming of gender equality objectives within Bank operations and at the country level.

These include:

- (a) mainstreaming gender analysis into key Bank programs;
- (b) developing analytic and policy frameworks and gender equality indicators as part of the Country Strategy Process;
- (c) capacity-building in gender analysis for governments and civil society organisations; and, (d) improving networking, advocacy and public awareness on gender equality issues.

Attention has been given to the gender dimensions of poverty reduction in policy instruments of the Bank, such as the Poverty Reduction Strategy and its operational checklists. These checklists also serve to develop links between different thematic areas of the Bank's programming around poverty reduction, such as infrastructure development employment generation and governance, and define a platform for the development of gender indicators for project monitoring and evaluation.

In the Bank's analytical and sector work, increasing attention is being given to gender equality in core diagnoses of social and economic sectors of BMCs. Currently information used is provided by development partners and BMCs themselves.

However, the Bank will be conducting country gender assessments in 16 BMCs, to provide critical and relevant data to inform sector work, and lending and non-lending activities.

Gender equality is also integral to the new round of CPAs and PRSPs in which the Bank is collaborating with other international development partners, such as UNDP, UNIFEM and the CARICOM Secretariat. The Bank chairs the subcommittee on Gender and Poverty of the UNIFEM Regional Advisory Committee on Gender. This Committee has developed a core set of gender indicators, at the request of the CARICOM COHSOD, to assist BMCs in their gender mainstreaming efforts, and in assessing progress towards achieving gender equality in the context of the Millennium Development Goals. Efforts will be made to support BMCs in the use and application of these indicators.

The Gender Roundtables are at the centre of the Bank's approach to advocacy and networking on gender equality within BNTF countries. Roundtables, conducted in five countries, brought together broad-based networks of government, CDB and civil society groups in a common platform, to identify issues which hinder access by women and men to services in social and economic sectors, and to discuss and determine priorities for BNTF interventions. These Roundtables served to build new partnerships for the programme and also assisted women, men, youth and marginalised groups to speak to sector and national policies which deny them quality services, economic opportunities and opportunities for representation in community planning and management. From the recommendations of the Roundtables, gender strategies are being designed to guide policy and programmatic interventions of the BNTF in each country.



**GRENADA** CDB assisted the Government of Grenada in financing the reconstruction of approximately 2.1 kilometres of main arterial road and three bridges.

large portfolio of liquid investments, and to limit a variety of risks, including credit, market and liquidity risks.

CDB's principal assets are its loans to its borrowing member countries. 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 expense 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**

**EQUITY** CDB's equity base plays a critical role in securing its financial objectives. By enabling CDB to absorb risk out of its own resources, its equity base protects shareholders from a possible call on callable capital. The adequacy of CDB's equity capital is judged on its ability to generate future net income sufficient to absorb potential risks and to support normal loan growth, without reliance on additional shareholder capital

Total shareholders' equity, as reported in the balance sheet at December 31, 2005, was \$452.3 mn compared with \$447 mn at December 31, 2004. The increase from 2004 primarily reflects the increase in retained earnings.

In the context of CDB's operating environment, it is management's practice to recommend each year the allocation of net income to augment reserves, and to support developmental activities.

In May, 2005, the CDB's Board of Governors approved the allocation of the net income of \$19.5 mn from the Ordinary Operations of the Bank for the year ended December 31, 2004 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, 2005, the subscribed capital of CDB was \$705 mn, of which, \$156 mn had been paid in and \$549 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, 2005 amounted to \$461.5 mn compared with \$465.1 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.

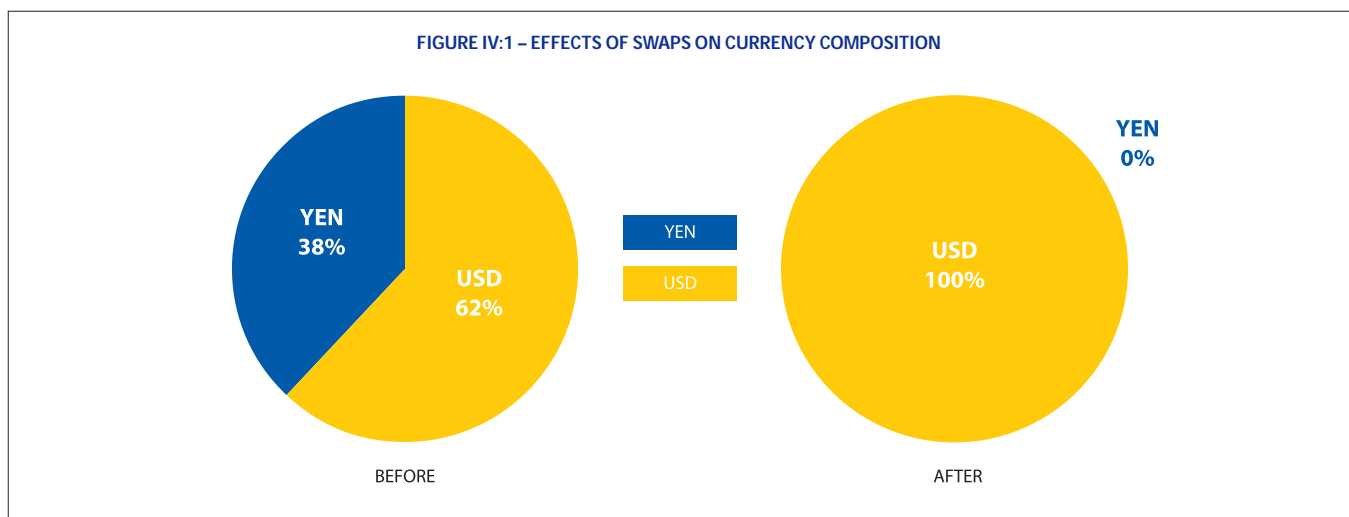
**USE OF DERIVATIVES** CDB makes use of derivatives to manage the interest rate and currency risks associated with its financial liabilities. CDB enters into currency and interest rate swaps to

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.

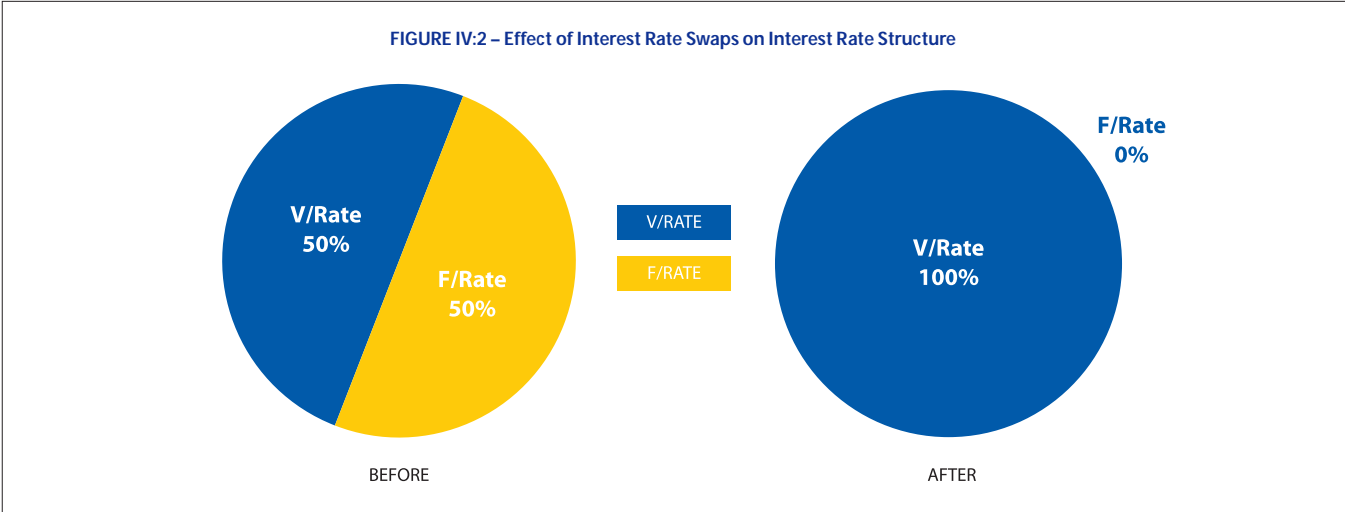
**FINANCIAL RISK MANAGEMENT** CDB assumes various kinds of risk in the process of providing development banking services. Its activities can give rise to four major types of financial risk: country credit risk; market risk (interest rate and exchange rate); liquidity risk, and operational risk. The major inherent risk to CDB as a multilateral development bank (MBD) 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



**FIGURE IV:1** ABOVE ILLUSTRATES THE EFFECT OF CURRENCY SWAPS ON THE CURRENCY COMPOSITION OF THE MARKET BORROWINGS AT DECEMBER 31, 2005. CURRENCY SWAPS ARE USED TO MATCH THE LIABILITIES AS CLOSELY AS POSSIBLE TO THE CURRENCY CHARACTERISTICS OF THE LOANS.



**FIGURE IV:2** ABOVE SHOWS THE EFFECT OF SWAPS ON THE INTEREST RATE STRUCTURE OF ITS MARKET BORROWINGS AT DECEMBER 31, 2005. INTEREST RATE SWAPS ARE USED TO ALTER FIXED RATE BORROWINGS TO MATCH THAT OF ITS VARIABLE INTEREST RATE LOAN PORTFOLIO.

exposure limit. The concentration risk limit is 50% of capital; CDB's largest exposure to a single BMC was 33.6% of capital at December 31 2005, down from 42.1% at the end of the previous year.

**MANAGING RISK-BEARING CAPACITY** CDB assesses its risk-bearing capacity using a variety of metrics, including an interest coverage ratio (ICR) and reserves to loan ratio (RLR), to measure its income generating capacity and capital adequacy.

The ICR is the ratio of net income to financial expenses plus a factor of one. It measures the extent to which net income can fall without jeopardizing the Bank's ability to service its financial expenses from current income. At December 31, 2005, the ICR was 2.7 times compared with a minimum policy level for the ICR of 1.5 times.

The RLR as at December 31, 2005, stood at 42.4% compared with the policy minimum of 30%. To ensure the adequacy of its risk-bearing capacity, CDB's management reviews its income outlook annually and the Board of Directors recommends to the Board of Governors the portion of the previous year's actual net income for allocation to reserves, to ensure that the level of reserves is commensurate with the policy level. At its meeting in May 2005, the Board of Governors approved that the net income of US\$19.5 mn for the year ended December 31, 2004 from the Ordinary Operations of the Bank be allocated to the Ordinary Reserves.

**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.

CDB's seeks to adopt best practice approach to operational risk management and continues to evolve. CDB monitors and controls operational risk through business process reviews, annual representation letters, and compliance reviews by its external auditors in the finance, operations and information systems areas. These tools are designed to assist departments in identifying key operational risks and assessing the degree to which they mitigate these risks and maintain appropriate controls. CDB plans to enhance its risk management practices by moving towards a comprehensive bank-wide risk management approach that emphasizes active management of operational risk.

**LIQUIDITY MANAGEMENT** CDB's liquid assets are held principally in obligations of governments and other official entities, time deposits and other unconditional obligations of banks and financial institutions, currency and interest rate swaps. Liquidity risk arises in the general funding of CDB's activities and in the management of its financial positions. It includes the risk of being unable to fund its portfolio of assets at appropriate maturities and

rates and the risk of being unable to liquidate a position in a timely manner at a reasonable price. The objective of liquidity management is to ensure the availability of sufficient cash flows to meet all of the Bank's financial commitments.

As a component of liquidity management, CDB maintains lines of credit with independent financial institutions. One such facility is a line of credit that is used to cover any overnight overdrafts that may occur due to failed trades. Another is a line of credit to meet unexpected financial commitments in its normal operations.

Under CDB's liquidity management policy, aggregate liquid asset holdings should be kept at a minimum of 40% of undisbursed commitments. At the end of 2005, the minimum liquidity level was \$118.2 mn, while the aggregate size of the OCR liquid assets portfolio stood at \$171.4 mn, or 58% of undisbursed commitments. CDB liquid assets may from time to time fall below the specified minimum due to the timing of its borrowing transactions. As at December 31, 2005, the portfolio was largely comprised of assets denominated in U.S. dollars with net exposure to short-term interest rates.



**THE SDF PROGRAMME**  
Vulnerability Reduction is a priority area of the SDF programme which is targeted to preventing the poor from descending deeper into poverty.



# CDB *Perspectives*

## GUYANA



**EDUCATING GUYANA'S CHILDREN** *Children run loudly through the village. In various stages of dress, they laugh, sing, swim and play; do or avoid their chores. Their joy is the light of their community - their education, its future.*

Lack of access to basic education is one of the key factors influencing widespread poverty in Guyana. This is particularly so among the rural and remote indigenous Amerindian communities. It is therefore noteworthy that such communities have been specifically targeted to receive assistance under the CDB's Basic Needs Trust Fund (BNTF) Grant Project.

Over the years, the Guyanese Government has obtained large multilateral loans to support its capital development programme in the education sector in major towns and villages. The BNTF Grant Project's unique focus complements these efforts by reaching some of the country's most underprivileged children living in other locations. It offers financial support in response to requests from indigenous communities, for education projects which have been justified by rigorous needs assessments.

In keeping with meeting basic education needs, BNTF Fifth Programme (BNTF5) has continued to focus on primary education, financing new Primary and Nursery Schools with boarding accommodations for Amerindian children, not only along the coastal corridor but throughout the remote hinterland areas of Regions 1, 2 and 9. Eleven communities have already benefited under BNTF5, at a total cost of USD 2.5 million or about 49% of the current Project portfolio.

Because requests for support originate from the communities themselves, the projects benefit a great deal from their participation. The high cost of transporting project supplies, for instance, is often partially offset by inputs from the indigenous community such as cut timber and hand-made bricks. This involvement creates a strong sense of ownership among the people with regard to the resulting educational infrastructure; safeguarding its future care and growth. Proving once again that it is often the small things, like children, that can make a world of difference.

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

**Audit and Post-Evaluation Committee Membership** 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.

**Key Responsibilities** APEC's main function is to assist the Board of Directors in discharging its oversight responsibility for the financial reporting process, the system of internal control, the internal and external audit functions, risk management and the project implementation process. The Committee also monitors the evolution of developments in corporate governance.

In the execution of its role, the Committee assesses the effectiveness of financial policies and reporting, fiduciary controls, various aspects of financial, business, and operating risk, quality of earnings, and internal controls as well as the efficiency and effectiveness of project activities. In addition, the Committee discusses with management and the external auditors, financial issues and policies that have an important bearing on the institution's financial position and risk-bearing capacity. Work programmes and reports prepared by the Evaluation and Oversight Division and the Internal Audit Unit of the President's Office, are also reviewed by the Committee.

APEC meets with management and the external auditors to discuss financial and accounting matters and the proposed annual audit plan and audit fees. The audited financial statements are discussed by APEC along with the management and the external auditors, prior to its recommendation to the Board for their approval.



**NATURAL DISASTERS**  
*Vulnerability to natural hazards necessitates attention to risk reduction and mitigation measures.*

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

	2005	2004	2003	2002	2001
Income and Expenses					
From Loans	40,876	34,164	29,521	28,024	30,859
From Investments	4,708	3,138	3,015	4,169	6,793
From Other Sources	99	218	2,132	135	165
Total Income	45,683	37,520	34,668	32,328	37,817
Interest and Other Financial Expenses	17,819	10,991	8,849	11,607	12,125
Administrative Expenses including translation adjustment	6,711	7,675	5,829	5,093	6,015
Total Expenses	24,530	18,666	14,678	16,700	18,140
<b>Operating Income before IAS 39 adjustments</b>	<b>21,153</b>	<b>18,854</b>	<b>19,990</b>	<b>15,628</b>	<b>19,677</b>
Other Income /(Expenses) IAS 39 Adjustments	(14,318)	626	1,951	(1,499)	(6,818)
<b>Net Income - Reported</b>	<b>6,835</b>	<b>19,480</b>	<b>21,941</b>	<b>14,129</b>	<b>12,859</b>
Average Earning Assets (\$'000)	\$836,459	\$725,726	\$626,213	\$572,059	\$522,015
Annual Return on Average Earning Assets	5.47%	5.12%	5.09%	5.20%	6.99%
Return on Loans	6.27%	6.01%	6.10%	5.89%	7.43%
Return on Investments	2.64%	2.01%	2.15%	3.37%	5.22%
Cost of Borrowings	3.95%	2.96%	3.10%	4.23%	5.41%
Reserves-to-Net Loans Ratio	42.40%	42.10%	50.00%	50.50%	47.80%

The Committee also meets with the management of the Evaluation and Oversight Division to discuss projects that were evaluated by the Division with a view to improving the efficiency and effectiveness of project activities. Lessons learnt from these studies are then fed back into the Bank's system to be drawn upon in similar projects, and where necessary, policies and changes to existing policies are recommended to the Bank's Management.

The processes and procedures by which CDB manages its risk continue to evolve as its activities change in response to market, credit, and other developments. Members of APEC periodically review trends in CDB's risk profiles and performance, as well as any significant developments in risk management policies and controls.

Primary responsibility for the management of operational risk resides with each of CDB's managers. These individuals are responsible for establishing; maintaining and monitoring appropriate internal control procedures in their respective areas.

## FINANCIAL STATEMENTS REPORTING

### ORDINARY CAPITAL RESOURCES (OCR)

**Basis of Financial Reporting** CDB prepares its OCR financial statements in accordance with International Financial Reporting Standards. Effective 1 January 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, 2005, as well as for the previous four years.

## RESULTS OF OPERATIONS

**OVERVIEW** Reported net income amounted to \$6.8 mn for the year ended December 31, 2005, a decrease of \$12.7 mn, or 65.1% when compared with \$19.5 mn in net income recorded for the year ended December 31, 2004. The decrease in net income was mainly attributable to an increase in net trading expenses of \$14.2 mn, which was partially offset by an increase in net interest income of \$1.5 mn and a decrease in other non-interest expenses, including administrative of \$0.1 mn.

During the year an assessment of the interest rate and currency swaps used to hedge one of the Bank's borrowings indicated that the hedge was ineffective in offsetting changes in the fair value attributable to the hedged risk (the borrowing). As a result, consistent with the requirements of IAS 39, the derivative could no longer be designated as a hedge and, therefore, the change in its fair value was set-off against the Bank's income for the year

It is important to note that the net trading expense in income 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 net trading expense or income arising from changes in the fair value of the derivatives will be not be realised.

Operating income before IAS 39 adjustments for the year was \$21.1 mn an increase of \$2.3 mn from \$18.8 mn in 2004. This was primarily due to lower administrative expenses as well as from increases in net interest income of \$1.5 mn.

**NET INTEREST INCOME** Net interest income for the year was \$27.8 mn, compared with \$26.3 mn in 2004. 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**.

Interest income on investments increased by \$1.6 mn, or 50.0% during the year ended December 31, 2005. The increase was due primarily to improved yields, which accounted for 68.3% or \$1.1

**POTABLE WATER** The provision of potable water to rural communities in Belize has been the strategic focus of the government of Belize for more than 10 years. BNTF 5 has maintained its support for the development of rural water systems in 26 communities.





# CDB Perspectives

## JAMAICA



### FROM UNEMPLOYED TO ENTREPRENEURS IN JAMAICA

*"One, one coco full basket" (Take small steps to success)*

While rural Jamaica boasts a wealth of natural resources, cultural expression and local wisdom, jobs are often few and far between, and opportunities for advanced education come only to the few. The Caribbean Technology Consultancy Service (CTCS) has helped unemployed men and women in these areas to acquire the skills of basketry, floral arrangement and bee keeping. They are now able to earn an income and supply niche markets, especially in the tourism sector, with high quality products. Subsequent training will enhance the marketing and management skills of these entrepreneurs.

The CTCS Network is a CDB programme that supports the development of small businesses throughout the region. Its success in poverty reduction lies not only in creating employment, but opportunities for developing new and existing industries, products and markets in the region and abroad.

Big impact for small business, but as they say in Jamaica, *"Every mikkle makes a muckle"* (Every little bit counts).

mn of the overall increase. The OCR investments portfolio continues to be managed with primary consideration being given to the high liquidity needs of the Fund, earning returns of 3.24% and 2.64% before and after unrealised gains and losses respectively. The value of the portfolio was \$160.7 mn at the end of the reporting year. The duration on the OCR portfolio at December 31, 2005 was 1.34 years. This high concentration of the portfolio on the shorter end of the investment spectrum reflects a strategy to minimise unrealised capital losses likely to result from a possible rise in medium- and long-term interest rates.

Interest expense on borrowings, consisting primarily of adjustable-rate LIBOR-based borrowings, and lesser amounts of fixed-rate and institutional borrowings increased by \$6.8 mn, or 62% during 2005, when compared with borrowing expenses for 2004. The change was attributed to increases of \$3.7 mn and \$3.1 mn in rates and volumes respectively. During the year ended December 31, 2005, the weighted-average rate paid on borrowings increased to 3.95%, an increase of 99 basis points from 2.96% for the year ended December 31, 2004 generally reflecting the rising interest rates on the international capital markets.

**NON-INTEREST EXPENSES** Year-to-date non-interest expenses, including administrative expenses, translation gains/(losses) and net derivative trading expense/(income), amounted to \$20.9 mn compared with \$7.0 mn in 2004. This was primarily a result of a \$14.9 mn movement in the derivative net trading valuation that moved from an income of \$0.6 mn in 2004 to an expense of \$14.3 in 2005. In addition, administrative expenses decreased by 5% or \$0.3 mn for the year ending December 31, 2005.

#### BALANCE SHEET REVIEW

**ASSETS** At December 31, 2005, total OCR assets were \$944.9 mn compared to \$933.6 mn at December 31, 2004. The increase in total assets was primarily due to growth in the loan portfolio, which increased by \$41.5 mn, or 6.5% to a total of \$678.6 mn, but offset by changes in:

- (i) Due from Banks and Investments which declined by \$15.9 mn, or 8.2%;
- (ii) Derivative Financial Instruments which declined by \$15.2 mn; and
- (iii) Receivables - Other and Fixed Assets which declined by \$2.1 mn.

**TABLE IV:2 RATE/VOLUME ANALYSIS YEAR ENDED DECEMBER 31, 2005**

	Average Balance	2005 Income/ Expense	Average Rate	Average Balance	2004 Income/ Expense	Average Rate
Interest Earning Assets						
Cash & Investments	184,496	4,708	2.55%	157,338	3,138	1.99%
Loans	651,963	40,876	6.27%	568,388	34,164	6.01%
<b>Total Earning Assets</b>	<b>836,459</b>	<b>45,584</b>	<b>5.45%</b>	<b>725,726</b>	<b>37,302</b>	<b>5.14%</b>
Interest Bearing Liabilities	451,325	17,819	3.95%	371,745	10,991	2.96%
<b>Interest Free Funds</b>	<b>385,134</b>	<b>27,765</b>	<b>7.21%</b>	<b>353,981</b>	<b>26,311</b>	<b>7.43%</b>
	Increase/(Decrease) Due To					
	Rate	Volume	Total			
Interest Earning Assets						
Cash & Investments	877	693	1,570			
Loans	1,472	5,240	6,712			
<b>Total</b>	<b>2,349</b>	<b>5,933</b>	<b>8,282</b>			
Interest Bearing Liab.	3,686	3,142	6,828			
<b>Net Change in Interest Income</b>	<b>(1,337)</b>	<b>2,791</b>	<b>1,454</b>			

**LIABILITIES** Total liabilities increased from \$486.7 mn at December 31, 2004 to \$492.7 mn at December 31, 2005. The increase in liabilities was primarily due to an increase in current liabilities of \$5.4 mn which was offset by a decline of \$2.6 mn in borrowings outstanding.

**EQUITY** At December 31, 2005, equity totalled \$452.1 mn, compared to \$447.0 mn at December 31, 2004. The increase was primarily due to net income earned during the year.

**LIQUIDITY** The funding needs of the Bank's business programmes are driven by the size of its loan commitments, and the maturity profile of its debts. The primary sources of funds to meet these needs are issuances of debt obligations, principal and interest payments on its loan portfolio and net operating cash flows. Because of CDB's status as a AAA-rated institution, the Bank has been able to access the capital markets at favourable rates.

The Bank maintains a portfolio of cash equivalents, comprised of government and agency obligations, supranationals and other short-term investments, to draw upon as necessary. At December 31, 2005, cash and cash equivalents totalled \$177 mn compared with \$193 mn at December 31, 2004. The liquidity ratio stood at 58%, compared with the policy minimum of 40%.

## **SPECIAL FUNDS RESOURCES (SFR)**

### **SPECIAL DEVELOPMENT FUND (SDF)**

Total net income for the year ended December 31, 2005, for the two components of the SDF, the Special Development Fund (Unified) – SDF(U), and the Special Development Fund (Other) – SDF(O), was \$0.7 mn compared with (\$0.4) mn for the comparative period in 2004. The improved performance was mainly due to an increase in income from investments. With the SDF(O) being a contracting operation, most of the SDF activities relate to SDF(U).

**INTEREST INCOME** SDF(U) income from loans for the year ended December 31, 2005 was \$8.1 mn compared with \$7.8 mn for the year ended December 31, 2004. This increase was due to an increase in average loan balances from \$326.3 mn at December 31, 2004 to \$343.5 mn at December 31, 2005.

**INVESTMENT INCOME** The SDF investment portfolio recorded returns of 3.55% and 2.78% before and after capital gains and losses. The value of the portfolio was \$126.3 mn at December 31, 2005. The duration was 1.29 years. The portfolio continues to be invested in high-grade, fixed-income securities in accordance with policy.



**BRIDGE RECONSTRUCTION AFTER THE HURRICANE**  
The CDB has played a major role in financing the rehabilitation and economic recovery of Grenada in the aftermath of Hurricanes Ivan and Emily.

**ADMINISTRATIVE EXPENSES** SDF administrative expenses for the year under review amounted to \$11.0 mn, a marginal increase of \$0.2 mn from \$10.8 mn in 2004.

#### **OTHER SPECIAL FUNDS (OSF)**

OSF net income for the year ended December 31, 2005 was \$1.0 mn, an increase of \$0.68 mn from \$0.32 mn for the year ended December 31, 2004.

**INVESTMENT INCOME** The OSF investment portfolio earned returns of 3.16% and 2.35% before and after unrealised gains and losses respectively. The value of the portfolio was \$93.5 mn at the end of the reporting year. The duration on the portfolio was 0.91 years.

#### **FINANCIAL STATEMENTS AND REPORTS OF INDEPENDENT AUDITORS**

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





PART V

# Financial Statements *and* Reports of Independent Auditors

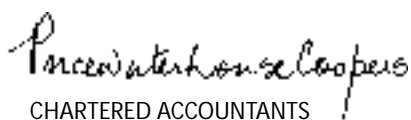
March 8, 2006

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

We have audited the accompanying financial statements of the Ordinary Capital Resources of the **Caribbean Development Bank** as of December 31, 2005, and for the year then ended as set out on pages 57 to 86. These financial statements are the responsibility of the Bank's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the 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, 2005, and the results of its operations and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

  
CHARTERED ACCOUNTANTS

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

# CARIBBEAN DEVELOPMENT BANK

## ORDINARY CAPITAL RESOURCES

### BALANCE SHEET

DECEMBER 31, 2005 AND 2004

(expressed in thousands of United States dollars – Note B)

	2005	2004
<b>ASSETS</b>		
Due from banks	\$ 16,179	\$ 914
Investments – Trading (Schedule 1) – Note D	162,053	193,388
Loans (Schedule 2)	687,164	645,342
Derivative Financial Instruments – Note H	10,625	25,870
<b>RECEIVABLES – OTHER</b>		
Accounts receivable including interfund receivables	6,065	7,617
<b>RECEIVABLE FROM MEMBERS</b>		
Non-negotiable demand notes (Schedule 3) Note E	\$50,264	49,376
Amounts required to meet maintenance of value on currency holdings – Note F	2,352	1,852
Amounts required to meet maintenance of value on currency holdings out on loans – Note F	4,106	2,107
Subscription in arrears	163	577
	<b>56,885</b>	<b>53,912</b>
<b>OTHER ASSETS</b>		
Property and equipment – Note G	5,931	6,595
	<b>\$944,902</b>	<b>\$933,638</b>

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

# CARIBBEAN DEVELOPMENT BANK

## ORDINARY CAPITAL RESOURCES

### BALANCE SHEET *(continued)*

DECEMBER 31, 2005 AND 2004

(expressed in thousands of United States dollars – Note B)

	<u>2005</u>	<u>2004</u>
<b>LIABILITIES AND EQUITY</b>		
<b>LIABILITIES</b>		
Accounts payable	\$18,608	\$13,172
Amounts required to meet maintenance of value on currency holdings – Note F	6,469	4,337
Amounts required to meet maintenance of value on currency holdings out on loans – Note F	945	839
	<u>26,022</u>	18,348
<b>BORROWINGS</b> (Schedule 4) – Note H	<u>466,731</u>	468,303
	<u>492,753</u>	<u>486,651</u>
<b>EQUITY</b>		
Capital stock (Schedule 3) – Note I		
Authorised capital - 118,526 (2004 – 118,526) shares		
Subscribed capital - 107,971 (2004 - 107,971) shares	705,041	705,041
Less callable capital - 84,328 (2004 – 84,328) shares	<u>549,345</u>	<u>549,345</u>
Paid-up capital - 23,643 (2004 – 23,643) shares	155,696	155,696
Less subscriptions not yet matured	-	-
	<u>155,696</u>	<u>155,696</u>
Subscriptions matured	155,696	155,696
Retained earnings – Note J	282,343	277,181
Reserves – Note K	<u>14,110</u>	<u>14,110</u>
	<u>452,149</u>	<u>446,987</u>
	<u>\$944,902</u>	<u>\$933,638</u>

APPROVED ON MARCH 8, 2006 BY:



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



**WM. WARREN SMITH**  
DIRECTOR, FINANCE & CORPORATE PLANNING

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

# CARIBBEAN DEVELOPMENT BANK

## ORDINARY CAPITAL RESOURCES

### STATEMENT OF CHANGES IN EQUITY

FOR THE YEARS ENDED DECEMBER 31, 2005 AND 2004  
(expressed in thousands of United States dollars – Note B)

	CAPITAL STOCK	RETAINED EARNINGS	RESERVES	TOTAL
<b>BALANCE AT JANUARY 1, 2004</b>	\$155,696	\$256,408	\$14,110	\$426,214
Currency translation adjustments	-	1,293	-	1,293
Net income for the year	-	19,480	-	19,480
<b>BALANCE AT DECEMBER 31, 2004</b>	155,696	277,181	14,110	446,987
<b>BALANCE AT JANUARY 1, 2005</b>	155,696	277,181	14,110	446,987
Currency translation adjustments	-	(1,673)	-	(1,673)
Net income for the year	-	6,835	-	6,835
<b>BALANCE AT DECEMBER 31, 2005</b>	<b>\$155,696</b>	<b>\$282,343</b>	<b>\$14,110</b>	<b>\$452,149</b>

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

# CARIBBEAN DEVELOPMENT BANK

## ORDINARY CAPITAL RESOURCES

### STATEMENT OF INCOME

FOR THE YEARS ENDED DECEMBER 31, 2005 AND 2004  
(expressed in thousands of United States dollars – Note B)

	2005	2004
<b>INCOME</b>		
From loans		
Interest	\$38,746	\$31,990
Commitment fees	2,130	2,174
	<hr/>	<hr/>
Total	40,876	34,164
From investments and cash balances	4,708	3,138
From other sources	99	218
	<hr/>	<hr/>
	\$45,683	\$37,520
<b>EXPENSES</b>		
Charges on borrowings		
Interest expense	\$16,636	\$11,460
Other financial expense/(income)	1,183	(469)
	<hr/>	<hr/>
Total	17,819	10,991
Administrative expenses – Notes L	7,023	7,240
Net trading expense/(income) – Notes H	14,006	(191)
	<hr/>	<hr/>
<b>TOTAL EXPENSES</b>	<b>38,848</b>	<b>18,040</b>
	<hr/>	<hr/>
<b>NET INCOME FOR THE YEAR</b>	<b>\$6,835</b>	<b>\$19,480</b>

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

# CARIBBEAN DEVELOPMENT BANK

## ORDINARY CAPITAL RESOURCES

### STATEMENT OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2005 AND 2004  
(expressed in thousands of United States dollars – Note B)

	2005	2004
<b>OPERATING ACTIVITIES</b>		
Net income for the year	<b>\$6,835</b>	\$19,480
Adjustments for non-cash items		
Unrealised loss on trading portfolio	1,055	962
Depreciation	1,237	1,367
Net trading expense	14,318	(636)
Interest income	(44,509)	(36,091)
Interest expense	17,819	10,991
Disbursements on loans	(93,928)	(170,949)
Principal repayments to the Bank on loan	51,848	47,669
Decrease/(increase) in loans resulting from exchange rates fluctuations	557	(808)
Decrease/(increase) in accounts receivable including interfund receivables	1,551	(1,521)
Increase in accounts payable including interfund payables	5,436	6,300
Net decrease/(increase) in trading securities	3,128	(32,687)
Cash used in operations	<b>(41,488)</b>	(175,323)
Interest received	44,400	32,528
Interest paid	<b>(15,839)</b>	(9,855)
Net cash used in operating activities	<b>(6,092)</b>	(133,170)
<b>INVESTING ACTIVITIES</b>		
Purchases of property and equipment	<b>(573)</b>	(956)
Net cash used in investing activities	<b>(573)</b>	(956)
<b>FINANCING ACTIVITIES</b>		
Borrowings		
Drawdowns	52	149,569
Repayments	(2,677)	(2,638)
Increase in amounts required to maintain the value of currency holdings	(261)	3,623
Increase in other receivables from members	(474)	(1,683)
Net cash (used in)/provided by financing activities	<b>(3,360)</b>	148,871
Translation adjustments	<b>(1,673)</b>	1,293
Net (decrease)/increase in cash and cash equivalents	<b>(11,698)</b>	16,038
Cash and cash equivalents at beginning of year	49,440	33,402
Cash and cash equivalents at end of year	<b>37,742</b>	49,440
<b>REPRESENTED BY</b>		
Due from banks	<b>16,179</b>	914
Time deposits	<b>21,563</b>	48,526
	<b>\$37,742</b>	\$49,440

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

# CARIBBEAN DEVELOPMENT BANK

## ORDINARY CAPITAL RESOURCES

### SUMMARY STATEMENT OF INVESTMENTS

DECEMBER 31, 2005 AND 2004

(expressed in thousands of United States dollars – Note B)

SCHEDULE 1

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

	2004				
	USD	EUR	CAD	Other Currencies	All Currencies
Government and Agency Obligations	\$102,306	\$15,007	\$5,880	\$846	\$124,039
Supranationals	15,580	2,836	859	-	19,275
Time deposits	38,369	610	1,271	8,276	48,526
Sub-total	156,255	18,453	8,010	9,122	191,840
Accrued interest	1,072	346	64	66	1,548
<b>TOTAL</b>	<b>\$157,327</b>	<b>\$18,799</b>	<b>\$8,074</b>	<b>\$9,188</b>	<b>\$193,388</b>



# CARIBBEAN DEVELOPMENT BANK

## ORDINARY CAPITAL RESOURCES

### SUMMARY STATEMENT OF LOANS

DECEMBER 31, 2005 AND 2004

(expressed in thousands of United States dollars – Note B)

SCHEDULE 2

Effective Loans							
Member countries in which loans have been made	Total loans approved <sup>1/</sup>	Loans approved but not yet effective	Signed agreements	Principal repaid to bank	Undisbursed	Out-standing <sup>2/</sup>	% of total loans out-standing
Anguilla	\$21,180	\$4,700	\$16,480	\$3,353	\$5,467	\$7,660	1.1
Antigua and Barbuda	24,098	-	24,098	9,240	5,796	9,062	1.3
Bahamas	49,116	-	49,116	30,701	-	18,415	2.7
Barbados	193,319	-	193,319	51,062	51,542	90,715	13.4
Belize	101,481	8,250	93,231	17,471	14,495	61,265	9.0
British Virgin Islands	41,070	-	41,070	10,233	2,368	28,469	4.2
Cayman Islands	43,100	-	43,100	30,146	2,185	10,769	1.6
Dominica	30,114	-	30,114	9,262	2,944	17,908	2.6
Grenada	44,912	-	44,912	8,124	5,508	31,280	4.6
Guyana	52,082	-	52,082	16,968	19,314	15,800	2.3
Jamaica	311,906	-	311,906	102,767	76,885	132,254	19.5
Montserrat	485	-	485	485	-	-	-
St. Kitts and Nevis	66,462	-	66,462	6,131	20,963	39,368	5.8
St. Lucia	135,776	-	135,776	19,760	27,491	88,525	13.1
St. Vincent & the Grenadines	70,915	-	70,915	7,924	34,828	28,163	4.2
Trinidad and Tobago	152,193	-	152,193	58,370	6,734	87,089	12.8
Turks & Caicos Islands	8,755	-	8,755	2,573	489	5,693	0.8
Regional	20,743	5,000	15,743	9,115	456	6,172	0.9
Sub-total	1,367,707	17,950	1,349,757	393,685	277,465	678,607	100.0
Accrued interest	-	-	-	-	-	8,557	
<b>Total – December 31, 2005</b>	<b>\$1,367,707</b>	<b>\$17,950</b>	<b>\$1,349,757</b>	<b>\$393,685</b>	<b>\$277,465</b>	<b>\$687,164</b>	
<b>Total – December 31, 2004</b>	<b>\$1,280,507</b>	<b>\$ 18,311</b>	<b>\$1,262,196</b>	<b>\$360,768</b>	<b>\$264,344</b>	<b>\$645,342</b>	

1/ Net of lapses and cancellations

2/ Includes overdue instalments of principal amounting to \$785,000 (2004 - \$1,215,000)

# CARIBBEAN DEVELOPMENT BANK

## ORDINARY CAPITAL RESOURCES

### SUMMARY STATEMENT OF LOANS *(continued)*

DECEMBER 31, 2005 AND 2004

(expressed in thousands of United States dollars – Note B)

Currencies Receivable	Loans outstanding 2004	Translation adjustment	Disburse ments	Subtotal	Repay ments	SCHEDULE 2	
						Loans outstanding 2005	% of total loans outstanding
Bahamian dollars	\$21	-	-	\$21	\$(14)	\$7	-
Barbados dollars	112	-	-	112	(35)	77	-
Belize dollars	91	-	14	105	(14)	91	-
Canadian dollars	3,595	132	518	4,245	(618)	3,627	0.5
Cayman Island dollars	1	-	-	1	(1)	-	-
Euros	1,826	(244)	21	1,603	(364)	1,239	0.2
East Caribbean dollars	1,964	-	294	2,258	(155)	2,103	0.3
IBRD Units	5,151	-	-	5,151	(678)	4,473	0.7
Jamaican dollars	4	-	417	421	(1)	420	0.1
Pounds sterling	4,152	(453)	2,264	5,963	(220)	5,743	0.8
Trinidad & Tobago dollars	2,127	8	110	2,245	(238)	2,007	0.3
United States dollars	618,040	-	90,290	708,330	(49,510)	658,820	97.1
Sub-total	637,084	(557)	93,928	730,455	(51,848)	678,607	100.0
Accrued interest	-	-	-	-	-	8,557	
<b>Total – December 31, 2005</b>	<b>\$637,084</b>	<b>\$(557)</b>	<b>\$93,928</b>	<b>\$730,455</b>	<b>\$(51,848)</b>	<b>\$687,164</b>	
<b>Total – December 31, 2004</b>	<b>\$512,996</b>	<b>\$808</b>	<b>\$170,949</b>	<b>\$684,753</b>	<b>\$(47,669)</b>	<b>\$645,342</b>	

# CARIBBEAN DEVELOPMENT BANK

## ORDINARY CAPITAL RESOURCES

### STATEMENT OF SUBSCRIPTION TO CAPITAL STOCK AND VOTING POWER

DECEMBER 31, 2005 AND 2004

(expressed in thousands of United States dollars – Note B)

SCHEDULE 3

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	
<b>Regional States and Territories</b>									
Jamaica	19,342	17.91	\$116,666	\$91,122	\$25,544	\$25,544	\$19,492	17.54	\$12,873
Trinidad & Tobago	19,342	17.91	116,666	91,122	25,544	25,544	19,492	17.54	10,975
Bahamas	5,703	5.28	34,399	26,865	7,534	7,534	5,853	5.27	1,720
Guyana	4,167	3.85	25,134	19,633	5,501	5,501	4,317	3.88	3,037
Colombia	3,118	2.89	18,807	14,687	4,120	4,120	3,268	2.93	627
Mexico	3,118	2.89	18,807	14,687	4,120	4,120	3,268	2.93	-
Venezuela	3,118	2.89	18,807	14,687	4,120	4,120	3,268	2.93	3,203
Barbados	3,630	3.36	21,895	17,100	4,795	4,795	3,780	3.40	1,070
Belize	859	0.80	5,181	4,047	1,134	1,134	1,009	0.91	-
Dominica	859	0.80	5,181	4,047	1,134	1,134	1,009	0.91	286
Grenada	736	0.68	4,439	3,468	971	971	886	0.80	213
St. Lucia	859	0.80	5,181	4,047	1,134	1,134	1,009	0.91	360
St. Vincent and the Grenadines	859	0.80	5,181	4,047	1,134	1,134	1,009	0.91	97
Antigua and Barbuda	859	0.80	5,181	4,047	1,134	1,134	1,009	0.91	296
St. Kitts and Nevis	859	0.80	5,181	4,047	1,134	1,134	1,009	0.91	255
Anguilla <sup>1/</sup>	182	0.17	1,098	857	241	241	)	)	14
Montserrat <sup>1/</sup>	213	0.20	1,285	1,002	283	283	1,184	1.07	-
British Virgin Islands <sup>1/</sup>	213	0.20	1,285	1,002	283	283	)	)	-
Cayman Islands <sup>1/</sup>	213	0.20	1,285	1,002	283	283	)	)	9
Turks and Caicos Islands <sup>1/</sup>	213	0.20	1,285	1,002	283	283	)	)	-
	68,462	63.43	\$412,944	\$322,518	\$90,428	\$90,428	\$70,862	63.75	\$35,035
<b>Non-Regional States</b>									
Canada	10,402	9.63	\$62,742	\$49,002	\$13,740	\$13,740	10,552	9.50	\$6,881
United Kingdom	10,402	9.63	62,742	49,002	13,740	13,740	10,552	9.50	2,150
Italy	6,235	5.77	37,608	29,374	8,234	8,234	6,385	5.75	649
Germany	6,235	5.77	37,608	29,374	8,234	8,234	6,385	5.75	5,549
China	6,235	5.77	37,608	29,374	8,234	8,234	6,385	5.75	-
	39,509	36.57	238,308	186,126	52,182	52,182	40,259	36.25	15,229
<b>Sub-total</b>	<b>107,971</b>	<b>100.00</b>	<b>651,252</b>	<b>508,644</b>	<b>142,608</b>	<b>142,611</b>	<b>111,121</b>	<b>100.00</b>	<b>50,264</b>
<b>Additional subscriptions</b>									
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	-	-	-
<b>Sub-total</b>	<b>-</b>	<b>-</b>	<b>53,789</b>	<b>40,701</b>	<b>13,088</b>	<b>13,088</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total – December 31, 2005</b>	<b>107,971</b>	<b>100.00</b>	<b>\$705,041</b>	<b>\$549,345</b>	<b>\$155,696</b>	<b>155,696</b>	<b>111,121</b>	<b>100.00</b>	<b>\$50,264</b>
<b>Total – December 31, 2004</b>	<b>107,971</b>	<b>100.00</b>	<b>\$705,041</b>	<b>\$549,345</b>	<b>\$155,696</b>	<b>\$155,696</b>	<b>111,121</b>	<b>100.00</b>	<b>\$49,376</b>

<sup>1/</sup>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

### SUMMARY STATEMENT OF BORROWINGS

DECEMBER 31, 2005 AND 2004

(expressed in thousands of United States dollars – Note A)

SCHEDULE 4

	Original amounts <sup>1/</sup>	Repay-ments to date	Currency swap agreements	Un-drawn	Outstanding	Cost of borrowings %	Due Dates
<b>CDB Market Borrowings</b>							
6.00% Notes - US\$	\$ 50,000	-	-	-	\$ 50,000	4.76	2008
4.35% Notes - US\$	60,000	-	-	-	60,000	5.99	2030
2.75% Notes – Yen	100,000	-	15,758	-	115,758	3.51	2022
Floating Rate Note – Yen <sup>2/</sup>	60,000	-	-	-	60,000	3.44	2013
Floating Rate Note - US\$ <sup>3/</sup>	149,622	-	-	-	149,622	3.44	2014
	419,622	-	15,758	-	435,380		
<b>European Investment Bank</b>							
Global Loan 11 - A - US\$	13,034	(3,965)	-	-	9,069	3.35	2003-2011
<b>International Bank for Reconstruction and Development</b>							
Loan 3200 CRG – US\$	3,332	(2,979)	-	-	353	3.20	1995-2007
<b>Inter-American Development Bank</b>							
Loan 926/OC-RG-US\$	20,000	(2,156)	-	(1,131)	16,713	3.16	2003-2021
Sub-total	455,988	(9,100)	15,758	(1,131)	461,515		
Accrued interest	-	-	-	-	5,216		
<b>Total – December 31, 2005</b>	<b>\$455,988</b>	<b>\$(9,100)</b>	<b>15,758 <sup>4/</sup></b>	<b>\$(1,131)</b>	<b>\$466,731</b>		
<b>Total – December 31, 2004</b>	<b>\$455,935</b>	<b>\$(6,423)</b>	<b>\$16,685</b>	<b>\$(1,130)</b>	<b>\$468,303</b>		

1/ Net of cancellations and borrowings fully paid.

2/ 6 month LIBOR + 20 basis points.

3/ 3 month LIBOR + 15 basis points.

4/ Net of amortization of \$927 (Note C)

# CARIBBEAN DEVELOPMENT BANK

## ORDINARY CAPITAL RESOURCES

### SUMMARY STATEMENT OF BORROWINGS *(continued)*

DECEMBER 31, 2005 AND 2004

(expressed in thousands of United States dollars – Note B)

Currencies Repayable	Out-standing borrowings December 2004	Trans-lation adjust-ment	Draw-downs	Currency swap agree-ments	Repay-ments	Out-standing borrowings December 2005
United States dollars	\$288,382	-	\$52	-	\$(2,677)	\$285,757
Japanese yen	176,685	-	-	(927)	-	175,758
Sub-total	465,067	-	52	(927)	(2,677)	461,515
Accrued interest	-	-	-	-	-	5,216
<b>Total – December 31, 2005</b>	<b>\$465,067</b>	<b>-</b>	<b>\$ 52</b>	<b>\$(927)</b>	<b>\$(2,677)</b>	<b>\$466,731</b>
<b>Total – December 31, 2004</b>	<b>\$317,344</b>	<b>-</b>	<b>\$149,569</b>	<b>\$ 792</b>	<b>\$(2,638)</b>	<b>\$465,067</b>

# CARIBBEAN DEVELOPMENT BANK

## ORDINARY CAPITAL RESOURCES

### NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2005 AND 2004

(expressed in thousands of United States dollars – Note B)

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

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

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

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

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

#### Limitations on Loans, Guarantees, and Equity Investments

Article 14, paragraph 1 of the Charter provides that the total amount outstanding of loans, equity investments, and guarantees made by CDB shall not exceed the total of CDB's unimpaired subscribed capital, reserves, and surplus, and any other funds included in its ordinary capital resources, exclusive of the special reserve. At 31 December 2005, there were no equity investments or guarantees outstanding; the total loans outstanding were approximately 68% (64% - 2004) of the total subscribed capital, reserves, and surplus as defined.

#### B. Summary of significant accounting policies

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

##### Basis of presentation

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

The preparation of financial statements in conformity with IFRS requires management to make estimates. It also requires management to exercise its judgement in the process of applying the Bank's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Notes B – impairment losses on loans and C- fair values of derivatives.

##### Foreign currency translation

###### *Functional and translation currency*

The functional currency of the Bank is the United States dollar, and the financial statements are expressed in thousands of current United States dollars solely for the purpose of summarising the Caribbean Development Bank's financial position and the results of its operations.

# CARIBBEAN DEVELOPMENT BANK

## ORDINARY CAPITAL RESOURCES

### NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2005 AND 2004

(expressed in thousands of United States dollars – Note B)

#### B. Summary of significant accounting policies...continued

##### *Translation of currencies*

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

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

##### *Capital stock*

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

For the purposes of the financial statements, the Bank has expressed the value of its capital stock on the basis of the 1974 SDR. This will not have any effect on the financial position or results of the operations of the Bank.

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

##### *Financial assets at fair value through profit and loss*

This category has two sub-categories: financial assets held for trading, and those designated at fair value through profit and loss at inception. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by management. Derivatives are categorized as held for trading unless they are designated as hedges.

##### *Loans and receivables*

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

Loans and receivables are carried at amortised cost using the effective interest rate method.

# CARIBBEAN DEVELOPMENT BANK

## ORDINARY CAPITAL RESOURCES

### NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2005 AND 2004

(expressed in thousands of United States dollars – Note B)

#### B. Summary of significant accounting policies...continued

##### Impairment of financial assets

CDB assesses at each balance sheet date whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group 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 assets or groups of financial assets is impaired include observable data that comes to the attention of the Bank about the following loss events:

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

A provision for loan impairment is established if there is objective evidence that the Bank will not be able to collect all amounts due according to the original contractual terms of loans. The amount of the provision is the difference between the carrying amount and the recoverable amount, being the present value of expected cash flows, including amounts recoverable from guarantees and collateral, discounted at the original effective interest rate for fixed rate loans and the current interest rate for variable rate loans.

##### Cash and cash equivalents

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

##### Offsetting financial instruments

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

##### Property and equipment

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

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

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

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 asset's fair value less costs to sell and the value in use.



# CARIBBEAN DEVELOPMENT BANK

## ORDINARY CAPITAL RESOURCES

### NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2005 AND 2004

(expressed in thousands of United States dollars – Note B)

#### B. Summary of significant accounting policies...continued

##### Borrowings

To ensure funds are available for lending and liquidity purposes, the Bank borrows institutionally and from the private placement market. The Bank issues medium and long-term debt instruments with fixed and floating interest rates. Borrowings are recognised initially at fair value, being their issue proceeds (fair value of consideration received) net of transaction costs incurred. Borrowings are subsequently stated at 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.

##### Derivative financial instruments and hedging

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

The Bank's criteria for a derivative instrument to be accounted for as a hedge include:

- (i) formal documentation of the hedging instrument, hedged item, hedging objective, strategy and relationship is prepared before hedge accounting is applied;
- (ii) the hedge is documented showing that it is expected to be highly effective in offsetting the risk in the hedged item throughout the reporting period; and
- (iii) the hedge is effective on an on-going basis.

Changes in the fair value of derivatives that are designated and qualify as fair value hedges and that prove to be highly effective in relation to hedged risk are recorded in the income statement, along with the corresponding change in fair value of the hedged asset or liability that is attributable to that specific hedged risk.

##### Employee benefits

###### *Pension obligations*

CDB has both a contributory defined benefit New Pension Plan (the Plan) and a hybrid Old Pension Scheme (the Scheme) for securing pensions and other benefits for eligible employees of the Bank. Both the Plan and the Scheme are final salary defined benefit. Every employee, as defined under the Plan, shall, as a condition of service, become a participant from the first day of service, provided that at such a date, the employee has not reached the normal retirement age of 62. Retirement benefits are based on length of service and highest average remuneration during three years of eligible service. The Plan assets are segregated and are not included in the accompanying Balance Sheet. The costs of administering the Plan are absorbed by CDB, except for fees paid to the investment managers and related charges, including custodian fees, which are borne by the Plan.

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

# CARIBBEAN DEVELOPMENT BANK

## ORDINARY CAPITAL RESOURCES

### NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2005 AND 2004

(expressed in thousands of United States dollars – Note B)

#### B. Summary of significant accounting policies...continued

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

##### *Other post-retirement obligations*

The Bank provides post-retirement medical benefits to its retirees. The expected costs of these benefits are 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, are charged or credited to income over the expected average remaining working lives of the related employees. These obligations are valued annually by independent qualified actuaries.

##### **Administrative expenses**

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

##### **Interest income and expense**

Interest income and expense are recognised in the income statement for all interest bearing instruments on an accrual basis using the effective yield method based on the actual purchase price.

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

##### **Comparatives**

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

#### C. Financial risk management

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

CDB assesses its risk-bearing capacity using a variety of metrics, including an interest coverage ratio (ICR) and reserve to loan ratio (RLR), to measure its income generating capacity and capital adequacy. The ICR is the ratio of net income to financial expenses plus a factor of one. It measures the extent to which net income can fall without jeopardizing the Bank's ability to service its financial expenses from current income. At December 31, 2005, the ICR was 2.2 times compared with a minimum policy level for the ICR of 1.5 times.

The RLR as at December 31, 2005, stood at 42.4% compared with the policy minimum of 30%. To ensure the adequacy of its risk-bearing capacity, CDB's management reviews its income outlook annually and Board of Directors recommends to the Board of Governors the portion of the previous year's actual net income for allocation to reserves, to ensure that the level of reserves is commensurate with the policy level. At its meeting in May 18 – 19, 2005, the Board of Governors approved the net income of US \$ 19.5 million for the year ended December 31, 2004 from the Ordinary Operations of the Bank be allocated to the Ordinary Reserve.

# CARIBBEAN DEVELOPMENT BANK

## ORDINARY CAPITAL RESOURCES

### NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2005 AND 2004

(expressed in thousands of United States dollars – Note B)

#### C. Financial risk management...continued

##### 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 33.6% of capital at December 31 2005, compared to 30.5% at the end of the previous year.

##### Credit related commitments

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

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

##### Master netting arrangements

The Bank further restrict 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 favorable 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

### NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2005 AND 2004

(expressed in thousands of United States dollars – Note B)

#### C. Financial risk management...continued

##### Investments

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

##### Derivatives

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

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

During the year a derivative, which previously was deemed to be hedged, failed to meet the hedging criteria and was therefore treated as a derivative held for trading with the fair value loss of \$11,320,000 reported as part of the net trading expense in income for the year. The adjustment to the hedged item is being amortised at \$927,000 annually.

##### Currency risk

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

##### Market risk

##### Interest rate risk

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

The matching and controlled mismatching of the maturities and interest rates of assets and liabilities is fundamental to the management of the Bank. It is unusual for banks to be completely matched, as transacted business is often of uncertain term and of different types. The table below analyses the major financial assets and liabilities into relevant groupings based on the remaining period at December 31, 2005 to the contractual maturity date.

# CARIBBEAN DEVELOPMENT BANK

## ORDINARY CAPITAL RESOURCES

### NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2005 AND 2004

(expressed in thousands of United States dollars – Note B)

#### C. Financial risk management ...continued

##### Interest rate risk...continued

At December 31, 2005	0 - 3 months	3-12 months	1-5 years	Over 5 years	Non-interest bearing	Total
<b>Assets</b>						
Due from banks	\$ 16,179	\$ -	\$ -	\$ -	\$ -	\$ 16,179
Investments	59,821	47,411	49,483	5,338	-	162,053
Loans	20,541	35,950	234,038	396,635	-	687,164
Derivative financial instruments	8,842	1,783	-	-	-	10,625
Receivable from members	-	-	-	-	56,885	56,885
Other receivables	-	-	-	-	6,065	6,065
Property and equipment	-	-	-	-	5,931	5,931
<b>Total Assets</b>	<b>\$105,383</b>	<b>\$85,144</b>	<b>\$283,521</b>	<b>\$401,973</b>	<b>\$68,881</b>	<b>\$944,902</b>
<b>Liabilities</b>						
Accounts payable	-	-	-	-	18,608	18,608
Payable to members	-	-	-	-	7,414	7,414
Borrowings	4,608	3,326	60,469	398,328	-	466,731
<b>Total Liabilities</b>	<b>\$ 4,608</b>	<b>\$ 3,326</b>	<b>\$ 60,469</b>	<b>\$398,328</b>	<b>\$26,022</b>	<b>\$492,753</b>
<b>Total interest sensitivity gap</b>	<b>\$100,775</b>	<b>\$81,818</b>	<b>\$223,052</b>	<b>\$ 3,645</b>		
<b>At December 31, 2004</b>						
<b>Assets</b>						
Due from banks	914	-	-	-	-	914
Investments	61,072	38,512	84,932	7,324	-	191,840
Loans	18,833	31,723	215,754	379,032	-	645,342
Derivative financial instruments	23,487	2,383	-	-	-	25,870
Receivable from members	-	-	-	-	53,912	53,912
Other receivables	494	312	688	59	7,612	9,165
Property and equipment	-	-	-	-	6,595	6,595
<b>Total Assets</b>	<b>\$104,800</b>	<b>\$72,930</b>	<b>\$301,374</b>	<b>\$386,415</b>	<b>\$68,119</b>	<b>\$933,638</b>
<b>Liabilities</b>						
Accounts payable	-	-	-	-	13,172	13,172
Payable to members	-	-	-	-	5,176	5,176
Borrowings	3,249	2,664	57,181	405,209	-	468,303
<b>Total Liabilities</b>	<b>\$ 3,249</b>	<b>\$ 2,664</b>	<b>\$ 57,181</b>	<b>\$405,209</b>	<b>\$18,348</b>	<b>\$486,651</b>
<b>Total interest sensitivity gap</b>	<b>\$101,551</b>	<b>\$70,266</b>	<b>\$244,193</b>	<b>\$(18,794)</b>		

# CARIBBEAN DEVELOPMENT BANK

## ORDINARY CAPITAL RESOURCES

### NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2005 AND 2004

(expressed in thousands of United States dollars – Note B)

#### C. Financial risk management ...continued

##### Interest rate risk...continued

Assuming the financial assets and liabilities at December 31, 2005 were to remain until maturity or settlement without any action by the Bank to alter the resulting interest rate risk exposure, an immediate and sustained increase of 1% in market interest rates across all maturities would increase net income for the following year by \$3,766,000.

##### Exchange rate risk

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

##### Liquidity risk

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

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

Under CDB's liquidity management policy, aggregate liquid asset holdings should be kept at the minimum of 40% of undisbursed commitments. At the end of 2005, the minimum liquidity level was \$118.2 million, while the aggregate size of the OCR liquid asset portfolio stood at \$171.4 million, or 58% of undisbursed commitments. CDB liquid assets may from time to time fall below the specified minimum due to the timing its borrowing transactions. As at December 31, 2005 the portfolio was largely comprised of assets denominated in U.S. dollars with net exposure to short-term interest rates.

# CARIBBEAN DEVELOPMENT BANK

## ORDINARY CAPITAL RESOURCES

### NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2005 AND 2004

(expressed in thousands of United States dollars – Note B)

#### C. Financial risk management ...continued

##### Liquidity risk

At December 31, 2005	0 - 3 months	3-12 months	1-5 years	Over 5 years	Total
<b>Assets</b>					
Due from banks	\$16,179	\$ -	\$ -	\$ -	\$16,179
Investments	59,821	47,411	49,483	5,338	162,053
Loans	20,541	35,950	234,038	396,635	687,164
Derivative financial instruments	-	-	-	10,625	10,625
Receivable from members	-	-	-	56,885	56,885
Other receivables	5,792	273	-	-	6,065
Property and equipment	-	-	-	5,931	5,931
<b>Total Assets</b>	<b>\$102,333</b>	<b>\$83,634</b>	<b>\$283,521</b>	<b>\$475,414</b>	<b>\$944,902</b>
<b>Liabilities</b>					
Accounts payable	12,464	-	4,055	2,089	18,608
Payable to members	-	-	-	7,414	7,414
Borrowings	4,608	3,326	60,469	398,328	466,731
<b>Total Liabilities</b>	<b>\$ 17,072</b>	<b>\$ 3,326</b>	<b>\$ 64,524</b>	<b>\$407,831</b>	<b>\$492,753</b>
<b>Total net liquidity gap</b>	<b>\$ 85,261</b>	<b>\$80,308</b>	<b>\$218,997</b>	<b>\$ 67,583</b>	<b>\$452,149</b>
Commitment	6,937	26,582	194,226	55,493	283,238
<b>At December 31, 2004</b>					
<b>Assets</b>					
Due from banks	914	-	-	-	914
Investments	61,072	38,512	84,932	7,324	191,840
Loans	18,833	31,723	215,754	379,032	645,342
Derivative financial instruments	-	-	-	25,870	25,870
Receivable from members	-	-	-	53,912	53,912
Other receivables	7,653	312	1,141	59	9,165
Property and equipment	-	-	-	6,595	6,595
<b>Total Assets</b>	<b>\$88,472</b>	<b>\$70,547</b>	<b>\$301,827</b>	<b>\$472,792</b>	<b>\$933,638</b>
<b>Liabilities</b>					
Accounts payable	11,258	-	-	1,914	13,172
Payable to members	-	-	-	5,176	5,176
Borrowings	3,249	2,664	57,181	405,209	468,303
<b>Total Liabilities</b>	<b>\$ 14,507</b>	<b>\$ 2,664</b>	<b>\$ 57,181</b>	<b>\$412,299</b>	<b>\$486,651</b>
<b>Total net liquidity gap</b>	<b>\$ 73,965</b>	<b>\$67,883</b>	<b>\$244,646</b>	<b>\$ 60,493</b>	<b>\$446,987</b>

# CARIBBEAN DEVELOPMENT BANK

## ORDINARY CAPITAL RESOURCES

### NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2005 AND 2004

(expressed in thousands of United States dollars – Note B)

#### C. Financial risk management ...continued

##### Fair value of financial assets and liabilities

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

	Carrying value		Fair value	
	2005	2004	2005	2004
<b>Financial assets</b>				
Due from banks	\$ 16,179	\$ 914	\$ 16,179	\$ 914
Loans	687,164	645,342	687,164	645,342
Non-negotiable demand notes	50,264	49,376	50,264	49,376
<b>Financial liabilities</b>				
Borrowings	\$461,515	\$465,067	\$521,741	\$414,538

##### Due from banks

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

##### Loans and receivables

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

##### Non-negotiable demand notes

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

##### Borrowings

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



# CARIBBEAN DEVELOPMENT BANK

## ORDINARY CAPITAL RESOURCES

### NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2005 AND 2004

(expressed in thousands of United States dollars – Note B)

#### D. Investments - Trading

As part of its overall portfolio management strategy, the Bank invests in government and government-guaranteed obligations and time deposits. For government and agency obligations, the Bank may only invest in obligations issued or unconditionally guaranteed by governments of countries with a minimum credit rating of AA; however, if such obligations are denominated in the home currency of the issuer, no rating is required. Investments are permitted in supranational institutions and US Government Agencies that are rated AAA.

The annualised rate of return on the average investments including realised and unrealised gains and losses was 2.64% (2004 – 2.01%). Net realised gains on investments traded during 2005 totalled \$17,218 (2004 – losses of \$42,887), while unrealised losses for 2005 were \$1,055,310 (2004 – \$961,978).

Cash equivalents included in investments at December 31, 2005 amounted to \$21,563,000 (2004 - \$48,526,000).

#### E. 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.

#### F. Maintenance of value

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

# CARIBBEAN DEVELOPMENT BANK

## ORDINARY CAPITAL RESOURCES

### NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2005 AND 2004

(expressed in thousands of United States dollars – Note B)

#### G. Property and equipment

	Buildings	Computers	Furniture and equipment	Motor vehicles	Total
Cost					
At January 1, 2005	\$8,991	\$5,589	\$4,277	\$140	\$18,997
Additions	100	297	146	30	573
Disposals	-	-	-	(24)	(24)
<b>At December 31, 2005</b>	<b>9,091</b>	<b>5,886</b>	<b>4,423</b>	<b>146</b>	<b>19,546</b>
<b>Accumulated depreciation</b>					
At January 1, 2005	4,174	4,486	3,672	70	12,402
Disposals	-	-	-	(24)	(24)
Depreciation expense	356	605	242	34	1,237
<b>At December 31, 2005</b>	<b>\$4,530</b>	<b>\$5,091</b>	<b>\$3,914</b>	<b>\$ 80</b>	<b>\$13,615</b>
<b>Net book values</b>					
<b>At December 31, 2005</b>	<b>\$4,561</b>	<b>\$ 795</b>	<b>\$ 509</b>	<b>\$ 66</b>	<b>\$ 5,931</b>

	Buildings	Computers	Furniture and equipment	Motor vehicles	Total
Cost					
At January 1, 2004	\$8,550	\$5,269	\$4,096	\$126	\$18,041
Additions	441	320	181	14	956
<b>At December 31, 2004</b>	<b>\$8,991</b>	<b>\$5,589</b>	<b>\$4,277</b>	<b>\$140</b>	<b>\$18,997</b>
<b>Accumulated depreciation</b>					
At January 1, 2004	3,831	3,786	3,379	39	11,035
Depreciation expense	343	700	293	31	1,367
<b>At December 31, 2004</b>	<b>\$4,174</b>	<b>\$4,486</b>	<b>\$3,672</b>	<b>\$ 70</b>	<b>\$12,402</b>
<b>Net book values</b>					
<b>At December 31, 2004</b>	<b>\$4,817</b>	<b>\$1,103</b>	<b>\$ 605</b>	<b>\$ 70</b>	<b>\$ 6,595</b>

# CARIBBEAN DEVELOPMENT BANK

## ORDINARY CAPITAL RESOURCES

### NOTES TO THE FINANCIAL STATEMENTS

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(expressed in thousands of United States dollars – Note B)

#### H. Borrowings and derivative financial instruments

Borrowings by the Bank for use in the Ordinary operations are limited by resolution of the Board of Governors to the extent of the investment grade callable capital plus paid-in capital and retained earnings amounting to approximately \$828,065,000 (2004 - \$822,780,000). The Board of Directors has restricted such borrowings to 65% of total capitalisation.

The key objective of CDB's borrowing strategy is to provide adequate funds at the lowest possible cost for the benefit of its borrowers. CDB uses financial derivative instruments in connection with its borrowing activities to increase cost efficiency, while achieving risk management objectives. Currency swaps are used to convert a currency borrowed under advantageous terms into one of CDB's major operational currencies, taking advantage of the opportunities offered in different financial markets.

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

The fair values of derivative instruments held at December 31, 2005 are as follows:

	Notional Amount	Fair values	
		2005 Assets	2004 Assets
Cross currency interest rate swaps	\$160,000	\$ 8,842	\$23,487
Interest rate swap	50,000	1,783	2,383
	<u>\$210,000</u>	<u>\$10,625</u>	<u>\$25,870</u>

Net trading loss of \$14,006 (2004- gain of \$191) included in the statement of income comprises:

	2005	2004
Cross currency interest rate swap	\$13,718	\$(904)
Interest rate swap	600	278
Foreign exchange (gains)/losses	(312)	435
	<u>\$14,006</u>	<u>\$(191)</u>

# CARIBBEAN DEVELOPMENT BANK

## ORDINARY CAPITAL RESOURCES

### NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2005 AND 2004

(expressed in thousands of United States dollars – Note B)

#### I. Capital stock

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

At December 31, 2005, the Bank's authorised capital consisted of 118,526 shares (2004 - 118,526) of which 10,555 shares were unassigned. Each share has a par value of 5,000 1974 SDRs valued at the rate of \$1.206348 per 1974 SDR. Of the authorised capital, 107,971 shares have been subscribed, of which 84,328 are callable capital and 23,643 are paid-up capital. In accordance with the principles set out in Note A - Capital Stock, the value of the subscribed capital expressed in dollars is \$705,041,000 comprising callable capital of \$549,345,000 and paid-up capital of \$155,696,000.

In accordance with Resolutions of the Board of Governors, some members admitted subsequent to the establishment of the Bank were required to pay additional subscriptions on the basis of the 1969 dollar. Consequent on the abovementioned decision of the Board of Directors on December 11, 1986, these subscriptions valued on the basis of the 1974 SDR total \$53,789,000 of which \$40,701,000 is callable and \$13,088,000 is paid-up. These additional subscriptions are subject to the MOV provisions described in Note E.

The callable capital is subject to call only as and when required by the Bank to meet its obligations incurred on borrowings included in, or guarantees chargeable to, the Ordinary Capital Resources of the Bank.

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

#### J. Retained earnings

Retained earnings comprise the following elements at December 31, 2005 and December 31, 2004:

	<u>2005</u>	<u>2004</u>
Ordinary reserves	\$265,533	\$244,760
Currency translation adjustments	(1,673)	1,293
Surplus	11,648	11,648
Unallocated net income	6,835	19,480
	<u>\$282,343</u>	<u>\$277,181</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.

# CARIBBEAN DEVELOPMENT BANK

## ORDINARY CAPITAL RESOURCES

### NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2005 AND 2004

(expressed in thousands of United States dollars – Note B)

#### K. Reserves

##### Special reserve

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

At the One Hundred and Nineteenth Meeting of the Board of Directors held on July 21, 1988, the Board decided that appropriations to the Special Reserve should be discontinued with effect from January 1, 1989. Pursuant thereto, no commission is charged on loans approved after January 1, 1989 and all amounts received after that date as commission on loans approved before that date are treated as interest and accounted for as such. During 1993, the Special Reserve was converted into United States dollars and is valued at \$6,254,000.

##### General banking reserve

Loan loss provisions amounting to \$7,856,000 are deemed to be a provision for general banking risks and were transferred to a general banking reserve.

#### L. Administrative expenses

During the year administrative expenses were allocated as follows:

	<u>2005</u>	<u>2004</u>
Gross administrative expenses	\$19,365	\$19,284
Less Amounts allocated to Special Funds Resources	(12,342)	(12,044)
Net OCR administration expenses	<u>\$ 7,023</u>	<u>\$7,240</u>

Staff costs are analysed as follows:

	<u>2005</u>	<u>2004</u>
Salaries and allowances	\$9,066	\$ 9,169
Pension costs - hybrid scheme - Note M	335	328
Pension costs - defined benefit plan - Note M	2,064	2,104
Other post retirement benefits - Note M	215	142
	<u>\$11,680</u>	<u>\$11,743</u>

# CARIBBEAN DEVELOPMENT BANK

## ORDINARY CAPITAL RESOURCES

### NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2005 AND 2004

(expressed in thousands of United States dollars – Note B)

#### M. Pensions and other post retirement obligations

##### Pensions

The amounts recognised in the balance sheet are as follows:

	<b>2005</b>	<b>2004</b>
Present value of funded obligations	<b>\$38,517</b>	\$36,851
Fair value of plan assets	<b>(36,654)</b>	(33,226)
	<b>1,863</b>	3,625
Unrecognised actuarial loss	<b>(1,817)</b>	(3,681)
Liability /(asset) on balance sheet included in accounts payable	<b>\$46</b>	\$(56)

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

The amounts recognised in the income statement are as follows:

	<b>2005</b>	<b>2004</b>
Current service cost	<b>\$2,242</b>	\$2,188
Interest cost	<b>1,820</b>	1,657
Expected return on plan assets	<b>(1,850)</b>	(1,642)
Amortisation of actuarial loss	<b>187</b>	229
	<b>2,399</b>	2,432
Actual return on the plan assets	<b>\$1,405</b>	\$1,728

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

	<b>2005</b>	<b>2004</b>
At January 1, 2005	<b>\$(56)</b>	\$(178)
Pension cost	<b>2,399</b>	2,432
Contributions paid	<b>(2,297)</b>	(2,310)
<b>At December 31, 2005</b>	<b>\$46</b>	<b>\$(56)</b>

# CARIBBEAN DEVELOPMENT BANK

## ORDINARY CAPITAL RESOURCES

### NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2005 AND 2004

(expressed in thousands of United States dollars – Note B)

#### M. Pensions and other post retirement obligations...continued

##### Pensions...continued

The principal actuarial assumptions used for accounting purposes were:

	2005 %	2004 %
Discount rate	5.0	5.0
Expected return on plan assets	5.0 – 6.0	5.0 – 6.0
Future salary increases	4.0	4.0
Future pension increases	0 – 2.5	0 – 2.5

##### Other retirement obligations

The amounts recognised in the balance sheet are as follows:

	2005	2004
Present value of obligations	\$1,686	\$1,565
Unrecognised actuarial loss	(596)	(667)
Liability on balance sheet	\$1,090	\$898

The amounts recognised in the income statement are as follows:

	2005	2004
Current service cost	\$88	\$64
Interest cost	86	61
Amortisation of actuarial loss	41	17
	\$215	\$142

Movement in the liability recognised in the balance sheet:

	2005	2004
At January 1, 2005	\$ 898	\$776
Benefit cost	215	142
Premiums paid	(23)	(20)
<b>At December 31, 2005</b>	<b>\$1,090</b>	<b>\$898</b>

# CARIBBEAN DEVELOPMENT BANK

## ORDINARY CAPITAL RESOURCES

### NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2005 AND 2004

(expressed in thousands of United States dollars – Note B)

#### M. Pensions and other post retirement obligations...continued

##### Pensions...continued

The principal actuarial assumptions used for accounting purposes were:

	%	%
Annual discount rate	5.5	5.5
Annual increase in benefit	4.0	4.0

##### Sensitivity analysis

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

	1 % point increase	1 % point decrease
Effect on total service and interest cost components	46	(28)
Effect on postretirement benefit obligation	339	(268)

#### N. Related-party transactions

The movement in interfund receivables in accounts receivables at December 31<sup>st</sup> is as follows:

	2005	2004
Balance at January 1 <sup>st</sup>	\$5,447	\$4,432
Advances during the year	27,221	137,447
Repayments during the year	(28,555)	(136,432)
Balance at December 31 <sup>st</sup>	\$4,113	\$5,447

	2005
Key management compensation	
Salaries and allowances	\$851,116
Post-employment benefits	299,542
	<u>\$1,150,658</u>

#### O. Fiduciary responsibilities

During the year the Bank, at the request of the Government of Trinidad & Tobago (GOTT), acted as financial agents for the purpose of administering the disbursements of funds to the Government of Grenada. Under this arrangement the Bank held the funds in an interest-bearing account at a commercial bank agreed to by the Bank and GOTT. These funds can only be transferred out of the account upon satisfaction of previously agreed conditions. The assets and income arising thereon are excluded from these financial, as they are not assets of the Bank. As of December 31, 2005, the amount held in the account was \$4,031,606.

#### P. Commitments

At December 31, 2005 CDB had an outstanding letter of credit for \$5.8 million and undisbursed loan balances of \$277.5 million.



March 8, 2006

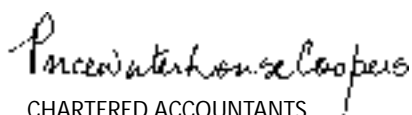
**AUDITOR'S REPORT  
TO THE BOARD OF GOVERNORS  
CARIBBEAN DEVELOPMENT BANK**

We have audited the accompanying special purpose financial statements of the Special Development Fund of the **Caribbean Development Bank** as of December 31, 2005 as set out on pages 88 to 106. These special purpose financial statements are the responsibility of the Bank's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the accompanying special purpose financial statements of the Special Development Fund of the Caribbean Development Bank as of December 31, 2005 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

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

# CARIBBEAN DEVELOPMENT BANK

## SPECIAL FUNDS RESOURCES – SPECIAL DEVELOPMENT FUND

### BALANCE SHEET

DECEMBER 31, 2005 AND 2004

(expressed in thousands of United States dollars – Note A)

	Unified	2005 Other	Total	Unified	2004 Other	Total
<b>Assets</b>						
Due from banks	\$17,249	\$4,066	\$21,315	\$778	\$ 3,427	\$ 4,205
Investments – Trading (Schedule 1)	62,809	63,575	126,384	65,941	65,982	131,923
Loans (Schedule 2) – Note A	352,060	23,595	375,655	335,921	25,224	361,145
<b>Receivables – other</b>						
Accounts receivable including interfund receivables	1,164	12	1,176	658	94	752
	433,282	91,248	524,530	403,298	94,727	498,025
<b>Receivable from contributors</b>						
Non-negotiable demand notes (Schedule 3)	120,208	-	120,208	137,590	-	137,590
Contribution in arrears	598	-	598	8,018	-	8,018
	120,806	-	120,806	145,608	-	145,608
	554,088	91,248	645,336	548,906	94,727	643,633
<b>Liabilities and Fund</b>						
<b>Liabilities</b>						
Accounts payable including interfund payables	35,599	386	35,985	34,916	972	35,888
Accrued charges on contributions	-	27	27	-	29	29
	\$35,599	\$ 413	\$36,012	\$34,916	\$ 1,001	\$ 35,917

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

# CARIBBEAN DEVELOPMENT BANK

## SPECIAL FUNDS RESOURCES – SPECIAL DEVELOPMENT FUND

### BALANCE SHEET

DECEMBER 31, 2005 AND 2004

(expressed in thousands of United States dollars – Note A)

	Unified	2005 Other	Total	Unified	2004 Other	Total
<b>Funds</b>						
Contributed resources (Schedule 3)						
Contributions	\$667,619	\$50,096	\$717,715	\$598,899	\$52,592	\$651,491
Less amounts not yet made available	(62,970)	-	(62,970)	-	-	-
Amounts made available	604,649	50,096	654,745	598,899	52,592	651,491
Allocation to technical assistance and grant resources	(126,000)	(2,266)	(128,266)	(126,000)	(1,566)	(127,566)
	478,649	47,830	526,479	472,899	51,026	523,925
Accumulated net income (Schedule 4)	18,619	41,206	59,825	17,877	41,586	59,463
Technical assistance and grant resources	21,221	1,799	23,020	23,214	1,114	24,328
	\$518,489	\$90,835	\$609,324	\$513,990	\$93,726	\$607,716
	\$554,088	\$91,248	\$645,336	\$548,906	\$94,727	\$643,633

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

# CARIBBEAN DEVELOPMENT BANK

## SPECIAL FUNDS RESOURCES – SPECIAL DEVELOPMENT FUND

### STATEMENT OF INCOME AND ACCUMULATED NET INCOME

FOR THE YEARS ENDED DECEMBER 31, 2005 AND 2004  
(expressed in thousands of United States dollars – Note A)

	Unified	2005 Other	Total	Unified	2004 Other	Total
<b>Income</b>						
From loans	\$8,142	\$ 602	\$8,744	\$7,831	\$ 561	\$8,392
From investments and cash balances	1,599	1,639	3,238	1,081	1,403	2,484
<b>Gross income</b>	<b>9,741</b>	<b>2,241</b>	<b>11,982</b>	<b>8,912</b>	<b>1,964</b>	<b>10,876</b>
<b>Expenses</b>						
Administrative expenses	9,688	1,376	11,064	9,343	1,464	10,807
Charges on contributions	-	285	285	-	334	334
Exchange	21	(90)	(69)	36	68	104
<b>Total expenses</b>	<b>\$9,709</b>	<b>\$1,571</b>	<b>\$11,280</b>	<b>\$9,379</b>	<b>\$1,866</b>	<b>\$11,245</b>
<b>Net income/(loss) for the year</b>	<b>\$32</b>	<b>\$670</b>	<b>\$702</b>	<b>\$(467)</b>	<b>\$98</b>	<b>\$(369)</b>

#### Statement of Changes in Accumulated Net Income

<b>Accumulated net income – beginning of year</b>	<b>\$17,877</b>	<b>\$41,586</b>	<b>\$59,463</b>	<b>\$19,080</b>	<b>\$42,408</b>	<b>\$61,488</b>
Appropriations for technical assistance	-	-	-	-	(1,461)	(1,461)
Currency translation adjustments	710	(1,050)	(340)	(736)	541	(195)
Net income/(loss) for the year	32	670	702	(467)	98	(369)
<b>Accumulated net income – end of year</b>	<b>\$18,619</b>	<b>\$41,206</b>	<b>\$59,825</b>	<b>\$17,877</b>	<b>\$41,586</b>	<b>\$59,463</b>

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

# CARIBBEAN DEVELOPMENT BANK

## SPECIAL FUNDS RESOURCES – SPECIAL DEVELOPMENT FUND (UNIFIED)

### STATEMENT OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2005 AND 2004  
(expressed in thousands of United States dollars – Note A)

	2005	2004
<b>Operating activities</b>		
Net income/(loss) for the year	\$32	\$(467)
Adjustments for non-cash items		
Unrealised loss on trading portfolio	\$417	517
Interest income	(10,158)	(9,429)
Decrease/(increase) in accounts receivable including interfund receivables	(506)	(399)
Increase/(decrease) in accounts payable including interfund payables	683	(2,047)
Disbursements on loans	(30,221)	(32,602)
Principal repayments to the Bank on loans	14,246	16,560
Decrease/(increase) in loans resulting from exchange rates fluctuations	29	(40)
Technical assistance disbursements	(2,013)	(2,689)
Cash used in operations	(27,523)	(30,596)
Interest received	10,054	9,091
Net decrease in trading securities	(5,670)	5,224
Net cash used in operating activities	(23,107)	(16,281)
<b>Financing activities</b>		
Contributions		
Increase in contributions for loans	11,401	18,186
(Decrease)/increase in contributions resulting from exchange rates fluctuations	(5,651)	7,821
(Decrease)/increase in receivables from contributors	24,802	(9,415)
Technical assistance allocation	20	7,068
Net cash (used in)/provided by financing activities	30,572	23,660
Translation adjustments	710	(736)
Net increase in cash and cash equivalents	8,175	6,643
Cash and cash equivalents at beginning of year	16,907	10,264
Cash and cash equivalents at end of year	\$25,082	\$16,907
<b>Represented by</b>		
Due from banks	\$17,249	\$ 778
Time deposits	7,833	16,129
	\$25,082	\$16,907

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

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

**STATEMENT OF CASH FLOWS**

FOR THE YEARS ENDED DECEMBER 31, 2005 AND 2004  
(expressed in thousands of United States dollars – Note A)

	2005	2004
<b>Operating activities</b>		
Net income for the year	\$ 670	\$ 98
Adjustments for non-cash items		
Unrealised loss on trading portfolio	\$ 516	695
Interest income	(2,757)	(2,659)
Interest expense	285	334
Increase in accounts payable including interfund receivables	82	(3)
Decrease in accounts payable including interfund payables	(586)	(233)
Appropriations for technical assistance	(700)	(1,461)
Disbursements on loans	(88)	(6,035)
Principal repayments to the Bank on loans	1,605	2,863
Decrease/(increase) in loans resulting from exchange rates fluctuations	125	(140)
Technical assistance disbursements	(15)	(351)
	<hr/>	<hr/>
Cash used in operations	(1,533)	(6,990)
Interest received	3,119	2,457
Interest paid	(287)	(337)
Net decrease in trading securities	6,017	282
	<hr/>	<hr/>
Net cash provided by/(used in) operating activities	7,986	(4,490)
<b>Financing activities</b>		
Borrowings		
Interest paid	(1,551)	(1,924)
(Decrease)/increase in contributions resulting from exchange rates fluctuations	(945)	554
Technical assistance allocation	700	1,461
	<hr/>	<hr/>
Net cash (used in)/provided by financing activities	(1,796)	91
Translation adjustments	(1,050)	541
	<hr/>	<hr/>
Net increase/(decrease) in cash and cash equivalents	5,140	(3,858)
Cash and cash equivalents at beginning of year	8,043	11,901
Cash and cash equivalents at end of year	<b>\$13,183</b>	<b>\$8,043</b>
<b>Represented by</b>		
Due from banks	\$ 4,066	\$ 3,427
Time deposits	9,117	4,616
	<hr/>	<hr/>
	<b>\$13,183</b>	<b>\$8,043</b>

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

CARIBBEAN DEVELOPMENT BANK  
SPECIAL FUND RESOURCES – SPECIAL DEVELOPMENT FUND

**SUMMARY STATEMENTS OF INVESTMENTS**

DECEMBER 31, 2005 AND 2004

(expressed in thousands of United States dollars – Note A)

	2005 Market value			SCHEDULE 1 2004 Market value		
	Unified	Other	Total	Unified	Other	Total
Government and Agency Obligations	\$50,768	\$47,723	\$98,491	\$45,587	\$54,920	\$100,407
Supranationals	3,779	6,107	9,886	3,807	5,443	9,250
Time deposits	7,833	9,117	16,950	16,129	4,616	20,745
Sub-total	62,380	62,947	\$125,327	\$65,423	\$64,979	\$130,402
Accrued interest	429	628	1,057	518	1,003	1,521
Total	\$62,809	\$63,575	\$126,384	\$65,941	\$65,982	\$131,923

**RESIDUAL TERM TO CONTRACTUAL MATURITY**

	2005	2004
One month to three months	42,327	43,324
Over three months to one year	38,521	20,547
From one year to five years	43,557	66,027
From five years to ten years	1,979	2,025
<b>Total</b>	<b>\$126,384</b>	<b>\$131,923</b>

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

**SUMMARY STATEMENT OF LOANS**

December 31, 2005 and 2004

(expressed in thousands of United States dollars – Note A)

**SCHEDULE 2**

**Effective Loans**

Member countries in which loans have been made	Total loans approved <sup>1/</sup>	Loans approved but not yet effective	Signed agreements	Principal repaid to bank	Undisbursed	Out-standing <sup>2/</sup>	% of total loans out-standing
Anguilla	\$9,731	\$ 300	\$ 9,431	\$ 3,889	\$ 331	\$ 5,211	1.5
Antigua and Barbuda	11,304	-	11,304	5,752	1,810	3,742	1.1
Bahamas	1,605	-	1,605	1,554	-	51	-
Barbados	5,198	-	5,198	4,335	15	848	0.2
Belize	52,239	-	52,239	15,383	10,801	26,055	7.4
British Virgin Islands	10,722	-	10,722	5,513	5	5,204	1.5
Cayman Islands	4,258	-	4,258	3,840	363	55	-
Dominica	70,779	-	70,779	20,897	3,487	46,395	13.2
Grenada	78,373	13,852	64,521	18,939	8,609	36,973	10.5
Guyana	121,124	-	121,124	10,438	30,728	79,958	22.8
Jamaica	77,987	-	77,987	17,582	17,873	42,532	12.1
Montserrat	7,942	-	7,942	3,997	-	3,945	1.1
St. Kitts and Nevis	49,731	600	49,131	11,569	6,109	31,453	9.0
St. Lucia	58,637	-	58,637	14,679	10,779	33,179	9.5
St. Vincent & the Grenadines	46,058	-	46,058	16,104	6,090	23,864	6.8
Trinidad & Tobago	5,234	1,000	4,234	3,689	16	529	0.2
Turks & Caicos Islands	9,768	-	9,768	3,010	793	5,965	1.7
Regional	9,545	-	9,545	3,897	690	4,958	1.4
<b>Sub-total</b>	<b>630,235</b>	<b>15,752</b>	<b>614,483</b>	<b>\$165,067</b>	<b>98,499</b>	<b>350,917</b>	<b>100.0</b>
Accrued interest	-	-	-	-	-	1,143	
<b>Total – December 31, 2005</b>	<b>\$630,235</b>	<b>\$15,752</b>	<b>\$614,483</b>	<b>\$165,067</b>	<b>\$98,499</b>	<b>\$352,060</b>	
<b>Total – December 31, 2004</b>	<b>\$604,973</b>	<b>\$12,647</b>	<b>\$592,326</b>	<b>\$149,246</b>	<b>\$108,109</b>	<b>\$335,921</b>	

<sup>1/</sup> Net of lapses and cancellations

<sup>2/</sup> Includes overdue instalments of principal amounting to \$323,000 (2004 - \$169,000)



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

**SUMMARY STATEMENT OF LOANS** *(continued)*

DECEMBER 31, 2005 AND 2004

(expressed in thousands of United States dollars – Note A)

SCHEDULE 2

Effective Loans							
Member countries in which loans have been made	Total Loans approved <sup>1/</sup>	Loans approved but not yet effective	Signed agreements	Principal repaid to bank	Undisbursed	Outstanding <sup>2/</sup>	% of total loans outstanding
Anguilla	\$1,464	-	\$1,464	\$1,381	\$ 83	\$ -	-
Antigua and Barbuda	3,642	-	3,642	3,077	-	565	2.4
Bahamas	774	-	774	774	-	-	-
Barbados	1,603	-	1,603	1,603	-	-	-
Belize	28,100	-	28,100	17,001	621	10,478	44.6
British Virgin Islands	4,308	-	4,308	3,667	-	641	2.7
Cayman Islands	572	-	572	572	-	-	0.0
Dominica	13,455	-	13,455	11,080	257	2,118	9.0
Grenada	4,636	-	4,636	4,425	-	211	0.9
Guyana	22	-	22	22	-	-	-
Jamaica	6,872	-	6,872	4,619	8	2,245	9.6
Montserrat	781	-	781	781	-	-	-
St. Kitts and Nevis	11,746	-	11,746	5,330	2,054	4,362	18.6
St. Lucia	21,202	-	21,202	19,020	677	1,505	6.4
St. Vincent & the Grenadines	12,322	-	12,322	10,674	284	1,364	5.8
Turks & Caicos Islands	1,498	-	1,498	1,498	-	-	-
Regional	2,519	-	2,519	2,519	-	-	-
Sub-total	115,516	-	115,516	88,043	3,984	23,489	100.0
Accrued interest	-	-	-	-	-	106	-
<b>Total – December 31, 2005</b>	<b>\$115,516</b>	<b>-</b>	<b>\$115,516</b>	<b>\$88,043</b>	<b>\$3,984</b>	<b>\$23,595</b>	<b>-</b>
<b>Total – December 31, 2004</b>	<b>\$119,070</b>	<b>-</b>	<b>\$119,070</b>	<b>\$89,867</b>	<b>\$4,072</b>	<b>\$25,224</b>	<b>-</b>

<sup>1/</sup> Net of lapses and cancellations

CARIBBEAN DEVELOPMENT BANK  
SPECIAL FUNDS RESOURCES – SPECIAL DEVELOPMENT FUND

**SUMMARY STATEMENT OF LOANS** *(continued)*

DECEMBER 31, 2005 AND 2004

(expressed in thousands of United States dollars – Note A)

SCHEDULE 2

Effective Loans							
Analysis by contributor	Total loans approved <sup>1/</sup>	Loans approved but not yet effective	Signed agreements	Principal repaid to bank	Undisbursed	Out-standing <sup>2/</sup>	% of total loans out-standing
<b>Special Development Fund – Unified</b>							
Members/Contributors	\$630,235	\$15,752	\$614,483	\$165,067	\$98,499	\$350,917	100.0
Accrued interest	-	-	-	-	-	1,143	
<b>Total SDF – (Unified)</b>	<b>\$630,235</b>	<b>\$15,752</b>	<b>\$614,483</b>	<b>\$165,067</b>	<b>\$98,499</b>	<b>\$352,060</b>	
<b>Special Development Fund – Other</b>							
<b>Members</b>							
Colombia	\$ 8,618	-	\$ 8,618	\$ 7,823	\$ 83	\$ 712	3.0
Germany	16,974	-	16,974	16,631	-	343	1.5
Mexico	9,282	-	9,282	5,787	466	3,029	12.8
Venezuela	53,199	-	53,199	30,395	3,435	19,369	82.5
	88,073	-	88,073	60,636	3,984	23,453	
<b>Other contributors</b>							
Sweden	4,612	-	4,612	4,576	-	36	0.2
United States of America	22,831	-	22,831	22,831	-	-	-
	27,443	-	27,443	27,407	-	36	100.0
<b>Sub-total – SDF (Other)</b>	<b>115,516</b>	<b>-</b>	<b>115,516</b>	<b>88,043</b>	<b>3,984</b>	<b>23,489</b>	
Accrued interest	-	-	-	-	-	106	
<b>Total – SDF (Other)</b>	<b>\$115,516</b>	<b>\$ -</b>	<b>\$115,516</b>	<b>\$ 88,043</b>	<b>\$ 3,984</b>	<b>\$ 23,595</b>	
<b>Total SDF – December 31, 2005</b>	<b>\$745,751</b>	<b>\$15,752</b>	<b>\$729,999</b>	<b>\$253,110</b>	<b>\$102,483</b>	<b>\$375,655</b>	
<b>Total SDF – December 31, 2004</b>	<b>\$724,043</b>	<b>\$12,647</b>	<b>\$711,396</b>	<b>\$239,113</b>	<b>\$112,181</b>	<b>\$361,145</b>	

<sup>1/</sup> Net of lapses and cancellations

<sup>2/</sup> Includes overdue instalments of principal amounting to \$323,000 (2004 - \$169,000)

# CARIBBEAN DEVELOPMENT BANK

## SPECIAL FUNDS RESOURCES – SPECIAL DEVELOPMENT FUND

### SUMMARY STATEMENT OF LOANS *(continued)*

DECEMBER 31, 2005 AND 2004

(expressed in thousands of United States dollars – Note A)

SCHEDULE 2

Currencies Receivable	Loans Out- standing 2004	Trans- lation adjust- ment	Dis- burse- ment	Sub Total	Repay- ments	Loans outstanding 2005
<b>(a) Special Development Fund – Unified</b>						
Canadian dollars	\$203	\$8	-	\$211	\$(58)	\$153
Pounds sterling	22	(2)	-	20	-	20
Euros	258	(35)	-	223	(16)	207
United States dollars	334,488	-	30,221	364,709	(14,172)	350,537
<b>Sub-total</b>	<b>334,971</b>	<b>(29)</b>	<b>30,221</b>	<b>365,163</b>	<b>(14,246)</b>	<b>350,917</b>
Accrued interest	-	-	-	-	-	1,143
<b>Total – December 31, 2005</b>	<b>\$334,971</b>	<b>\$(29)</b>	<b>\$30,221</b>	<b>\$365,163</b>	<b>\$(14,246)</b>	<b>\$352,060</b>
<b>Total – December 31, 2004</b>	<b>\$318,889</b>	<b>\$40</b>	<b>\$32,602</b>	<b>\$351,531</b>	<b>\$(16,560)</b>	<b>\$334,971</b>
<b>(b) Special Development Fund – Other</b>						
Euros	851	(114)	-	737	(396)	341
Swedish kroners	866	(11)	-	55	(20)	35
United States dollars	24,214	-	88	24,302	(1,189)	23,113
<b>Sub-total</b>	<b>25,131</b>	<b>(125)</b>	<b>88</b>	<b>25,094</b>	<b>(1,605)</b>	<b>23,489</b>
Accrued interest	-	-	-	-	-	106
<b>Total – December 31, 2005</b>	<b>\$25,131</b>	<b>\$(125)</b>	<b>\$88</b>	<b>\$25,094</b>	<b>\$(1,605)</b>	<b>\$23,595</b>
<b>Total – December 31, 2004</b>	<b>\$21,819</b>	<b>\$140</b>	<b>\$6,035</b>	<b>\$27,994</b>	<b>\$(2,863)</b>	<b>\$25,224</b>

### MATURITY STRUCTURE OF LOANS OUTSTANDING

January 1, 2006 to December 31, 2006	\$14,973
January 1, 2007 to December 31, 2007	15,224
January 1, 2008 to December 31, 2008	16,138
January 1, 2009 to December 31, 2009	15,965
January 1, 2010 to December 31, 2010	15,920
January 1, 2011 to December 31, 2015	83,486
January 1, 2016 to December 31, 2020	80,814
January 1, 2021 to December 31, 2030	62,245
January 1, 2026 to December 31, 2042	70,890
Total	\$375,655

# CARIBBEAN DEVELOPMENT BANK

## SPECIAL FUNDS RESOURCES – SPECIAL DEVELOPMENT FUND

### STATEMENT OF CONTRIBUTED RESOURCES

DECEMBER 31, 2005 AND 2004

(expressed in thousands of United States dollars – Note A)

Contributors	Total Approved <sup>1/</sup>	Approved but not yet effective <sup>2/</sup>	Total contribution agreed	Amounts not yet made available	Amounts made available	SCHEDULE 3
						Receivable from members non-negotiable demand notes
<b>Special Development Fund - Unified</b>						
<b>Members</b>						
Trinidad & Tobago	\$25,200	\$7,500	\$17,700	-	\$17,700	\$3,179
Bahamas	13,330	3,400	9,930	-	9,930	3,662
Barbados	14,140	4,210	9,930	-	9,930	1,350
Jamaica	23,020	7,500	15,520	-	15,520	5,381
Guyana	14,145	4,215	9,930	-	9,930	3,755
Antigua and Barbuda	1,652	740	912	-	912	348
Belize	3,740	1,100	2,640	-	2,640	1,065
Dominica	3,480	-	3,480	840	2,640	802
St. Kitts and Nevis	3,740	1,100	2,640	-	2,640	1,065
St. Lucia	3,740	1,100	2,640	-	2,640	1,065
St. Vincent & the Grenadines	3,753	-	3,753	1,100	2,653	1,093
Grenada	2,740	940	1,800	-	1,800	1,167
Montserrat	1,440	-	1,440	420	1,020	112
British Virgin Islands	1,440	420	1,020	-	1,020	257
Turks & Caicos Islands	1,440	-	1,440	420	1,020	-
Cayman Islands	1,340	-	1,340	420	920	442
Anguilla	1,440	740	700	-	700	160
Colombia	23,533	-	23,533	3,600	19,933	2,130
Venezuela	18,382	3,600	14,782	-	14,782	4,385
Canada	199,939	-	199,939	44,000	155,939	42,622
United Kingdom	155,028	44,000	111,028	-	111,028	36,531
Germany	63,040	-	63,040	12,170	50,870	9,637
Italy	53,650	8,148	45,502	-	45,502	-
China	33,200	5,200	28,000	-	28,000	-
Mexico	14,000	3,000	11,000	-	11,000	-
	680,552	96,913	583,639	62,970	520,669	120,208
<b>Other contributors</b>						
France	59,659	-	59,659	-	59,659	-
Netherlands	24,321	-	24,321	-	24,321	-
Haiti <sup>650</sup>	650	-	-	-	-	-
	765,182	97,563	667,619	62,970	604,649	120,208
Technical assistance allocation	(217,000)	(91,000)	(126,000)	-	(126,000)	-
<b>Sub-total</b>	<b>\$548,182</b>	<b>\$6,563</b>	<b>\$541,619</b>	<b>\$62,970</b>	<b>\$478,649</b>	<b>\$120,208</b>

# CARIBBEAN DEVELOPMENT BANK

## SPECIAL FUNDS RESOURCES – SPECIAL DEVELOPMENT FUND

### STATEMENT OF CONTRIBUTED RESOURCES

DECEMBER 31, 2005 AND 2004

(expressed in thousands of United States dollars – Note A)

Contributors	Total approved <sup>1/</sup>	Approved but not yet effective <sup>2/</sup>	Total contribution agreed	Amounts not yet made available	Amounts made available	SCHEDULE 3
						Receivable from members non-negotiable demand notes
<b>Sub-total b/fwd</b>	\$548,182	\$6,563	\$541,619	\$62,970	\$478,649	\$120,208
<b>Special Development Fund - Other Members</b>						
Colombia	\$5,000	\$ -	\$5,000	\$ -	\$5,000	\$ -
Germany <sup>3/</sup>	1,140	-	1,140	-	1,140	-
Mexico <sup>4/</sup>	13,067	-	13,067	-	13,067	-
Venezuela	17,474	-	17,474	-	17,474	-
	36,681	-	36,681	-	36,681	-
<b>Other contributors</b>						
Sweden	3,269	-	3,269	-	3,269	-
United States of America <sup>3/</sup>	7,880	-	7,880	-	7,880	-
	11,149	-	11,149	-	11,149	-
<b>Sub-total</b>	47,830	-	47,830	-	47,830	-
<b>Total – SDF – 2005</b>	<b>\$596,012</b>	<b>\$6,563</b>	<b>\$589,449</b>	<b>\$62,970</b>	<b>\$526,479</b>	<b>\$120,208</b>
<b>Summary</b>						
Members	500,233	5,913	494,320	62,970	431,350	120,208
Other contributors	95,779	650	95,129	-	95,129	-
<b>Total – SDF – 2005</b>	<b>\$596,012</b>	<b>\$6,563</b>	<b>\$589,449</b>	<b>\$62,970</b>	<b>\$526,479</b>	<b>\$120,208</b>
<b>Total – SDF – 2004</b>	<b>\$528,550</b>	<b>\$4,625</b>	<b>\$523,925</b>	<b>\$ -</b>	<b>\$523,925</b>	<b>\$137,590</b>

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

DECEMBER 31, 2005 AND 2004

(expressed in thousands of United States dollars – Note A)

SCHEDULE 3

Currencies	Amounts made available 2004	Translation adjustment	Draw-downs/ Appropriations from Capital <sup>2/</sup>	Sub-total	Repay-ments	Amounts made available 2005
<b>(a) Special Development Fund – Unified</b>						
Canadian dollars	\$ 50,307	\$ 1,853	\$(4,418)	\$ 47,742	-	\$47,742
Euros	20,299	(2,721)	(2,019)	15,559	-	15,559
Pounds sterling	43,832	(4,783)	(2,560)	36,489	-	36,489
United States dollars	358,461	-	20,398	378,859	-	378,859
<b>Total – December 31, 2005</b>	<b>\$472,899</b>	<b>\$(5,651)</b>	<b>\$11,401</b>	<b>\$478,649</b>	<b>\$ -</b>	<b>\$478,649</b>
<b>Total – December 31, 2004</b>	<b>\$446,892</b>	<b>\$7,821</b>	<b>\$18,186</b>	<b>\$472,899</b>	<b>\$ -</b>	<b>\$472,899</b>
<b>(b) Special Development Fund – Other</b>						
Euros	\$ 2,128	\$(286)	-	\$ 1,842	\$ (701)	\$1,141
Swedish kroners	3,928	(659)	-	3,269	-	3,269
United States dollars	44,970	-	\$ (700)	44,270	(850)	43,420
<b>Total – December 31, 2005</b>	<b>\$51,026</b>	<b>\$(945)</b>	<b>\$ (700)</b>	<b>\$49,381</b>	<b>\$ (1,551)</b>	<b>\$47,830</b>
<b>Total – December 31, 2004</b>	<b>\$52,396</b>	<b>\$ 554</b>	<b>-</b>	<b>\$52,950</b>	<b>\$(51,924)</b>	<b>\$51,026</b>

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

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

### MATURITY STRUCTURE OF REPAYABLE CONTRIBUTIONS OUTSTANDING\*

January 1, 2006 to December 31, 2006	\$1,329
January 1, 2007 to December 31, 2007	1,355
January 1, 2008 to December 31, 2008	1,165
January 1, 2009 to December 31, 2009	958
January 1, 2010 to December 31, 2010	987
January 1, 2011 to December 31, 2014	3,227
<b>Total</b>	<b>\$9,021</b>

\* 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, 2005 AND 2004

(expressed in thousands of United States dollars – Note A)

	SCHEDULE 4				
Contributors	Brought forward 2004	Translation adjustments	Net income 2005	Appro- priations	Carried forward 2005
<b>Special Development Fund – Unified</b>	<b>\$17,877</b>	<b>\$ 710</b>	<b>\$ 32</b>	<b>-</b>	<b>\$18,619</b>
<b>Special Development Fund - Other</b>					
<b>Members</b>					
Colombia	\$ 3,539	\$ -	\$ 150	\$ -	\$3,689
Germany	26	(9)	(122)	-	(105)
Mexico	4,323	-	50	-	4,373
Venezuela	19,000	(1)	218	-	19,217
	26,888	(10)	296	-	27,174
<b>Other contributors</b>					
Sweden	5,891	(1,040)	221	-	5,072
United States of America	8,807	-	153	-	8,960
	14,698	(1,040)	374	-	14,032
	41,586	(1,050)	670	-	41,206
<b>Total SDF</b>	<b>\$59,463</b>	<b>\$ (340)</b>	<b>\$ 702</b>	<b>\$ -</b>	<b>\$59,825</b>
<b>Summary</b>					
Members	44,765	700	328	-	45,793
Other contributors	14,698	(1,040)	374	-	14,032
<b>Total SDF – December 31, 2005</b>	<b>\$59,463</b>	<b>\$ (340)</b>	<b>\$ 702</b>	<b>\$ -</b>	<b>\$59,825</b>
<b>Total SDF – December 31, 2004</b>	<b>\$61,488</b>	<b>\$ (195)</b>	<b>\$(369)</b>	<b>\$(1,461)</b>	<b>\$59,463</b>

# CARIBBEAN DEVELOPMENT BANK

## SPECIAL FUNDS RESOURCES – SPECIAL DEVELOPMENT FUND

### NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2005 AND 2004

(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 Bank by providing resources on concessional terms to assist borrowing members primarily for poverty reduction. Resources are provided by contributions from members and other contributors.

##### Summary of significant accounting policies

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

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

##### Translation of currencies

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

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

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

##### Investments

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

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



# CARIBBEAN DEVELOPMENT BANK

## SPECIAL FUNDS RESOURCES – SPECIAL DEVELOPMENT FUND

### NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2005 AND 2004

(expressed in thousands of United States dollars – Note A)

#### Loans

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

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

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

The average interest rate earned on loans outstanding was 2.37% (2004 - 2.40%). There were no impaired loans at December 31, 2005 and 2004.

#### 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.

### 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 2.78% (2004 – 1.99%). Net realised gains on investments traded during 2005 totalled \$1,615 (2004 – losses of \$29,012) while net unrealised losses totalled \$932,399 (2004 –\$1,212,000)

# CARIBBEAN DEVELOPMENT BANK

## SPECIAL FUNDS RESOURCES – SPECIAL DEVELOPMENT FUND

### NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2005 AND 2004

(expressed in thousands of United States dollars – Note A)

#### 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

	2005	2004
Contributions (as per Schedule 3)	<b>\$478,649</b>	\$472,899

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

	2005	2004
<b>Colombia</b>	<b>\$5,000</b>	\$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 (2004 - \$39,000) has been incurred on technical assistance and has been charged against the income from the contribution.

	2005	2004
<b>Germany</b>		
First Contribution	<b>\$9,960</b>	\$11,501
Less repayments	<b>(9,960)</b>	(11,214)
-		\$ 287
Second Contribution	<b>7,026</b>	8,114
Less repayments	<b>(5,886)</b>	(6,273)
	<b>1,140</b>	1,841
	<b>\$1,140</b>	\$2,128

# CARIBBEAN DEVELOPMENT BANK

## SPECIAL FUNDS RESOURCES – SPECIAL DEVELOPMENT FUND

### NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2005 AND 2004

(expressed in thousands of United States dollars – Note A)

#### C. Funds...continued

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

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

	<u>2005</u>	<u>2004</u>
<b>Mexico</b>		
First contribution	\$7,000	\$7,000
Less technical assistance	(2,266)	(1,566)
	<u>4,734</u>	<u>5,434</u>
Second contribution	5,000	5,000
Third contribution	3,333	3,333
	<u>\$13,067</u>	<u>\$13,767</u>
Technical assistance resources	<u>\$ 2,266</u>	<u>\$ 1,566</u>

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

	<u>2005</u>	<u>2004</u>
<b>Venezuela</b>		
First contribution	\$10,000	\$10,000
Less technical assistance	(176)	(176)
	<u>9,824</u>	<u>9,824</u>
Second contribution	7,650	7,650
	<u>\$17,474</u>	<u>\$17,474</u>

# CARIBBEAN DEVELOPMENT BANK

## SPECIAL FUNDS RESOURCES – SPECIAL DEVELOPMENT FUND

### NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2005 AND 2004

(expressed in thousands of United States dollars – Note A)

#### C. Funds...continued

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

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

	<u>2005</u>	<u>2004</u>
<b>Sweden</b>	<b>\$3,269</b>	\$3,927

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

	<u>2005</u>	<u>2004</u>
<b>United States of America</b>		
First contribution	\$10,000	\$10,000
Less repayments	(6,847)	(6,448)
	<u>3,153</u>	<u>3,552</u>
Second contribution	12,000	12,000
Less repayments	(7,273)	(6,822)
	<u>4,727</u>	<u>5,178</u>
	<u>\$ 7,880</u>	<u>\$ 8,730</u>

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

#### D. Accumulated net income and net income for the year

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

#### E. Technical assistance and grant resources

In accordance with paragraph 4.9.2 of the Rules for the Special Development Fund, allocations/appropriations of income and capital of the Fund may be made for the purpose of the Bank's technical assistance and grant operations. The movements (expressed in thousands of United States dollars) during the years ended December 31, 2005 and 2004 were as follows:

Balance at January 1, 2004	\$18,835
Allocations for the year	8,529
Expenditure for the year	<u>(3,036)</u>
Balance at December 31, 2004	24,328
Allocations for the year	720
Expenditure for the year	<u>(2,028)</u>
<b>Balance at December 31, 2005</b>	<b><u>\$23,020</u></b>

March 8, 2006

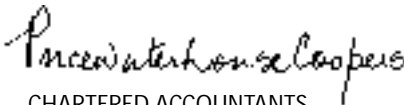
**AUDITORS' REPORT  
TO THE BOARD OF GOVERNORS  
CARIBBEAN DEVELOPMENT BANK**

We have audited the accompanying special purpose financial statements of the Other Special Funds of the **Caribbean Development Bank** as of December 31, 2005 as set out on pages 108 to 127. These special purpose financial statements are the responsibility of the Bank's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the accompanying special purpose financial statements of the Other Special Funds of the Caribbean Development Bank as of December 31, 2005 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

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

# CARIBBEAN DEVELOPMENT BANK

## SPECIAL FUND RESOURCES - OTHER SPECIAL FUNDS

### BALANCE SHEET

DECEMBER 31, 2005 AND 2004

(expressed in thousands of United States dollars – Note A)

	2005	2004
<b>Assets</b>		
Due from banks	\$2,612	\$1,126
Investments (Schedule 1)	94,151	99,117
Loans (Schedule 2)	63,478	64,034
<b>Receivables – other</b>		
Accounts receivable including interfund receivables	30,064	29,593
	<b>\$190,305</b>	<b>\$193,870</b>
<b>Liabilities and Funds</b>		
<b>Liabilities</b>		
Accounts payable including interfund payables	859	924
Accrued charges on contributions	224	246
	<b>1,083</b>	<b>1,170</b>
<b>Funds</b>		
Contributed resources (Schedule 3)		
Contributions	97,672	91,241
Less amounts not yet made available	22,622	13,340
	<b>75,050</b>	<b>77,901</b>
Accumulated net income (Schedule 4)	36,417	35,249
	<b>111,467</b>	<b>113,150</b>
Technical assistance and other grant resources (Schedule 5)	77,755	79,550
	<b>\$190,305</b>	<b>\$193,870</b>

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

CARIBBEAN DEVELOPMENT BANK  
SPECIAL FUND RESOURCES - OTHER SPECIAL FUNDS

**STATEMENT OF INCOME AND ACCUMULATED NET INCOME**

DECEMBER 31, 2005 AND 2004

(expressed in thousands of United States dollars – Note A)

	<u>2005</u>	<u>2004</u>
<b>Income</b>		
From loans	\$1,157	\$1,019
From investments and cash balances	2,263	2,309
From other sources	5	-
	<u>\$3,425</u>	<u>\$3,328</u>
<b>Expenses</b>		
Administrative expenses	1,278	1,237
Charges on contributions	961	1,047
Exchange	172	716
<b>Total expenses</b>	<u>2,411</u>	<u>3,000</u>
<b>Net income for the year</b>	<u>\$ 1,014</u>	<u>\$ 328</u>

**Statement of Changes in Accumulated Net Income**

<b>Accumulated net income – beginning of year</b>	\$35,249	\$43,230
Currency translation adjustments	154	(916)
Appropriations	-	(7,393)
Net income for the year	1,014	328
<b>Accumulated net income – end of year</b>	<u>\$36,417</u>	<u>\$35,249</u>

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

# CARIBBEAN DEVELOPMENT BANK

## SPECIAL FUND RESOURCES - OTHER SPECIAL FUNDS

### STATEMENT OF CASH FLOWS

DECEMBER 31, 2005 AND 2004

(expressed in thousands of United States dollars – Note A)

	2005	2004
<b>Operating activities</b>		
Net income for the year	\$ 1,014	\$ 328
Adjustments for non-cash items		
Unrealised (gains)/loss on trading portfolio	\$ (872)	763
Interest income	(2,548)	(4,091)
Interest expense	961	1,047
Disbursements on loans	(3,834)	(12,585)
Principal repayments to the Bank on loans	2,011	1,938
Decrease/(increase) in loans resulting from exchange rates fluctuations	2,361	(1,414)
Technical assistance disbursements	(11,534)	(7,576)
Net cash used in lending activities	(13,455)	(21,938)
(Increase)/decrease in accounts receivable including interfund receivables	(471)	2,514
Decrease in accounts payable including interfund receivables	(65)	(201)
Allocation/appropriations for technical assistance	-	(7,393)
Cash used in operations	(536)	(5,080)
Interest received	2,759	4,137
Interest paid	(983)	(1,059)
Net decrease in trading securities	8,904	15,573
Net cash used in operating activities	(2,297)	(8,039)
<b>Financing activities</b>		
Contributions		
Increase in contributions for loans	3,300	-
Repayments	(3,182)	(3,338)
Decrease in contributions resulting from exchange rates fluctuations	(2,969)	1,899
Technical assistance contributions	9,739	12,309
Net cash provided by financing activities	6,888	10,870
Translation adjustments	154	(916)
Net increase in cash and cash equivalents	\$4,745	\$1,915
Cash and cash equivalents at beginning of year	8,878	6,963
Cash and cash equivalents at end of year	13,623	8,878
<b>Represented by</b>		
Due from banks	2,612	1,126
Time deposits	11,011	7,752
	\$13,623	\$8,878

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



CARIBBEAN DEVELOPMENT BANK  
SPECIAL FUND RESOURCES - OTHER SPECIAL FUNDS

**SUMMARY STATEMENT OF INVESTMENTS**

DECEMBER 31, 2005 AND 2004

(expressed in thousands of United States dollars – Note A)

	2005	SCHEDULE 1 2004
	Market value	Market value
Government and Agency obligations	\$63,133	\$71,068
Supranationals	7,140	7,589
Time deposits	11,011	7,752
	<b>81,284</b>	86,409
<b>Available for sale</b>		
Equity investments	12,185	11,833
Sub-total	\$93,469	\$98,242
Accrued interest	682	875
Total	\$94,151	\$99,117

**RESIDUAL TERM TO CONTRACTUAL MATURITY**

	2005	2004
One month to three months	\$ 40,572	\$ 29,200
From three months to one year	27,212	15,945
From one year to five years	20,262	48,120
From five years to ten years	6,105	5,852
Total	\$94,151	\$99,117

CARIBBEAN DEVELOPMENT BANK  
SPECIAL FUND RESOURCES - OTHER SPECIAL FUNDS

**SUMMARY STATEMENT OF LOANS**

DECEMBER 31, 2005 AND 2004

(expressed in thousands of United States dollars – Note A)

SCHEDULE 2

Effective Loans

Member countries in which loans have been made	Total loans approved <sup>1/</sup>	Loans approved but not yet effect- tive	Signed agree- ments	Principal repaid to bank	Undis- bursed	Out- standing <sup>2/</sup>	% of total loans out- stand- ing
Anguilla	\$500	-	\$ 500	\$ 250	-	250	0.4
Antigua and Barbuda	2,929	-	2,929	2,427	-	502	0.8
Barbados	17,747	-	17,747	17,319	-	428	0.7
Belize	8,939	-	8,939	8,923	-	16	-
British Virgin Islands	1,892	-	1,892	1,892	-	-	-
Cayman Islands	2,871	-	2,871	2,871	-	-	-
Dominica	34,691	-	34,691	9,983	6,080	18,628	29.5
Grenada	28,332	10,627	17,705	5,401	2,231	10,073	16.0
Guyana	20,651	-	20,651	15,826	-	4,825	7.6
Jamaica	38,760	-	38,760	37,080	-	1,680	2.7
Montserrat	1,213	-	1,213	1,213	-	-	-
St. Kitts and Nevis	7,991	-	7,991	3,360	95	4,536	7.2
St. Lucia	33,354	-	33,354	11,107	7,300	14,947	23.7
St. Vincent & the Grenadines	19,304	-	19,304	10,106	4,869	4,329	6.9
Trinidad and Tobago	3,089	-	3,089	1,395	-	1,694	2.7
Regional	2,259	-	2,259	973	36	1,250	2.0
Sub-total	224,522	10,627	213,895	130,126	20,611	63,158	100.0
Accrued interest	-	-	-	-	-	320	
<b>Total – December 31, 2005</b>	<b>\$224,522</b>	<b>\$10,627</b>	<b>\$213,895</b>	<b>\$130,126</b>	<b>\$20,611</b>	<b>\$63,478</b>	
<b>Total – December 31, 2004</b>	<b>\$207,755</b>	<b>-</b>	<b>\$207,755</b>	<b>\$129,612</b>	<b>\$14,447</b>	<b>\$64,034</b>	

1/ Net of lapses and cancellations

2/ There are no overdue instalments of principal (2004 - \$86,000)

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

# CARIBBEAN DEVELOPMENT BANK

## SPECIAL FUND RESOURCES - OTHER SPECIAL FUNDS

### SUMMARY STATEMENT OF LOANS *(continued)*

DECEMBER 31, 2005 AND 2004

(expressed in thousands of United States dollars – Note A)

Analysis by Special Fund	Total Loans approved <sup>1/</sup>	Loans approved but not yet effect- tive	Signed agree- ments	Principal repaid to Bank	Undis- bursed	Out- stan- ding <sup>2/</sup>	SCHEDULE 2
							% of total loans out- stan- ding
<b>Members</b>							
Trinidad & Tobago	\$1,344	-	\$1,344	\$1,340	-	\$ 4	0.0
<b>Other contributors</b>							
Caribbean Development Bank	23,142	-	23,142	8,886	1,086	13,170	20.9
Nigeria	9,636	-	9,636	3,573	-	6,063	9.6
United States of America	93,006	-	93,006	91,920	-	1,086	1.7
Inter-American Development Bank	57,632	10,627	47,005	12,828	19,087	15,090	23.9
European Union	9,675	-	9,675	5,596	36	4,043	23.9
International Development Association	30,087	-	30,087	5,983	402	23,702	37.5
Sub-total	224,522	10,627	213,595	130,126	20,611	63,158	100.0
Accrued interest	-	-	-	-	-	320	
<b>Total – December 31, 2005</b>	<b>\$224,522</b>	<b>\$10,627</b>	<b>\$213,595</b>	<b>\$130,126</b>	<b>\$20,611</b>	<b>\$63,478</b>	
<b>Total – December 31, 2004</b>	<b>\$207,755</b>	<b>-</b>	<b>\$207,755</b>	<b>\$129,612</b>	<b>\$14,447</b>	<b>\$64,034</b>	

1/ Net of lapses and cancellations

2/ There are no overdue instalments of principal (2004 - \$86,000)

# CARIBBEAN DEVELOPMENT BANK

## SPECIAL FUND RESOURCES - OTHER SPECIAL FUNDS

### SUMMARY STATEMENT OF LOANS *(continued)*

DECEMBER 31, 2005 AND 2004

(expressed in thousands of United States dollars – Note A)

	Loans out- standing 2004	Trans- lation adjust- ment	Disburse- ments	Sub- total	Repay- ments	SCHEDULE 2 Loans out- standing 2005
<b>Currencies receivable</b>						
Canadian dollars	\$126	\$5	-	\$131	\$ (58)	\$73
Euros	5,649	(757)	-	4,892	(415)	4,477
Japanese yen	-	-	-	-	-	-
Pounds sterling	304	(33)	-	271	(48)	223
Special drawing rights	20,433	(1,566)	-	18,867	(509)	18,358
Trinidad & Tobago dollars	4	-	-	4	-	4
United States dollars	37,118	-	3,834	40,952	(965)	39,987
Others	62	(10)	-	52	(16)	36
<b>Sub-total</b>	<b>63,696</b>	<b>(2,361)</b>	<b>3,834</b>	<b>65,169</b>	<b>(2,011)</b>	<b>63,158</b>
Accrued interest	-	-	-	-	-	320
<b>Total – December 31, 2005</b>	<b>\$63,696</b>	<b>\$(2,361)</b>	<b>\$ 3,834</b>	<b>\$65,169</b>	<b>\$(2,011)</b>	<b>\$63,478</b>
<b>Total – December 31, 2004</b>	<b>\$51,635</b>	<b>\$ 1,414</b>	<b>\$12,585</b>	<b>\$65,634</b>	<b>\$(1,938)</b>	<b>\$64,034</b>

### MATURITY STRUCTURE OF LOANS OUTSTANDING

January 1, 2006 to December 31, 2006	\$ 2,313
January 1, 2007 to December 31, 2007	2,812
January 1, 2008 to December 31, 2008	2,532
January 1, 2009 to December 31, 2009	2,660
January 1, 2010 to December 31, 2010	3,075
January 1, 2011 to December 31, 2014	13,953
January 1, 2015 to December 31, 2020	13,925
January 1, 2021 to December 31, 2025	10,146
January 1, 2026 to December 31, 2030	7,641
January 1, 2031 to December 31, 2052	4,421
<b>Total</b>	<b>\$63,478</b>

# CARIBBEAN DEVELOPMENT BANK

## SPECIAL FUND RESOURCES - OTHER SPECIAL FUNDS

### STATEMENT OF CONTRIBUTIONS

DECEMBER 31, 2005 AND 2004

(expressed in thousands of United States dollars – Note A)

Contributors	Total <sup>1/</sup>	SCHEDULE 3	
		Contributions Amounts not yet made available	Amounts made available
<b>Members</b>			
Canada <sup>2/</sup>	\$1,720	\$ -	\$1,720
Trinidad & Tobago	240	-	240
	1,960	-	1,960
<b>Other contributors</b>			
Nigeria	600		600
Inter-American Development Bank <sup>2/</sup>	41,721	14,138	27,583
European Investment Bank	1,296	115	1,181
United States of America	14,000	955	13,045
European Union	6,646	798	5,848
International Development Association	31,449	6,616	24,833
	95,712	22,622	73,090
<b>Total – December 31, 2005</b>	<b>\$97,672</b>	<b>\$22,622</b>	<b>\$75,050</b>
<b>Total – December 31, 2004</b>	<b>\$91,241</b>	<b>\$13,340</b>	<b>\$77,901</b>

<sup>1/</sup>Net of cancellations and repayments

<sup>2/</sup>Contributions (\$000s) with no fixed date of repayment - \$2,458

### MATURITY STRUCTURE OF REPAYABLE CONTRIBUTIONS OUTSTANDING

January 1, 2006 to December 31, 2006	\$ 3,225
January 1, 2007 to December 31, 2007	3,332
January 1, 2008 to December 31, 2008	3,441
January 1, 2009 to December 31, 2009	3,162
January 1, 2010 to December 31, 2010	3,256
January 1, 2011 to December 31, 2016	14,949
January 1, 2017 to December 31, 2021	13,759
January 1, 2022 to December 31, 2046	27,468
Total	<u>\$72,592</u>

CARIBBEAN DEVELOPMENT BANK  
SPECIAL FUND RESOURCES - OTHER SPECIAL FUNDS

**SUMMARY STATEMENT OF CONTRIBUTIONS** *(continued)*

DECEMBER 31, 2005 AND 2004

(expressed in thousands of United States dollars – Note A)

SCHEDULE 3

Currencies repayable	Contri- butions made available 2004	Trans- lation adjust- ment	Draw- downs/ Appro- priations from Capital	Sub- total	Repay- ments	Contri- butions made available 2005
Canadian dollars	\$ 2,103	\$ 77	-	2,180	(44)	2,136
Euros	9,027	(1,209)	-	7,818	(338)	7,480
Japanese yen	379	(49)	-	330	(30)	300
Pounds sterling	847	(92)	-	755	(62)	693
Special Drawing Rights	21,658	(1,659)	-	19,999	(458)	19,541
Swedish kroners	216	(36)	-	180	(17)	163
Trinidad & Tobago dollars	293	(1)	-	292	(52)	240
United States dollars	43,378	-	3,300	46,678	(2,181)	44,497
<b>Total – December 31, 2005</b>	<b>\$77,901</b>	<b>\$(2,969)</b>	<b>\$3,300</b>	<b>\$78,232</b>	<b>\$(3,182)</b>	<b>\$75,050</b>
<b>Total – December 31, 2004</b>	<b>\$79,340</b>	<b>\$ 1,899</b>	<b>-</b>	<b>\$81,239</b>	<b>\$(3,338)</b>	<b>\$77,901</b>

CARIBBEAN DEVELOPMENT BANK  
SPECIAL FUND RESOURCES - OTHER SPECIAL FUNDS

**STATEMENT OF ACCUMULATED INCOME**

DECEMBER 31, 2005 AND 2004

(expressed in thousands of United States dollars – Note A)

SCHEDULE 4

Contributors	Accumulated Net Income				
	Brought forward 2004	Trans-lation adjust-ments	Net Income 2005	Appro-priations	Carried forward 2005
General Funds	\$1,056	\$(414)	\$426	-	\$1,068
European Investment Bank	(87)	85	67	-	65
European Union	1,568	(49)	65	-	1,584
Inter-American Development Bank	1,059	497	117	-	1,673
International Development Association	213	72	18	-	303
Nigeria	6,519	(27)	71	-	6,563
United States of America	24,921	(10)	250	-	25,161
<b>Total – December 31, 2005</b>	<b>\$35,249</b>	<b>\$154</b>	<b>\$1,014</b>	<b>-</b>	<b>\$36,417</b>
<b>Total – December 31, 2004</b>	<b>\$43,230</b>	<b>\$(916)</b>	<b>\$328</b>	<b>\$(7,393)</b>	<b>\$35,249</b>

# CARIBBEAN DEVELOPMENT BANK

## SPECIAL FUND RESOURCES - OTHER SPECIAL FUNDS

### SUMMARY STATEMENT OF CONTRIBUTIONS *(continued)*

DECEMBER 31, 2005 AND 2004

(expressed in thousands of United States dollars – Note A)

SCHEDULE 5

Contributors	Contributors				Net Amounts available
	Total <sup>1/</sup>	Amounts not yet made available	Amounts made available	Amounts utilised	
<b>Members</b>					
Canada	\$30,830	\$19,910	\$10,920	\$7,286	\$3,634
United Kingdom	4,314	-	4,314	3,061	1,253
Italy	457	-	457	252	205
	35,601	\$19,910	15,691	10,599	5,092
<b>Other contributors</b>					
Caribbean Development Bank	134,184	-	134,184	62,625	71,559
United States of America	22,899	551	22,348	22,348	-
Inter-American Development Bank	1,960	20	1,940	1,940	-
China	611	-	611	64	547
Venezuela	511	-	511	-	511
Nigeria	193	-	193	147	46
	160,358	571	159,787	87,124	72,663
<b>Total – December 31, 2005</b>	<b>\$195,959</b>	<b>\$20,481</b>	<b>\$175,478</b>	<b>\$97,723</b>	<b>\$77,755</b>
<b>Total – December 31, 2004</b>	<b>\$167,376</b>	<b>\$ 1,496</b>	<b>\$165,880</b>	<b>\$86,330</b>	<b>\$79,550</b>
<b>Summary</b>					
Basic Needs Trust Fund	93,200	-	93,200	62,777	30,423
Other resources	102,759	20,481	82,278	34,946	47,332
<b>Total – December 31, 2005</b>	<b>\$195,959</b>	<b>\$20,481</b>	<b>\$175,478</b>	<b>\$97,723</b>	<b>\$77,755</b>
Basic Needs Trust Fund	93,200	-	93,200	60,175	33,025
Other resources	74,176	1,496	72,680	26,155	46,525
<b>Total – December 31, 2004</b>	<b>\$167,376</b>	<b>\$1,496</b>	<b>\$165,880</b>	<b>\$86,330</b>	<b>\$79,550</b>

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



# CARIBBEAN DEVELOPMENT BANK

## SPECIAL FUND RESOURCES - OTHER SPECIAL FUNDS

### NOTES TO SPECIAL PURPOSE FINANCIAL STATEMENTS

DECEMBER 31, 2005 AND 2004

(expressed in thousands of United States dollars – Note 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. Differences in the United States dollar equivalents of opening accumulated net income arising from changes in exchange rates applied at the beginning of the year and at the end of the year are included as translation adjustments in accumulated net income.

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

##### Investments

All investment securities are held in a trading portfolio and reported at fair market value. Trading securities are initially unrealised at cost (which includes transaction costs) and subsequently re-measured at fair value based on quoted market prices. All related unrealised 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 unrealised at trade date, which is the date that the Bank commits to purchase or sell the asset. Otherwise such transactions are treated as derivatives until settlement occurs.

# CARIBBEAN DEVELOPMENT BANK

## SPECIAL FUND RESOURCES - OTHER SPECIAL FUNDS

### NOTES TO SPECIAL PURPOSE FINANCIAL STATEMENTS

DECEMBER 31, 2005 AND 2004

(expressed in thousands of United States dollars – Note A)

#### A. Summary of significant accounting policies...continued

##### Loans

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

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

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

The average interest rates earned on loans outstanding was 1.87% (2004 – 1.75%). There were no impaired loans at December 31, 2005 and 2004.

##### Cash and cash equivalents

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

##### Technical assistance and grants

Technical assistance and grants for capital projects to borrowing member countries are provided either from non-reimbursable grants received from contributors or from other resources specifically allocated for this purpose. An amount of \$20.7 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 unrealised and unrealised gains and losses was 2.35% (2004 – 2.34%). Net unrealised losses on investments amounted to \$134,419 (2004 – gain of \$161,243), while net unrealised losses amounted to \$646,537 (2004 – \$763,000).

# CARIBBEAN DEVELOPMENT BANK

## SPECIAL FUND RESOURCES - OTHER SPECIAL FUNDS

### NOTES TO SPECIAL PURPOSE FINANCIAL STATEMENTS

DECEMBER 31, 2005 AND 2004

(expressed in thousands of United States dollars – Note A)

#### C. Funds

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

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

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

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

	<u>2005</u>	<u>2004</u>
<b>Canada</b>		
Agricultural	<u>\$1,720</u>	\$1,659
The contributions are interest-free with no date for repayment		
Technical assistance resources	<u>\$10,920</u>	\$8,998
<b>Italy</b>		
Technical assistance resources	<u>\$457</u>	\$457
<b>Trinidad &amp; Tobago</b>		
Counterpart contribution	1,328	1,323
Less repayments	<u>(1,088)</u>	<u>(1,031)</u>
	<u>\$240</u>	\$292
The contribution is subject to interest at the rate of 2.5% and is repayable during the period 1985-2010.		
	<u>2005</u>	<u>2004</u>
<b>Nigeria</b>		
Contribution	\$5,000	\$5,000
Less repayments	<u>(4,400)</u>	<u>(4,200)</u>
	<u>\$600</u>	\$ 800
Technical assistance resources	<u>\$193</u>	\$193

# CARIBBEAN DEVELOPMENT BANK

## SPECIAL FUND RESOURCES - OTHER SPECIAL FUNDS

### NOTES TO SPECIAL PURPOSE FINANCIAL STATEMENTS

DECEMBER 31, 2005 AND 2004

(expressed in thousands of United States dollars – Note 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>2005</u>	<u>2004</u>
<b>United Kingdom</b>		
Technical assistance resources	<u>\$4,314</u>	<u>\$3,597</u>
<b>Inter-American Development Bank</b>		
First Global loan	<u>\$ 7,857</u>	\$ 8,256
Less repayments	<u>(7,857)</u>	(8,256)
	-	-
Second Global loan	<u>4,696</u>	4,977
Less repayments	<u>(2,785)</u>	(2,743)
	<u>1,911</u>	2,234
Pre-investment loan	<u>454</u>	454
Less repayments	<u>(454)</u>	(454)
	-	-
975/SF-RG	<u>17,000</u>	17,000
Less repayments	<u>(1,288)</u>	(773)
	<u>15,712</u>	16,227
1108/SF-RG Global Credit	<u>6,660</u>	6,660
1637/SF-RG Credit	<u>3,300</u>	-
	<u>\$27,583</u>	\$25,121
Technical assistance resources	<u>\$ 1,940</u>	<u>\$ 1,206</u>

# CARIBBEAN DEVELOPMENT BANK

## SPECIAL FUND RESOURCES - OTHER SPECIAL FUNDS

### NOTES TO SPECIAL PURPOSE FINANCIAL STATEMENTS

DECEMBER 31, 2005 AND 2004

(expressed in thousands of United States dollars – Note 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.

	<u>2005</u>	<u>2004</u>	
<b>European Investment Bank</b>			
Global loan II – B	<b>\$1,181</b>	\$1,364	
Repayable in full in a single instalment on September 30, 2016.			
	<u>2005</u>	<u>2004</u>	<u>Due dates</u>
<b>United States of America</b>			
Contributions			
Agricultural	<b>\$7,052</b>	\$7,052	1988-2018
Less repayments	<b>(3,379)</b>	(3,140)	
	<u>3,673</u>	3,912	
Basic Human Needs	<b>2,000</b>	2,000	1991-2001
Less repayments	<b>(2,000)</b>	(2,000)	
	<u>-</u>	-	

# CARIBBEAN DEVELOPMENT BANK

## SPECIAL FUND RESOURCES - OTHER SPECIAL FUNDS

### NOTES TO SPECIAL PURPOSE FINANCIAL STATEMENTS

DECEMBER 31, 2005 AND 2004

(expressed in thousands of United States dollars – Note A)

#### C. Funds...continued

	2005	2004	Due dates
<b>United States of America...continued</b>			
Caribbean Development Facility			
First contribution			
Part 1	17,870	17,870	1988-1998
Part 2	2,000	2,000	1988-2008
	<hr/>	<hr/>	
Sub-total	19,870	19,870	
Less repayments	(19,520)	(19,410)	
	<hr/>	<hr/>	
	350	460	
	<hr/>	<hr/>	
Second contribution	17,500	17,500	1990-2000
Less repayments	(17,500)	(17,500)	
	<hr/>	<hr/>	
	-	-	
	<hr/>	<hr/>	
Third contribution	16,000	16,000	1991-2001
Less repayments	(16,000)	(16,000)	
	<hr/>	<hr/>	
	-	-	
	<hr/>	<hr/>	
Fourth contribution	12,000	12,000	1992-2001
Less repayments	(12,000)	(12,000)	
	<hr/>	<hr/>	
	-	-	
	<hr/>	<hr/>	
	350	460	
	<hr/>	<hr/>	
Employment Investment Promotion	6,732	6,732	1990-2000
Less repayments	(2,777)	(2,561)	
	<hr/>	<hr/>	
	\$ 3,955	\$ 4,171	
	<hr/>	<hr/>	
Housing	8,400	8,400	1983-2012
Less repayments	(5,461)	(5,091)	
	<hr/>	<hr/>	
	2,984	3,309	
	<hr/>	<hr/>	

# CARIBBEAN DEVELOPMENT BANK

## SPECIAL FUND RESOURCES - OTHER SPECIAL FUNDS

### NOTES TO SPECIAL PURPOSE FINANCIAL STATEMENTS

DECEMBER 31, 2005 AND 2004

(expressed in thousands of United States dollars – Note A)

#### C. Funds...continued

	2005	2004	Due dates
<b>United States of America...continued</b>			
Regional Agri-business Development	6,300	6,300	1991-2021
Less repayments	(4,217)	(3,875)	
	<u>2,083</u>	<u>2,425</u>	
	<u>\$13,045</u>	<u>\$14,277</u>	

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

Technical assistance resources	<u>\$22,348</u>	<u>\$22,250</u>
--------------------------------	-----------------	-----------------

	2005	2004
<b>European Union</b>		
First contribution	\$6,907	\$7,976
Less repayments	(2,967)	(3,164)
	<u>3,940</u>	<u>4,811</u>
Second contribution	17,126	19,776
Less cancellation	(15,125)	(16,395)
	<u>2,001</u>	<u>3,381</u>
Less repayments	(93)	(1,070)
	<u>1,908</u>	<u>2,311</u>
	<u>\$5,848</u>	<u>\$7,122</u>

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 FUND RESOURCES - OTHER SPECIAL FUNDS

### NOTES TO SPECIAL PURPOSE FINANCIAL STATEMENTS

DECEMBER 31, 2005 AND 2004

(expressed in thousands of United States dollars – Note A)

#### C. Funds...continued

##### International Development Association

	2005		2004		Due dates
Credit No. 960/CRG	6,481	-	6,481		1990-2029
Less repayments	<u>(1,815)</u>	<u>(4,666)</u>	<u>(1,620)</u>	(4,681)	
Credit No. 37/CRG (EEC)	871		997		
Less repayments	<u>(244)</u>	627	<u>(249)</u>	748	
Credit No. 1364/CRG	7,753		8,396		
Less repayments	<u>(1,357)</u>	6,369	<u>(1,217)</u>	7,179	1993-2033
Credit No. 1785/CRG	6,622		1,171		
Less repayments	<u>(563)</u>	6,059	<u>(538)</u>	6,633	1997-2030
Credit No. 2135/CRG	7,961		8,621		2000-2030
Less repayments	<u>(876)</u>	7,085	<u>(776)</u>	7,845	
Credit No. 2640/CRG	-	-	-	-	2004-2034
		<u>\$24,833</u>		<u>\$27,266</u>	

The credits are subject to a service charge of 0.75% per annum on amounts outstanding. In addition, the credits totalling \$40,302,987 (2004 - \$43,646,494) 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 \$627,000 (2004 - \$748,000) consisting of various currencies represents resources from the Special Action Credit of the European Commission.

	2005	2004
<b>Caribbean Development Bank</b>		
Technical assistance resources	<u>\$134,184</u>	<u>\$128,469</u>



# CARIBBEAN DEVELOPMENT BANK

## SPECIAL FUND RESOURCES - OTHER SPECIAL FUNDS

### NOTES TO SPECIAL PURPOSE FINANCIAL STATEMENTS

DECEMBER 31, 2005 AND 2004

(expressed in thousands of United States dollars – Note A)

#### C. Accumulated net income and net income for the year

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



PART VI

# Appendices

## APPENDIX I-A

### DISTRIBUTION OF LOANS, CONTINGENT LOANS, EQUITY AND GRANTS APPROVED (NET) BY COUNTRY AND BY FUND - 2005 (\$'000)

Country	Ordinary Capital Resources	Special Develop- ment Fund	Other Special Funds	Total	Percentage of Total
Anguilla	10,789	341	-	11,130	8.0
Antigua and Barbuda	-	21	-	21	0.0
Bahamas	-	27	-	27	0.0
Barbados	(3,845)	(437)	98	(4,184)	(3.0)
Belize	(901)	-	-	(901)	(0.6)
Dominica	-	773	5,150	5,923	4.3
Grenada	-	14,271	10,827	25,098	18.1
Guyana	3,580	10,825	100	14,505	10.5
Jamaica	54,100	75	-	54,175	39.1
Montserrat	-	9	-	9	0.0
St. Kitts and Nevis	-	842	-	842	0.6
St. Lucia	22,568	12	-	22,580	16.3
St. Vincent and the Grenadines	-	28	100	128	0.1
Trinidad and Tobago	-	7	-	7	0.0
Turks and Caicos Islands	-	8	-	8	0.0
Regional :					
LDC Focus	-	(13)	(66)	(79)	(0.1)
LDC/MDC	4,912	4,073	350	9,335	6.7
<b>Total</b>	<b>91,203</b>	<b>30,862</b>	<b>16,559</b>	<b>138,624</b>	
<b>Percentage of Total</b>	<b>65.8</b>	<b>22.3</b>	<b>11.9</b>		<b>100.0</b>
<b>LDCs</b>	<b>32,456</b>	<b>16,305</b>	<b>16,077</b>	<b>64,838</b>	<b>46.8</b>
<b>MDCs</b>	<b>53,835</b>	<b>10,497</b>	<b>198</b>	<b>64,530</b>	<b>46.6</b>
<b>Regional</b>	<b>4,912</b>	<b>4,060</b>	<b>284</b>	<b>9,256</b>	<b>6.7</b>

## APPENDIX I-B

### DISTRIBUTION OF LOANS, CONTINGENT LOANS, EQUITY AND GRANTS APPROVED (NET) BY SECTOR AND BY FUND - 2005 \$'000)

Sector	Ordinary Capital Resources	Special Develop- ment Fund	Other Special Funds	Total
<b>Total All Sectors</b>	<b>91,203</b>	<b>30,862</b>	<b>16,559</b>	<b>138,624</b>
<b>Agriculture, Forestry and Fishing</b>	-	(157)	-	(157)
Crop Farming	-	(157)	-	(157)
<b>Manufacturing</b>	-	15	129	144
Sugar	-	-	100	100
Chemical and Chemical Products	-	15	29	44
<b>Tourism</b>	-	-	248	248
Integrated Tourism Facilities	-	-	98	98
Tourism Supporting Services	-	-	150	150
<b>Transportation, Communication and Sea Defense</b>	<b>76,668</b>	<b>6,489</b>	<b>11,000</b>	<b>94,157</b>
Transport:				
Road Transport	76,668	6,489	11,000	94,157
<b>Power, Energy and Water</b>	<b>5,188</b>	<b>697</b>	-	<b>5,885</b>
Power and Energy:				
Electric Power	(3,062)	640	-	(2,422)
Alternative Energy	8,250	-	-	8,250
Water Supply	-	57	-	57
<b>Social Services</b>	<b>(3,845)</b>	<b>3,169</b>	<b>2,198</b>	<b>1,522</b>
Housing	-	-	1,927	1,927
Health	-	30	-	30
Education	(3,845)	3,139	271	(435)
<b>Multi-Sector and Other</b>	<b>3,580</b>	<b>20,349</b>	<b>2,984</b>	<b>26,913</b>
Urban Development	3,580	10,000	-	13,580
Disaster Rehabilitation	-	9,024	3,022	12,046
Other	-	1,325	(38)	1,287
<b>Financing and Distribution</b>	<b>9,612</b>	<b>300</b>	-	<b>9,912</b>
Agriculture	3,606	-	-	3,606
Industry and Tourism	3,606	-	-	3,606
Housing	1,600	-	-	1,600
Education	800	300	-	1,100

## APPENDIX I-C

### DISTRIBUTION OF LOANS, CONTINGENT LOANS, EQUITY AND GRANTS APPROVED (NET) BY COUNTRY AND BY SECTOR - 2005 ('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	Sub-Total		
Anguilla	1,150	1,150	-	-	6,089	-	1,600	1,100	-	-	8,789	41	11,130
Antigua and Barbuda	-	-	-	-	-	-	-	-	-	-	-	21	21
Bahamas	-	-	-	-	-	-	-	-	-	-	-	27	27
Barbados	-	-	98	98	-	-	-	(4,320)	-	-	(4,320)	38	(4,184)
Belize	-	-	-	-	(901)	-	-	-	-	-	(901)	-	(901)
Dominica	-	-	150	150	-	-	5,550	-	-	-	5,550	223	5,923
Grenada	(150)	-	-	(150)	-	-	11,939	1,927	-	-	13,866	11,382	25,098
Guyana	-	100	-	100	-	-	-	-	-	-	-	14,405	14,505
Jamaica	-	-	-	-	(20)	-	54,100	-	-	-	54,080	95	54,175
Montserrat	-	-	-	-	-	-	-	-	-	-	-	9	9
St. Kitts and Nevis	-	-	-	-	660	42	-	-	30	-	732	110	842
St. Lucia	-	-	-	-	-	-	22,568	-	-	-	22,568	12	22,580
St. Vincent and the Grenadines	-	-	-	-	-	-	-	-	-	-	-	128	128
Trinidad and Tobago	-	-	-	-	-	-	-	-	-	-	-	7	7
Turks and Caicos Islands	-	-	-	-	-	-	-	-	-	-	-	8	8
Regional :	-	-	-	-	-	-	-	-	-	-	-	(79)	(79)
LDC Focus	2,449	2,500	-	4,949	-	15	-	3,885	-	-	3,900	486	9,335
LDC/MDC Focus	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Total</b>	<b>3,449</b>	<b>3,750</b>	<b>248</b>	<b>7,447</b>	<b>5,828</b>	<b>57</b>	<b>94,157</b>	<b>3,527</b>	<b>665</b>	<b>30</b>	<b>104,264</b>	<b>26,913</b>	<b>138,624</b>

## APPENDIX I-D

### DISTRIBUTION OF LOANS APPROVED (NET) BY COUNTRY AND BY FUND - 2005 (\$'000)

Country	Ordinary Capital Resources	Special Develop- ment Fund	Other Special Funds	Total	Percentage of Total
Anguilla	10,789	300	-	11,089	8.4
Barbados	(3,845)	(475)	-	(4,320)	(3.3)
Belize	(901)	-	-	(901)	(0.7)
Dominica	-	550	5,000	5,550	4.2
Grenada	-	14,352	10,627	24,979	18.8
Guyana	3,580	10,500	-	14,080	10.6
Jamaica	54,100	-	-	54,100	40.8
St. Kitts and Nevis	-	600	-	600	0.5
St. Lucia	22,568	-	-	22,568	17.0
Regional	4,912	-	-	4,912	3.7
<b>Total</b>	<b>91,203</b>	<b>25,827</b>	<b>15,627</b>	<b>132,657</b>	
<b>Percentage of Total</b>	<b>68.8</b>	<b>19.5</b>	<b>11.8</b>		<b>100.0</b>
LDCs	32,456	15,802	15,627	63,885	48.2
MDCs	53,835	10,025	-	63,860	48.1
Regional	4,912	-	-	4,912	3.7

## APPENDIX I-E

### DISTRIBUTION OF LOANS APPROVED (NET) BY SECTOR AND BY FUND - 2005 (\$'000)

Sector	Ordinary Capital Resources	Special Develop- ment Fund	Other Special Funds	Total
<b>Total All Sectors</b>	<b>91,203</b>	<b>25,827</b>	<b>15,627</b>	<b>132,657</b>
<b>Transportation, Communication and Sea Defense</b>	<b>76,668</b>	<b>6,489</b>	<b>11,000</b>	<b>94,157</b>
Transport:				
Road Transport	76,668	6,489	11,000	94,157
<b>Power, Energy and Water</b>	<b>5,188</b>	<b>600</b>	<b>-</b>	<b>5,788</b>
Power and Energy:				
Electric Power	(3,062)	-	-	(2,462)
Alternative Energy	8,250	-	-	8,250
<b>Social Services</b>	<b>(3,845)</b>	<b>(475)</b>	<b>1,927</b>	<b>(2,393)</b>
Housing	-	-	1,927	1,927
Education	(3,845)	(475)	-	(4,320)
<b>Multi-Sector and Other</b>	<b>3,580</b>	<b>18,913</b>	<b>2,700</b>	<b>25,193</b>
Urban Development	3,580	10,000	-	13,580
Disaster Rehabilitation	-	8,913	2,700	11,613
<b>Financing and Distribution</b>	<b>9,612</b>	<b>300</b>	<b>-</b>	<b>9,912</b>
Agriculture	3,606	-	-	3,606
Industry and Tourism	3,606	-	-	3,606
Housing	1,600	-	-	1,600
Education	800	300	-	1,100

## APPENDIX I-F

### CDB COST COMPONENT AND CHANNEL - 2005 (\$'000)

Country	No. of Loan Projects	Estimated Project Cost	Financing			Channel		
			CDB	Local	Other Foreign	Public	Private Direct	Indirect
Anguilla	2	14,038	11,089	2,949	-	6,089	-	5,000
Belize	1	46,537	8,250	16,287	22,000	-	8,250	-
Dominica	1 a/	6,154	5,550	604	-	5,550	-	-
Grenada	5	28,860	24,979	3,861	20	24,979	-	-
Guyana	2	16,607	14,080	2,327	200	14,080	-	-
Jamaica	1	71,000	54,100	16,900	-	54,100	-	-
St. Kitts and Nevis	1 b/	737	600	77	60	600	-	-
St. Lucia	1 a/	32,998	22,568	10,430	-	22,568	-	-
Regional	1	5,000	5,000	-	-	-	-	5,000
<b>Total</b>	<b>15</b>	<b>221,931</b>	<b>146,216</b>	<b>53,435</b>	<b>22,280</b>	<b>127,966</b>	<b>8,250</b>	<b>10,000</b>
LDCs	11	129,324	73,036	34,208	22,080	59,786	8,250	5,000
MDCs	3	87,607	68,180	19,227	200	68,180	-	-
Regional	1	5,000	5,000	-	-	-	-	5,000

a/ Additional loan.

b/ Technical assistance loan.

## APPENDIX 1-G

### GROSS LOAN APPROVALS BY PROJECT AND LOAN EQUIVALENT - 2005 (\$'000)

Project Name	Country	OCR		SDF Unified		Other Special Funds		Total
		Amount	Loan Equivalent	Amount	Loan Equivalent	Amount	Loan Equivalent	
1. Power Project - 5th Loan	Anguilla	6,089	1.00	-	-	-	-	6,089
2. Consolidated Line of Credit - 5th Loan	Anguilla	4,700	0.94	300	0.06	-	-	5,000
3. Belize Co-Generation Energy Ltd.	Belize	8,250	1.00	-	-	-	-	8,250
4. Road Improvement and Maintenance (Additional Loan)	Dominica	-	-	550	0.10	5,000	0.90	5,550
5. NDM- Immediate Response Loan, Hurricane Emily	Grenada	-	-	500	1.00	-	-	500
6. Bridge and Road Improvement Project - 2nd Loan	Grenada	-	-	5,939	0.50	6,000	0.50	11,939
7. Hurricane Reconstruction Support Loan - 2nd Loan	Grenada	-	-	5,413	1.00	-	-	5,413
8. Disaster Mitigation and Restoration, Rockfall and Landslip	Grenada	-	-	2,500	0.48	2,700	0.52	5,200
9. Sites and Services Project	Grenada	-	-	-	-	1,927	1.00	1,927
10. Community Services Enhancement Project	Guyana	3,580	0.26	10,000	0.74	-	-	13,580
11. NDM- Immediate Response Loan, Severe Floods	Guyana	-	-	500	1.00	-	-	500
12. Northern Coastal Highway Improvement - 4th Loan	Jamaica	54,100	1.00	-	-	-	-	54,100
13. Corporatisation of the Electricity Department, TA	St. Kitts and Nevis	-	-	600	1.00	-	-	600
14. Roads Development Programme (Additional Loan)	St. Lucia	22,568	1.00	-	-	-	-	22,568
15. Consolidated Line of Credit - 3rd Loan	Regional	5,000	1.00	-	-	-	-	5,000
<b>Total</b>	<b>Total</b>	<b>104,287</b>	<b>6.20</b>	<b>26,302</b>	<b>5.87</b>	<b>15,627</b>	<b>2.92</b>	<b>146,216</b>
<b>Distribution by Country Groups</b>								
LDCs		41,607	3.94	15,802	4.14	15,627	2.92	73,036
MDCs		57,680	1.26	10,500	1.74	-	-	68,180
Regional		5,000	1.00	-	-	-	-	5,000
<b>Proportion of Lending by Country Groups</b>								
LDCs		0.40		0.60		1.00		0.50
MDCs		0.55		0.40		-		0.47
Regional		0.05		-		-		0.03
<b>Total</b>		<b>0.71</b>		<b>0.18</b>		<b>0.11</b>		<b>1.00</b>



## APPENDIX II-A

### SUMMARY OF TOTAL FINANCING APPROVED (NET) (1970 - 2005) LOANS, CONTINGENT LOANS, EQUITY AND GRANTS (\$'000)

Financing Type	1970-2004	2005	Total
Loans	2,236,433	132,657	2,369,090
Contingent Loans	4,580	-	4,580
Equity	23,050	-	23,050
Grants	218,924	5,967	224,891
<b>Total</b>	<b>2,482,987</b>	<b>138,624</b>	<b>2,621,611</b>

Note: Minor adjustments were made to Loans and Contingent Loans approved during 1970 -2004 to reflect the financial statement data.

## APPENDIX II-B

### SUMMARY OF TOTAL FINANCING APPROVED (NET) BY SECTOR (1970-2005) LOANS, CONTINGENT LOANS, EQUITY AND GRANTS (\$'000)

Sector	1970-2004	2005	Total
Agriculture, Forestry and Fishing	121,165	(157)	121,008
Mining and Quarrying	35,651	-	35,651
Manufacturing	154,168	144	154,312
Tourism	71,760	248	72,008
Transportation and Communication and Sea Defence	533,102	94,157	627,259
Power, Energy and Water	181,906	5,885	187,791
Social Services	304,304	1,522	305,826
Multi-Sector and Other	595,844	26,913	622,757
Financing and Distribution	485,087	9,912	494,999
<b>Total</b>	<b>2,482,987</b>	<b>138,624</b>	<b>2,621,611</b>

Note: Minor adjustments were made to 1970 - 2004 data to reflect the financial statements data.

## APPENDIX II-D

### DISTRIBUTION OF LOANS, CONTINGENT LOANS, EQUITY AND GRANTS APPROVED (NET) BY SECTOR AND BY FUND (1970 - 2005) (\$'000)

Sector	Ordinary Capital Resources	Venezuelan Trust Fund	Special Development Fund	Other Special Funds	Total
<b>Total All Sectors</b>	<b>1,383,191</b>	<b>17,408</b>	<b>867,562</b>	<b>353,450</b>	<b>2,621,611</b>
<b>Agriculture, Forestry and Fishing</b>	<b>31,470</b>	-	<b>67,760</b>	<b>21,778</b>	<b>121,008</b>
Crop Farming	15,933	-	19,560	8,837	44,330
Agriculture (excluding Crop Farming)	214	-	596	3,371	4,181
Mixed Farming	-	-	8,580	-	8,580
Drainage and Irrigation	11,283	-	7,139	409	18,831
Fishing	-	-	2,478	872	3,350
Land Settlement and Rural Development	367	-	4,140	342	4,849
Forestry	-	-	348	-	348
Feeder Roads	3,673	-	24,919	7,947	36,539
<b>Mining and Quarrying</b>	<b>31,409</b>	-	<b>3,687</b>	<b>555</b>	<b>35,651</b>
Fossil Fuels	30,862	-	-	-	30,862
Metal Ores	547	-	31	-	578
Non-Metallic Minerals	-	-	3,656	555	4,211
<b>Manufacturing</b>	<b>58,145</b>	<b>2,205</b>	<b>52,057</b>	<b>41,905</b>	<b>154,312</b>
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	-	259	200	51	510
Wood and Wood Products	4,566	-	499	79	5,144
Paper and Paper Products	3,502	-	-	10	3,512
Chemical and Chemical Products	-	446	15	47	508
Non-Metallic Mineral Products	2,985	-	73	130	3,188
Miscellaneous Manufacturing and Repairs	-	-	-	43	43
Industrial Estates	17,011	-	28,137	6,083	51,231
<b>Tourism</b>	<b>50,626</b>	<b>4,722</b>	<b>11,967</b>	<b>4,693</b>	<b>72,008</b>
Hotels and Lodging Places	30,180	4,722	247	1,172	36,321
Cruiseship Piers and Marinas	8,752	-	-	-	8,752
Integrated Tourism Facilities	8,334	-	7,990	2,396	18,720
Tourism Supporting Services	3,360	-	3,730	1,125	8,215

## APPENDIX II-D (cont'd)

### DISTRIBUTION OF LOANS, CONTINGENT LOANS, EQUITY AND GRANTS APPROVED (NET) BY SECTOR AND BY FUND (1970 - 2005) (\$'000)

Sector	Ordinary Capital Resources	Venezuelan Trust Fund	Special Development Fund	Other Special Funds	Total
<b>Transportation, Communication and Sea Defence</b>	<b>403,757</b>	-	<b>159,920</b>	<b>57,493</b>	<b>621,170</b>
Transport:					Road
Transport	269,344	-	73,437	27,802	370,583
Water Transport	23,534	-	42,394	15,547	81,475
Air Transport	96,936	-	27,054	12,111	136,101
Communication	8,250	-	522	106	8,878
Sea Defence	5,693	-	16,513	1,927	24,133
<b>Power, Energy and Water</b>	<b>106,152</b>	<b>3,237</b>	<b>71,119</b>	<b>13,372</b>	<b>193,880</b>
Power and Energy:					
Electric Power	56,101	-	31,580	1,873	89,554
Alternative Energy	8,250	-	-	3,520	11,770
Water Supply	41,801	3,237	39,539	7,979	92,556
<b>Social Services</b>	<b>138,639</b>	-	<b>89,030</b>	<b>78,157</b>	<b>305,826</b>
Housing	4,101	-	7,154	19,983	31,238
Health	22,812	-	21,477	12,939	57,228
Education	111,726	-	60,399	45,235	217,360
<b>Multi-Sector and Other</b>	<b>225,369</b>	-	<b>282,843</b>	<b>114,545</b>	<b>622,757</b>
Urban Development	38,821	-	10,855	5,528	55,204
Disaster Rehabilitation	54,563	-	99,464	10,293	164,320
Distributive Trade	0	-	74	2,957	3,031
Structural Adjustment Programme	0	-	46,751	9,400	56,151
Other	131,985	-	125,699	86,367	344,051
<b>Financing and Distribution</b>	<b>337,624</b>	<b>7,244</b>	<b>129,179</b>	<b>20,952</b>	<b>494,999</b>
Agriculture	110,654	6,023	25,317	12,560	154,554
Industry and Tourism	134,916	1,221	26,642	5,311	168,090
Micro and Small-Scale Enterprises	-	-	6,550	-	6,550
Housing	54,047	-	21,530	3,081	78,658
Education	38,007	-	49,140	-	87,147

## APPENDIX II-E

### DISTRIBUTION OF LOANS, CONTINGENT LOANS, EQUITY AND GRANTS APPROVED (NET) BY COUNTRY AND BY SECTOR - 1970 - 2005 (\$'000)

Country	Directly Productive Sector					Economic Infrastructure & Other										Multi-Sector	Total
	Agri-culture, Forestry & Fishing	Manu-facturing	Micro & Small-Enterprise	Tourism	Mining	Total	Power & Energy	Water	Communication	Sea Defence	Housing	Health & Sanitation (loans)	Education (including Student)	Total			
Anguilla	2,871	5,865	200	773	-	9,709	11,997	288	2,219	-	2,050	-	2,759	19,313	5,350	34,372	
Antigua and Barbuda	3,455	5,723	1,000	1,922	-	12,100	272	-	6,675	-	3,483	-	19,652	30,082	7,000	49,182	
Bahamas	10,086	10,849	-	2,187	-	23,122	-	15,249	14,745	-	-	37	-	30,031	752	53,905	
Barbados	4,196	45,470	-	12,055	100	61,821	105	765	55,364	-	1,395	3,240	50,656	111,525	49,777	223,123	
Belize	25,528	12,504	2,000	1,172	-	41,204	28,050	22,546	42,950	-	13,701	6,032	22,193	135,472	36,760	213,436	
British Virgin Islands	3,503	4,951	-	349	-	8,803	4,812	-	38,002	-	3,500	-	2,783	49,097	724	58,624	
Cayman Islands	1,308	1,499	-	6,430	388	9,625	-	2,775	23,047	-	5,515	7,000	452	38,789	79	48,493	
Dominica	23,287	11,521	600	7,363	-	42,771	6,159	8,162	16,921	9,383	13,733	7,648	17,251	79,257	47,422	169,450	
Grenada	16,484	6,994	600	4,298	451	28,827	158	2,453	64,551	-	7,063	5,550	12,198	91,973	52,418	173,218	
Guyana	22,395	45,872	-	232	-	68,499	3,558	8,895	36,704	14,750	1,176	-	2,066	67,149	89,674	225,322	
Jamaica	77,461	86,498	-	15,626	578	180,163	8,791	6,546	71,191	-	17,602	2,000	21,229	127,359	144,878	452,400	
Montserrat	1,382	1,444	-	124	86	3,036	987	-	6,025	-	653	-	975	8,640	5,435	17,111	
St. Kitts and Nevis	5,808	9,114	900	1,731	240	17,793	8,649	126	39,807	-	10,923	9,956	36,517	105,978	26,008	149,779	
St. Lucia	24,290	23,200	575	14,200	62	62,327	1,376	19,118	75,983	-	18,995	8,517	43,959	167,948	36,295	266,570	
St. Vincent and the Grenadines	15,393	18,082	375	522	2,765	37,137	25,037	2,716	42,592	-	3,590	5,480	33,143	112,558	17,626	167,321	
Trinidad and Tobago	26,809	22,270	-	-	30,862	79,941	-	2,615	38,272	-	-	604	8,663	50,154	33,306	163,401	
Turks and Caicos Islands	830	1,644	300	1,302	-	4,076	-	-	3,150	-	6,322	372	6,060	15,904	3,081	23,061	
Regional :																	
LDC Focus	1,010	94	-	448	119	1,671	677	104	11,745	-	135	335	691	13,687	7,923	23,281	
MDC Focus	25	-	-	-	-	-	-	-	6,313	-	-	-	9,452	15,765	3,020	18,810	
MDC/LDC Focus	9,441	8,808	-	1,274	-	19,523	696	198	781	-	60	457	13,808	16,000	55,229	90,752	
<b>Total</b>	<b>275,562</b>	<b>322,402</b>	<b>6,550</b>	<b>72,008</b>	<b>35,651</b>	<b>712,173</b>	<b>101,324</b>	<b>92,556</b>	<b>597,037</b>	<b>24,133</b>	<b>109,896</b>	<b>57,228</b>	<b>304,507</b>	<b>1,286,681</b>	<b>622,757</b>	<b>2,621,611</b>	
LDCs	124,139	102,541	6,550	40,186	3,992	277,408	87,497	58,184	361,922	9,383	89,528	50,555	197,942	855,011	238,198	1,370,617	
MDCs	140,947	210,959	-	30,100	31,540	413,546	12,454	34,070	216,276	14,750	20,173	5,881	82,614	386,218	318,387	1,118,151	
Regional	10,476	8,902	-	1,722	119	21,219	1,373	302	18,839	-	195	792	23,951	45,452	66,172	132,843	

## APPENDIX II-F

### APPROVALS OF LOANS, CONTINGENT LOANS, EQUITY AND GRANTS (NET) BY COUNTRY AND BY YEAR (1970 - 2005) (\$'000)

Country	1970-1999	2000	2001	2002	2003	2004	2005	Total
Anguilla	15,235	7,933	17	24	15	18	11,130	34,372
Antigua and Barbuda	41,786	59	408	4,696	2,204	8	21	49,182
Bahamas	53,504	78	-	33	114	149	27	53,905
Barbados	151,037	34,175	9,127	15,021	13,527	100	136	223,123
Belize	162,849	19,354	4,020	5,831	13,080	52	8,250	213,436
British Virgin Islands	51,364	9	-	-	7,251	-	-	58,624
Cayman Islands	43,493	-	5,000	-	-	-	-	48,493
Dominica	108,251	16,188	6,725	9,182	8,311	14,870	5,923	169,450
Grenada	90,172	11,952	21,530	6,847	8,049	9,420	25,248	173,218
Guyana	134,030	409	7,531	417	61,012	7,388	14,535	225,322
Jamaica	240,543	38,567	14,269	45,126	28,819	30,852	54,224	452,400
Montserrat	15,260	11	1,082	10	658	81	9	17,111
St. Kitts and Nevis	92,198	3,772	26,128	4,828	15,588	6,423	842	149,779
St. Lucia	178,556	12,679	23,744	12,934	10,593	5,484	22,580	266,570
St. Vincent and the Grenadines	98,370	5,627	4,819	15,397	6,746	36,234	128	167,321
Trinidad and Tobago	116,858	12,662	-	1,026	31,616	1,232	7	163,401
Turks and Caicos Islands	17,413	4,058	735	-	461	386	8	23,061
Regional :								
LDC Focus	19,214	167	84	3,417	353	33	13	23,281
MDC Focus	15,810	-	3,000	-	-	-	-	18,810
LDC/MDC Focus	41,514	7,816	13,371	3,354	13,375	1,613	9,709	90,752
<b>Total</b>	<b>1,687,457</b>	<b>175,516</b>	<b>141,590</b>	<b>128,143</b>	<b>221,772</b>	<b>114,343</b>	<b>152,790</b>	<b>2,621,611</b>
LDCs	914,947	81,642	94,208	59,749	72,956	72,976	74,139	1,370,617
MDCs	695,972	85,891	30,927	61,623	135,088	39,721	68,929	1,118,151
Regional	76,538	7,983	16,455	6,771	13,728	1,646	9,722	132,843

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

## APPENDIX II-G

### DISTRIBUTION OF LOANS APPROVED (NET) BY COUNTRY AND BY FUND (1970 - 2005) (\$'000)

Country	Ordinary	Venezuelan	Special	IDB	IDA	General	Other	Total	Percentage of Total
	Capital Resources	Trust Fund	Develop- ment Fund			Development Fund	Special Funds		
Anguilla	21,467	-	10,971	-	-	-	500	32,938	1.4
Antigua and Barbuda	24,974	-	15,057	-	558	324	3,009	43,922	1.9
Bahamas	47,520	3,237	2,376	-	-	-	-	53,133	2.2
Barbados	192,863	3,646	6,342	388	-	17	17,546	220,802	9.3
Belize	103,279	740	79,684	373	-	5,171	4,981	194,228	8.2
British Virgin Islands	41,154	-	14,496	-	-	300	1,594	57,544	2.4
Cayman Islands	40,010	-	4,994	2,132	-	313	868	48,317	2.0
Dominica	30,456	-	80,248	9,043	5,347	12,443	8,179	145,716	6.2
Grenada	45,217	-	82,749	18,961	5,654	369	3,729	156,679	6.6
Guyana	55,788	1,579	121,239	-	-	-	20,585	199,191	8.4
Jamaica	318,134	5,665	84,732	-	-	-	39,166	447,697	18.9
Montserrat	485	-	8,678	-	-	79	1,294	10,536	0.4
St. Kitts and Nevis	67,589	259	60,693	2,359	5,218	26	890	137,034	5.8
St. Lucia	136,947	676	78,968	17,940	5,652	3,358	6,120	249,661	10.5
St. Vincent & the Grenadines	71,361	1,606	58,499	6,302	4,497	742	7,521	150,528	6.4
Trinidad and Tobago	155,128	-	5,034	-	-	-	2,566	162,728	6.9
Turks and Caicos Islands	8,641	-	10,593	-	-	-	-	19,234	0.8
Regional :									
LDC Focus	-	-	5,918	-	-	-	2,642	8,560	0.4
MDC Focus	7,266	-	5,544	-	-	-	2,174	14,984	0.6
MDC/LDC Focus	14,912	-	746	-	-	-	-	15,658	0.7
<b>Total</b>	<b>1,383,191</b>	<b>17,408</b>	<b>737,561</b>	<b>57,498</b>	<b>26,926</b>	<b>23,142</b>	<b>123,364</b>	<b>2,369,090</b>	
<b>Percentage of Total</b>	<b>58.4</b>	<b>0.7</b>	<b>31.1</b>	<b>2.4</b>	<b>1.1</b>	<b>1.0</b>	<b>5.2</b>		<b>100.0</b>
LDCs	591,580	3,281	505,630	57,110	26,926	23,142	38,685	1,246,3375	2.6
MDCs	769,433	14,127	219,723	388	-	-	79,863	1,083,5514	5.7
Regional	22,178	-	12,208	-	-	-	4,816	39,202	1.7

## APPENDIX II-H

### DISTRIBUTION OF LOANS (NET) BY SECTOR AND BY FUND (1970 - 2005) (\$'000)

Sector	Ordinary Capital Resources	Venezuelan Trust Fund	Special Development Fund	Other Special Funds	Total
<b>Total All Sectors</b>	<b>1,383,191</b>	<b>17,408</b>	<b>737,561</b>	<b>230,930</b>	<b>2,369,090</b>
<b>Agriculture, Forestry and Fishing</b>	<b>31,470</b>	-	<b>64,566</b>	<b>17,556</b>	<b>113,592</b>
Crop Farming	15,933	-	17,683	6,869	40,485
Agriculture (excluding Crop Farming)	214	-	100	1,421	1,735
Mixed Farming	-	-	8,580	-	8,580
Fishing	-	-	2,342	694	3,036
Drainage and Irrigation	11,283	-	7,019	409	18,711
Land Settlement and Rural Development	367	-	4,140	312	4,819
Feeder Roads	3,673	-	24,702	7,851	36,226
<b>Mining and Quarrying</b>	<b>31,409</b>	-	<b>3,173</b>	<b>436</b>	<b>35,018</b>
Fossil Fuels	30,862	-	-	-	30,862
Metal Ores	547	-	-	-	547
Non-Metallic Minerals	-	-	3,173	436	3,609
<b>Manufacturing</b>	<b>58,145</b>	<b>2,205</b>	<b>51,313</b>	<b>40,617</b>	<b>152,280</b>
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	-	259	2	-	261
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	-	-	-	2,985
Industrial Estates	17,011	-	28,048	5,953	51,012
<b>Tourism</b>	<b>50,626</b>	<b>4,722</b>	<b>10,322</b>	<b>2,220</b>	<b>67,890</b>
Hotels and Lodging Places	30,180	4,722	47	-	34,949
Cruiseship Piers and Marinas	8,752	-	-	-	8,752
Integrated Tourism Facilities	8,334	-	7,707	2,220	18,261
Tourism Supporting Services	3,360	-	2,568	-	5,928

## APPENDIX II-H (CON'T)

### DISTRIBUTION OF LOANS (NET) BY SECTOR AND BY FUND (1970 - 2005) (\$'000)

Sector	Ordinary Capital Resources	Venezuelan Trust Fund	Special Development Fund	Other Special Funds	Total
<b>Transportation and Communication</b>	<b>409,846</b>	-	<b>156,600</b>	<b>53,541</b>	<b>619,987</b>
Transport:					
Main Roads and Bridges	275,433	-	73,020	27,778	376,231
Water Transport	23,534	-	41,054	15,041	79,629
Air Transport	96,936	-	25,972	8,795	131,703
Communication	8,250	-	41	-	8,291
Sea Defences	5,693	-	16,513	1,927	24,133
<b>Power, Energy and Water</b>	<b>100,063</b>	<b>3,237</b>	<b>69,695</b>	<b>8,860</b>	<b>181,855</b>
Power and Energy:					
Electric Power	50,012	-	30,848	1,577	82,437
Alternative Energy	8,250	-	-	-	8,250
Water Supply	41,801	3,237	38,847	7,283	91,168
<b>Social Services</b>	<b>138,639</b>	-	<b>73,542</b>	<b>67,017</b>	<b>279,198</b>
Housing	4,101	-	6,762	19,804	30,667
Health	22,812	-	19,971	12,598	55,381
Education	111,726	-	46,809	34,615	193,150
<b>Multi-Sector and Other</b>	<b>225,369</b>	-	<b>179,171</b>	<b>20,178</b>	<b>424,718</b>
Urban Development	38,821	-	10,683	-	49,504
Disaster Rehabilitation	54,563	-	98,044	8,600	161,207
Distributive Trade	-	-	-	2,250	2,250
Structural Adjustment Programme	-	-	45,000	3,000	48,000
Other	131,985	-	25,444	6,328	163,757
<b>Financing and Distribution</b>	<b>337,624</b>	<b>7,244</b>	<b>129,179</b>	<b>20,505</b>	<b>494,552</b>
Agriculture	110,654	6,023	25,317	12,337	154,331
Manufacturing	134,916	1,221	26,642	5,087	167,866
Micro and Small-Scale Enterprises	-	-	6,550	-	6,550
Housing	54,047	-	21,530	3,081	78,658
Education	38,007	-	49,140	-	87,147



## APPENDIX II-J

### CONTINGENT LOANS APPROVED (NET) BY COUNTRY AND BY FUND (1970 - 2005) (\$'000)

Country	Special Development Fund	IDB/CDB Pre- Investment Fund	Technical Assistance Fund	Total
Anguilla	90	71	-	161
Barbados	466	-	156	622
Belize	526	-	152	678
British Virgin Islands	50	104	-	154
Dominica	435	-	771	1,206
Grenada	179	-	-	179
Guyana	73	-	-	73
Montserrat	86	-	-	86
St. Kitts and Nevis	421	10	56	487
St. Lucia	-	-	50	50
St. Vincent and the Grenadines	70	-	-	70
Trinidad and Tobago	200	-	-	200
Turks and Caicos Islands	614	-	-	614
<b>Total</b>	<b>3,210</b>	<b>185</b>	<b>1,185</b>	<b>4,580</b>
MDCs	739	-	156	895
LDCs	2,471	185	1,029	3,685

## APPENDIX II-J

### CONTINGENT LOANS APPROVED (NET) BY SECTOR AND BY FUND (1970 - 2005) (\$'000)

Sector	Special Development Fund	IDB/CDB Pre-Investment Fund	Technical Assistance Fund	Total
<b>Total-All Sectors</b>	<b>3,210</b>	<b>185</b>	<b>1,185</b>	<b>4,580</b>
<b>Agriculture, Forestry and Fishing</b>	<b>332</b>	<b>10</b>	<b>147</b>	<b>489</b>
Crop Farming	165	10	51	226
Fishing	95	-	-	95
Feeder Roads	72	-	96	168
<b>Mining and Quarrying</b>	<b>324</b>	<b>-</b>	<b>-</b>	<b>324</b>
Non-Metallic Minerals	324	-	-	324
<b>Manufacturing</b>	<b>73</b>	<b>-</b>	<b>-</b>	<b>73</b>
Non-Metallic Mineral Products	73	-	-	73
<b>Tourism</b>	<b>257</b>	<b>-</b>	<b>-</b>	<b>257</b>
Hotels and Lodging Places	48	-	-	48
Integrated Tourism Facilities	123	-	-	123
Tourism Supporting Services	86	-	-	86
<b>Transportation and Communication</b>	<b>1,579</b>	<b>104</b>	<b>101</b>	<b>1,784</b>
Transport:				
Road Transport	194	-	-	194
Water Transport	878	104	-	982
Air Transport	507	-	101	608
<b>Power, Energy and Water</b>	<b>378</b>	<b>71</b>	<b>781</b>	<b>1,230</b>
Power and Energy:				
Electric Power	207	71	56	334
Alternative Energy	-	-	697	697
Water Supply	171	-	28	199
<b>Multi-Sector and Other</b>	<b>267</b>	<b>-</b>	<b>156</b>	<b>423</b>
Multi-Sector				
Urban Development	67	-	156	223
Other	200	-	-	200

## APPENDIX II-K

### GRANTS APPROVED (NET) BY COUNTRY AND BY FUND (1970-2005)(\$'000)

Country	Special Development Fund	Technical Assistance IDB	Other Special Fund	Funds	Total
Anguilla	617	39	60	557	1,273
Antigua and Barbuda	990	54	64	4,152	5,260
Bahamas	652	-	20	100	772
Barbados	778	-	112	362	1,252
Belize	10,614	85	166	6,223	17,088
British Virgin Islands	578	-	52	296	926
Cayman Islands	144	-	-	32	176
Dominica	7,443	307	227	14,551	22,528
Grenada	8,464	752	208	6,936	16,360
Guyana	21,577	-	1	4,480	26,058
Jamaica	3,735	-	-	343	4,078
Montserrat	3,779	78	19	2,613	6,489
St. Kitts and Nevis	6,305	143	239	5,382	12,069
St. Lucia	8,710	484	247	7,418	16,859
St. Vincent and the Grenadines	8,278	713	291	7,051	16,333
Trinidad and Tobago	290	83	-	100	473
Turks and Caicos Islands	2,315	-	77	821	3,213
Regional:					
LDC Focus	6,047	973	416	4,185	11,621
MDC Focus	826	-	-	-	826
LDC/MDC Focus	34,441	6,490	659	19,647	61,237
<b>Total</b>	<b>126,583</b>	<b>10,201</b>	<b>2,858</b>	<b>85,249</b>	<b>224,891</b>
LDCs	58,237	2,655	1,650	56,032	118,574
MDCs	27,032	83	133	5,385	32,633
Regional	41,314	7,463	1,075	23,832	73,684

## APPENDIX II-K

### GRANTS APPROVED (NET) BY SECTOR AND BY FUND (1970 - 2005) (\$'000)

Sectors	Special Development Fund	IDB	Technical Assistance Fund	Other Special Funds	Total
<b>Total - All Sectors</b>	<b>126,583</b>	<b>10,201</b>	<b>2,858</b>	<b>85,249</b>	<b>224,891</b>
<b>Agriculture, Forestry and Fishing</b>	<b>2,862</b>	<b>805</b>	<b>515</b>	<b>1,303</b>	<b>5,485</b>
Crop Farming	1,712	594	355	958	3,619
Agriculture (excl. crop farming)	496	168	28	312	1,004
Fishing	41	43	132	3	219
Drainage and Irrigation	120	-	-	-	120
Land Settlement and Rural Development	-	-	-	30	30
Forestry	348	-	-	-	348
Feeder Roads	145	-	-	-	145
<b>Mining and Quarrying</b>	<b>190</b>	<b>-</b>	<b>-</b>	<b>119</b>	<b>309</b>
Metal Ores	31	-	-	-	31
Non-Metallic Minerals	159	-	-	119	278
<b>Manufacturing</b>	<b>482</b>	<b>184</b>	<b>264</b>	<b>469</b>	<b>1,399</b>
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	15	-	-	47	62
Non-Metallic Mineral Products	-	13	49	68	130
Miscellaneous Manufacturing and Repairs	-	-	-	43	43
Industrial Estates	89	-	130	-	219
<b>Tourism</b>	<b>1,369</b>	<b>1,158</b>	<b>45</b>	<b>198</b>	<b>2,770</b>
Hotels and Lodging Places	133	-	-	100	233
Integrated Tourism Facilities	160	78	-	98	336
Tourism Supporting Services	1,076	1,080	45	-	2,201
<b>Transportation and Communication</b>	<b>1,741</b>	<b>361</b>	<b>406</b>	<b>2,980</b>	<b>5,488</b>
Transport:					
Main Roads and Bridges	223	24	-	-	247
Water Transport	462	-	327	75	864
Air Transport	575	256	79	2,880	3,790
Communication	481	81	-	25	587
<b>Power, Energy and Water</b>	<b>1,046</b>	<b>-</b>	<b>367</b>	<b>3,293</b>	<b>4,706</b>
Power and Energy:					
Electric Power	525	-	81	88	694
Alternative Energy	-	-	-	2,823	2,823
Water Supply	521	-	286	382	1,189
<b>Social Services</b>	<b>15,488</b>	<b>1,658</b>	<b>539</b>	<b>8,943</b>	<b>26,628</b>
Housing	392	-	108	71	571
Health	1,506	-	10	331	1,847
Education	13,590	1,658	421	8,541	24,210
<b>Multi-Sector and Other</b>	<b>103,405</b>	<b>6,035</b>	<b>722</b>	<b>67,944</b>	<b>178,106</b>
Urban Development	105	-	-	5,372	5,477
Disaster Rehabilitation	1,420	600	-	1,093	3,113
Distributive Trade	74	-	208	499	781
Structural Adjustment Programme	1,751	-	-	6,400	8,151
Other	100,055	5,435	514	54,580	160,584

## APPENDIX II-K

### GRANTS APPROVED (NET) BY COUNTRY AND BY YEAR(1970-2005)(\$'000)

Country	1970-1999	2000	2001	2002	2003	2004	2005	Total
Anguilla	1,122	36	17	24	15	18	41	1,273
Antigua and Barbuda	5,149	59	13	6	4	8	21	5,260
Bahamas	371	78	-	33	114	149	27	772
Barbados	902	49	17	21	27	100	136	1,252
Belize	11,170	184	3,322	92	2307	13	-	17,088
British Virgin Islands	917	9	-	-	-	-	-	926
Cayman Islands	176	-	-	-	-	-	-	176
Dominica	12,019	142	2,131	28	1,420	6,415	373	22,528
Grenada	11,130	666	1,898	150	1,427	820	269	16,360
Guyana	13,704	409	6,826	417	4,209	38	455	26,058
Jamaica	2,156	354	41	1,012	119	272	124	4,078
Montserrat	4,638	11	1,082	10	658	81	9	6,489
St. Kitts and Nevis	9,470	104	1,133	211	828	81	242	12,069
St. Lucia	11,310	190	2,768	203	2,345	31	12	16,859
St. Vincent and the Grenadines	11,101	204	2,756	259	1,546	339	128	16,333
Trinidad and Tobago	283	15	-	26	16	126	7	473
Turks and Caicos Islands	1,995	-	735	-	461	14	8	3,213
Regional:								
LDC Focus	10,654	167	84	417	253	33	13	11,621
MDC Focus	826	-	-	-	-	-	-	826
LDC/MDC Focus	22,606	2,369	13,371	3,354	13,375	1,453	4,709	61,237
<b>Total</b>	<b>131,699</b>	<b>5,046</b>	<b>36,194</b>	<b>6,263</b>	<b>29,124</b>	<b>9,991</b>	<b>6,574</b>	<b>224,891</b>
LDCs	80,197	1,605	15,855	983	11,011	7,820	1,103	118,574
MDCs	17,416	905	6,884	1,509	4,485	685	749	32,633
Regional	34,086	2,536	13,455	3,771	13,628	1,486	4,722	73,684

Cancellations are applied to the year of approval.

## APPENDIX III

### RESOLUTIONS OF THE BOARD OF GOVERNORS DURING 2005

<b>NO.</b>	<b>SUBJECT</b>	<b>DATE OF ADOPTION</b>
1/05	Audited Financial Statements and Reports of the Independent Accountants	May 18, 2005
2/05	Allocation of Net Income	May 18, 2005
3/05	Expenses of Governors and Alternates Attending Meetings of the Board of Governors	May 18, 2005
4/05	Selection of External Auditors	May 18, 2005
5/05	Place and Date of Thirty-Sixth (2006) Annual Meeting	May 18, 2005
6/05	Election of Officers of the Board of Governors	May 18, 2005
7/05	Appreciation	May 19, 2005

## MEMBER COUNTRIES

### REGIONAL

#### BORROWING MEMBER COUNTRIES

Anguilla  
Antigua and Barbuda  
The Bahamas  
Barbados  
Belize  
British Virgin Islands  
Cayman Islands  
Dominica  
Grenada  
Guyana  
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  
China  
Germany  
Italy  
United Kingdom

## ABBREVIATIONS

APEC .....	Audit and Post Evaluation Committee
BMC .....	Borrowing Member Country
bn .....	Billion
BNTF .....	Basic Needs Trust Fund
CARICOM .....	Caribbean Community
CARTAC .....	Caribbean Technical Assistance Centre
CDB .....	Caribbean Development Bank
CFD .....	Caribbean Forum for Development
CPAs .....	Country Poverty Assessments
CSME .....	CARICOM Single Market and Economy
CSOs .....	Civil Society Organisations
CTCS .....	Caribbean Technological Consultancy Services Network
CWIQ .....	Core Welfare Indicators Questionnaire
DMFC .....	Disaster Mitigation Facility for the Caribbean
DFI .....	Development Finance Institution
HRD .....	Human Resource Development
ICC .....	International Cricket Council
IDB .....	Inter-American Development Bank
LDCs .....	Less Developed Countries
MDGs .....	Millennium Development Goals
mn .....	Million
OCR .....	Ordinary Capital Resources
PRS .....	Poverty Reduction Strategies
SDF .....	Special Development Fund
SDF(U) .....	Special Development Fund (Unified)
SFR .....	Special Funds Resources
SLS .....	Student Loan Scheme
SMEs .....	Small and Medium-Size Enterprises
SPs .....	Sub-Projects
TA .....	Technical Assistance
UK .....	United Kingdom
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, 2005, CDB's Board of Governors was as follows:

**Dr. the Hon. Omar Davies**  
**Hon. Pierre Pettigrew**  
**Mr. Nelson Merentes**

**Jamaica**  
**Canada**  
**Venezuela**

**Chairman**  
**Vice-Chairman**  
**Vice-Chairman**

### COUNTRY

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

### GOVERNOR

Hon. Kenneth Jefferson, J.P.  
*Financial Secretary  
Portfolio of Finance and Economics  
Cayman Islands*

### ALTERNATE GOVERNOR

Hon. Victor Banks  
*Minister of Finance, Economic Development,  
Investment and Commerce  
Anguilla*

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### COUNTRY

**ANTIGUA AND BARBUDA**

### GOVERNOR

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

### ALTERNATE GOVERNOR

Mr. Whitfield Harris Jr.  
*Financial Secretary*

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### COUNTRY

**THE BAHAMAS**

### GOVERNOR

Hon. James H. Smith, CBE  
*Minister of State  
Ministry of Finance*

### ALTERNATE GOVERNOR

Hon. Leslie O. Miller, MP  
*Minister of Trade and Industry*

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### COUNTRY

**BARBADOS**

### GOVERNOR

Rt. Hon. Owen S. Arthur  
*Prime Minister and Minister of  
Finance and Economic Affairs*

### ALTERNATE GOVERNOR

Mr. Grantley Smith  
*Director of Finance and Economic Affairs*

### COUNTRY

**BELIZE**

### GOVERNOR

Hon. Mark Espat  
*Minister of National Development,  
Investment and Culture*

### ALTERNATE GOVERNOR

Hon. José Coye  
*Minister of Public Service,  
Works and Transport*

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### COUNTRY

**CANADA**

### GOVERNOR

Hon. Pierre Pettigrew  
*Minister of Foreign Affairs  
Department of Foreign Affairs and International Trade*

### ALTERNATE GOVERNOR

Mr. Alister Smith  
*Associate Vice-President  
Multilateral Programmes Branch  
Canadian International Development Agency*

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### COUNTRY

**COLOMBIA**

### GOVERNOR

Dr. Alberto Carrasquilla  
*Minister of Finance and Public Credit*

### ALTERNATE GOVERNOR

Dr. José Uribe Escobar  
*Governor  
Banco de la Republica*

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### 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*

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**COUNTRY**  
**GRENADA**

**GOVERNOR**

Hon. Anthony Boatman  
*Minister of Finance, Trade and Planning*

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**COUNTRY**  
**GUYANA**

**GOVERNOR**

H.E. Mr. Bharrat Jagdeo  
*President*

**ALTERNATE GOVERNOR**

Hon. Saisnarine Kowlessar  
*Minister of Finance*

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**COUNTRY**  
**ITALY**

**GOVERNOR**

Mr. Giulio Tremonti  
*Minister of the Economy and Finance*

**ALTERNATE GOVERNOR**

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

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**COUNTRY**  
**JAMAICA**

**GOVERNOR**

Dr. the Hon. Omar Davies  
*Minister of Finance and Planning*

**ALTERNATE GOVERNOR**

Dr. Wesley Hughes  
*Director General  
Planning Institute of Jamaica*

**COUNTRY**  
**MEXICO**

**GOVERNOR**

Mr. Francisco Gil Díaz  
*Secretary of Finance and Public Credit*

**ALTERNATE GOVERNOR**

Mr. Alonso Garcia Tamés  
*Under-Secretary of Finance and Public Credit*

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**COUNTRY**  
**PEOPLE'S REPUBLIC OF CHINA**

**GOVERNOR**

Mr. Zhou Xiaochuan  
*Governor  
People's Bank of China*

**ALTERNATE GOVERNOR**

Mr. Li Ruogu  
*Vice-Governor  
People's Bank of China*

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**COUNTRY**  
**ST. KITTS AND NEVIS**

**GOVERNOR**

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

**ALTERNATE GOVERNOR**

Hon. Vance Amory  
*Premier and Minister of Finance,  
Nevis Island Administration*

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**COUNTRY**  
**ST. LUCIA**

**GOVERNOR**

Dr. the Hon. Kenny D. Anthony  
*Prime Minister and Minister for Finance,  
Economic Affairs and Information*

**ALTERNATE GOVERNOR**

Mr. Trevor Brathwaite  
*Permanent Secretary  
Ministry of Finance,  
International Financial Services and Economic 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 (TA), 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, 2005, CDB's Board of Directors was as follows:

### CHAIRMAN

Dr. Compton Bourne, President

DIRECTOR	ALTERNATE DIRECTOR	COUNTRY OR GROUP OF COUNTRIES
<b>Regional</b>		
Mr. Locksley Smith	Mrs. Carol Nelson	Jamaica
Mr. Joseph Howard	Mr. Maurice Suite	Trinidad and Tobago
Mrs. Ruth Millar	Mr. George Rodgers	The Bahamas
Mr. Alberto de Brigard	Mr. Adolfo Meisel	Colombia
Mrs. Vanessa Rubio Márquez	Mrs. Susana Durán Payán	Mexico
Mrs. Heidi González	Mr. Alfredo Michelena	Venezuela
Ambassador Havelock Brewster	Mr. Clyde Roopchand	Guyana
Mr. Bentley Gibbs	Mr. Eric Brathwaite	Barbados
Hon. John R.S. Skerritt	Dr. Carla Barnett	Belize and Anguilla, British Virgin Islands, Cayman Islands, Montserrat and the Turks and Caicos Islands
Mr. Wendell Lawrence	Mr. Whitfield Harris, Jr.	Antigua and Barbuda and St. Kitts and Nevis
Mrs. Rosamund Edwards	Mr. Isaac Anthony	Dominica and St. Lucia
Mr. Maurice Edwards	Mr. Crispin Frederick	Grenada and St. Vincent and the Grenadines
<b>Non-Regional</b>		
Ms. Kathryn Dunlop	Ms. Tracie Howatt	Canada
Ms. Sandra Pepera	Mr. Graeme Buckley	United Kingdom
Mr. Alessandro Legrottaglie	Mr. Pablo Facchinei	Italy
Mr. Uwe Wolff	Dr. Julia Lehmann	Germany
Mrs. Jin Qi	Ms. Wang Lin	People's Republic of China

# PRINCIPAL OFFICERS OF CDB

(AS OF DECEMBER 31, 2005)

## OFFICE OF THE PRESIDENT

President

**DR. COMPTON BOURNE**

Deputy Director, Evaluation and Oversight

**MISS ANNE BRAMBLE**

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## 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**

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## OPERATIONS

Vice-President

**MR. P. DESMOND BRUNTON**

Director, Economics

**MR. ALAN SLUSHER**

Director, Projects

**MR. CARLSON GOUGH**

Division Chief, Project Financing

**MRS. YVONNE MOSES GRANT**

Division Chief, Project Supervision

**MRS. TESSA WILLIAMS-ROBERTSON**

Division Chief, Private Sector Development

**MR. ANTHONY MAUGHN**

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## CORPORATE SERVICES

Director, Information and Technology Management Services

**MR. MARK TAITT**

Deputy Director, Information and Technology Management Services

**DR. KATHLEEN GORDON**

Deputy Director, Human Resources and Administration

**MISS JENNIFER COURTENAY**

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## LEGAL

General Counsel

**MR. DOUGLAS LEYS**

Deputy General Counsel

**MRS. YVETTE LEMONIAS-SEALE**

## DEPOSITORIES AND CHANNELS OF COMMUNICATION

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

\* Eastern Caribbean Central Bank

<b>COUNTRY</b>	<b>DEPOSITORY</b>	<b>CHANNEL</b>
<b>Colombia</b>	Banco de la Republica Carrera 7a, Numero 14-18 Oficina Principal Bogota Colombia	General Manager Carrera 7a, Numero 14-18 Oficina Principal Bogota Colombia
<b>Dominica</b>	*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
<b>Germany</b>	Deutsche Bundesbank P.O. Box 10 06 02 Wilhelm-Epstein Strasse 14 Postfach 12 03 22 Deutschland	Bundesministerium fur Wirtschaftliche Zusammenarbeit und Entwicklung (BMZ) Referat 402 D-53045 Bonn Deutschland
<b>Grenada</b>	*ECCB P.O. Box 89 Headquarters Building Basseterre St. Kitts and Nevis	Permanent Secretary Ministry of Finance St. George's Grenada
<b>Guyana</b>	Bank of Guyana Avenue of the Republic Georgetown Guyana	Secretary to the Treasury Ministry of Finance P.O. Box 1073 Georgetown Guyana
<b>Italy</b>	Bank of Italy Casella Postale 2484 00100 Rome Italy	Ministry of the Economy and Finance, Rome Italy
<b>Jamaica</b>	Bank of Jamaica P.O. Box 621 Kingston Jamaica	Financial Secretary Ministry of Finance and Planning 30National Heroes Circle Kingston 4 Jamaica
<b>Mexico</b>	Banco de Mexico, S.A. Subgerencia de Control de Operaciones Area Internacional Edificio Guardiola 2 Piso 0659 Mexico, D.F. Mexico	International Financial Affairs Ministry of Finance and Public Credit Palacio Nacional s/n Patio Central, 4° Piso, Oficina 4037 Colonia Centro 06000 Mexico, D.F. Mexico
<b>Montserrat</b>	*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

\* Eastern Caribbean Central Bank

<b>COUNTRY</b>	<b>DEPOSITORY</b>	<b>CHANNEL</b>
<b>St. Kitts and Nevis</b>	*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
<b>St. Lucia</b>	*ECCB P.O. Box 89 Headquarters Building Basseterre St. Kitts and Nevis St. Lucia	Director of Finance Ministry of Finance and Economic Affairs Treasury Building Castries
<b>St. Vincent and the Grenadines</b>	*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
<b>Trinidad and Tobago</b>	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
<b>Turks and Caicos Islands</b>	FirstCaribbean Int'l. Bank Main Branch Grand Turk Turks and Caicos Islands	Permanent Secretary/Finance Ministry of Finance Front Street Grand Turk Turks and Caicos Islands

\* Eastern Caribbean Central Bank











## FIVE YEARS AT A GLANCE

	2001	2002	2003	2004	2005
<b>APPROVALS</b>					
New Capital Projects			-No-		
Approved for Loan Financing (of which OCR involved in)	20 (8)	16 (11)	20 (19)	10 (7)	13 (6)
Additional, Technical Assistance, Contingent Loans and Equity Approved	9	17	4	7	2
<b>-\$MN-</b>					
Gross Loans and Equity Approved (of which OCR accounted for)	106.0 (57.5)	122.1 (89.3)	192.5 (149.4)	113.5 (74.0)	146.2 104.3
Net Loans and Equity Approved	84.3	106.3	184.7	93.5	132.7
Amount Approved for Grants	34.9	6.8	5.0	10.1	6.6
<b>LOAN DISBURSEMENTS <sup>1/</sup></b>					
<b>-\$MN-</b>					
Amount Disbursed in OCR	62.0	74.0	79.7	170.9	93.9
Amount Disbursed in SFR	41.8	45.0	36.8	51.2	34.1
Total Disbursed	103.8	119.0	116.5	222.1	128.0
Net Transfers	25.5	25.8	32.2	122.2	20.4
<b>PORTFOLIO</b>					
<b>-\$MN-</b>					
OCR Loans Outstanding	423.3	463.0	513.0	637.1	678.8
SFR Loans Outstanding	348.8	370.4	392.3	423.8	437.6
Total Loans Outstanding	772.1	833.4	905.3	1,060.9	1,116.4
<b>FINANCIAL PERFORMANCE</b>					
<b>-\$MN-</b>					
Net Income on OCR <sup>2/</sup>	12.8	27.2	21.9	19.5	6.8
Net Income on SFR <sup>2/</sup>	8.4	5.6	4.7	0.4	0.7
<b>SUPERVISION</b>					
<b>-No-</b>					
Capital Projects under Supervision	256	271	285	291	294
Capital Projects under Implementation	112	123	124	117	111
Capital Projects Operational	144	148	161	174	183
Financial Intermediaries	23	25	22	21	21
<b>ADMINISTRATION</b>					
Total Staff in Place at Dec.31 (No.)	209	199	198	206	198 <sup>3/</sup>
Total Administrative Expenses (\$mn)	17.5	17.5	18.6	19.3	19.3
Administrative Expenses to Total Average Loans Outstanding (%)	2.4	2.2	2.0	1.8	1.8

<sup>1/</sup> Translated at rates effective at December 31 of each year.

<sup>2/</sup> Shown at historical exchange rates and before appropriations.

<sup>3/</sup> Excludes one frozen position.

**CARIBBEAN DEVELOPMENT BANK**

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