ANNUAL REPORT 2016

CARIBBEAN DEVELOPMENT BANK

Cover Photo: In Belize, a girl drinks from a tap during the inauguration of a new water system financed by CDB through the Social Investment Fund II on August 31, 2016. (Selwyn King / Belize Social Investment Fund)

PURPOSE

"The purpose of the Bank shall be to contribute to the harmonious economic growth and development of the member countries of the Caribbean (hereinafter called the Region) and to promote economic cooperation and integration among them, having special and urgent regard to the less developed members of the Region."

Article 1 - agreement Establishing the Caribbean Development Bank

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 Borrowing Member Countries and other development partners, towards the systematic reduction of poverty in their countries through social and economic development.

Wildey, St. Michael
Barbados, West Indies
May 24, 2017

Honourable Sharlene Cartwright-Robinson
Chairman
Board of Governors
Caribbean Development Bank

Dear Chairman

I enclose the Annual Report of the Caribbean Development Bank for the year ended December 31, 2016, which the Board of Directors, acting pursuant to Paragraph 2 of Article 38 of the Agreement establishing the Caribbean Development 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
Wm. Warren Smith, Ph.D., CD
President

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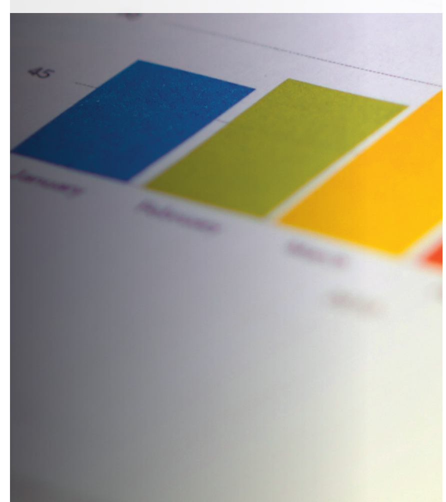


PRESIDENT'S STATEMENT

In 2016, the borrowing member countries (BMCs) of the Caribbean Development Bank (CDB) marked the start of implementation of The 2030 Agenda for Sustainable Development. This was in keeping with the global commitment to end poverty, while building inclusive and resilient societies.

Even as BMCs commenced the journey, there were stark reminders of the complexity of the development challenges they face. Economic growth was uneven and low, keeping unemployment and poverty levels uncomfortably high. Youth unemployment, now in excess of 30%, may be fuelling growing concerns about an uptick in crime levels and citizen insecurity. Meanwhile, low growth and slow progress in improving the "doing business" environment kept concerns about unsustainable fiscal balances and public debt at the forefront of policy discussions.

The challenges are daunting but not insurmountable. We applaud the proactive stance of some regional Governments to implement difficult adjustment programmes to reverse macroeconomic imbalances and build a platform for sustained growth and development. We urge BMCs to "stay the course" and to be vigilant, but mindful, of the need to provide adequate social safety nets and protect the most vulnerable groups in society. And we encourage others not to delay any longer the start of corrective action.

CDB, meanwhile, continued to work in close partnership with our BMCs to reduce poverty and begin the transformation necessary to achieve the Sustainable Development Goals (SDGs). This determination defined our priorities and accomplishments in 2016. We made major strides in deepening and leveraging strategic partnerships, in order to expand our resource reach—and with a strong focus on funding for climate adaptation and renewable energy/energy efficiency projects. We became, for example, an accredited partner institution of the Adaptation Fund and the Green Climate Fund (GCF), opening new gateways to much-needed grant financing to address climate change vulnerabilities in the BMCs. For the first time, we accessed, from Agence Française de Développement, a credit facility to support sustainable infrastructure projects and a grant to finance feasibility studies in eligible BMCs. We also entered into an arrangement with the Government of Canada for the establishment and administration of the CAD5 million (mn) Canadian Support to the Energy Sector in the Caribbean Fund.

We closed the year with the successful completion of negotiations for the ninth replenishment of the Special Development Fund (SDF), the Bank's largest pool of concessionary funds. Contributors agreed to a $355 mn programme for the period 2017-2020. Notably, the SDF interest rate was lowered from 2% and 2.5%, and unified at 1% in an effort to strengthen the Fund's overall competitiveness.

On the operational side, we surpassed our approval targets for loans and grants. Total approvals (including $45 mn in grants but excluding United Kingdom Caribbean Infrastructure Partnership Fund [UKCIF] approvals) reached $306 mn, compared with $292 mn in 2015. The Bank's Board of Directors approved 16 capital loans, two policy-based loans and 84 technical assistance interventions in 2016. The improved performance reflects, in part, the impact of our diversification strategy to reduce portfolio concentration risk and our efforts to strengthen project supervision and overall project portfolio performance.

Of note is the approval of $15.3 mn for the Bank's first geothermal project under the new CDB GeoSmart Initiative. Catalysing investments in geothermal and other renewable energy sources can unlock a better, cleaner, and more sustainable future for the people of the Caribbean. If exploratory and production-well-drilling results are favourable and feasibility is demonstrated, this could be a game-changer for St. Vincent and the Grenadines and other countries in the Organisation of Eastern Caribbean States (OECS) similarly endowed with geothermal energy.

Also of note is the operationalisation of the UKCIF, under which we approved five interventions totalling £16.4 mn in 2016. Investment in infrastructure, by facilitating improvements in productive capacity, competitiveness and exports, is an important catalyst for economic growth.

On the disbursement side, the Bank focused its efforts on strengthening project supervision and overall project portfolio performance. Total loan disbursements in 2016 stood at $154.8 mn.

CDB enjoyed a high credit rating in the capital markets. This rating, together with a broader strategy to diversify the Bank's investor base, paved the way for CDB to enter and secure a borrowing of $150 mn on the Swiss capital market during the year.

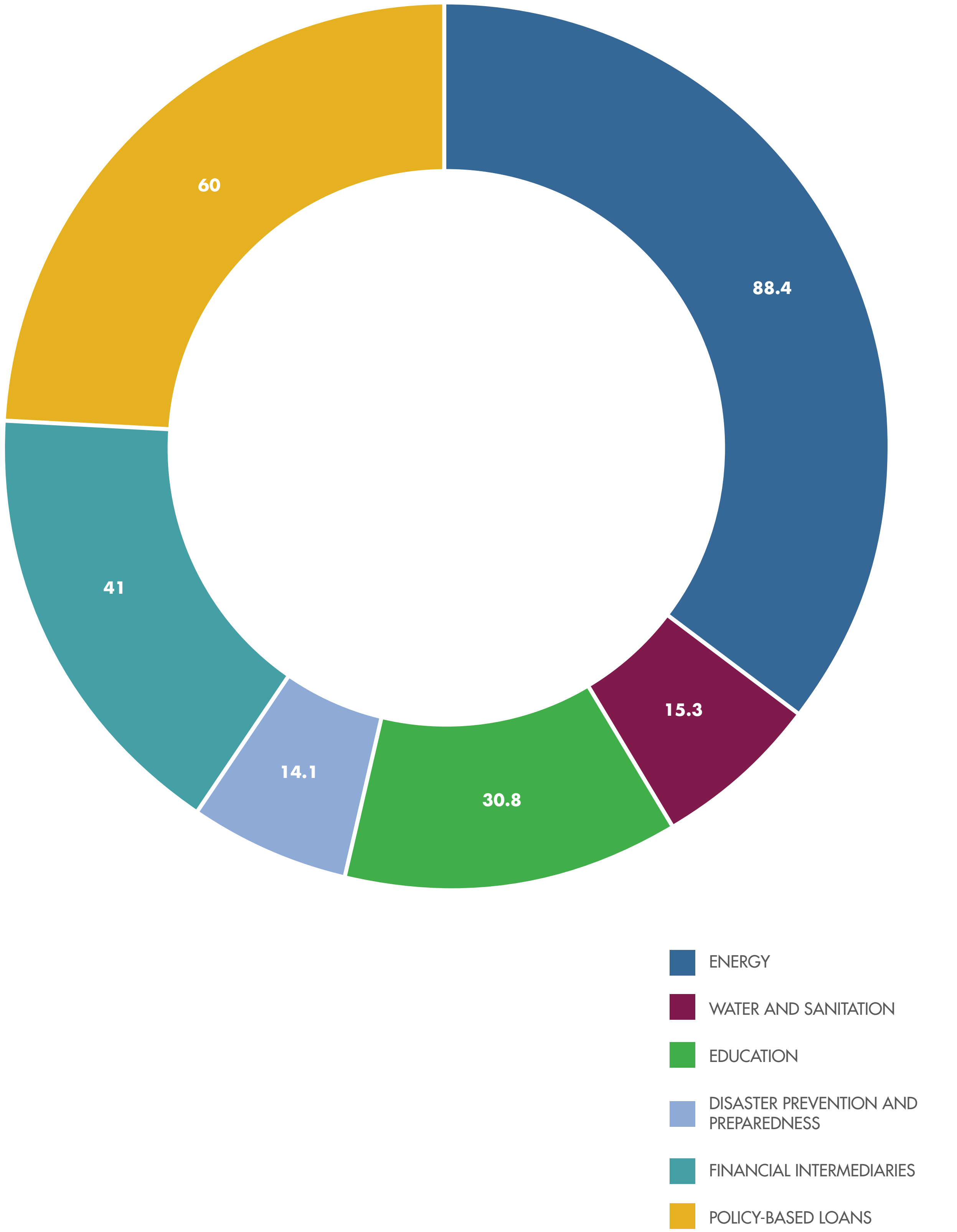
In general, CDB made good progress in 2016. Let me express appreciation to:

- the Boards of Governors and Directors for their stewardship;
- Contributors who, by agreeing to the ninth replenishment of the SDF, reaffirmed their support for the Bank and its poverty reduction programme;
- the development partners with whom we share a common interest in working with BMCs towards the attainment of the Sustainable Development Agenda and SDGs; and
- the dedicated Management and Staff who worked tirelessly with BMCs during the year to deliver needed financing and technical assistance.

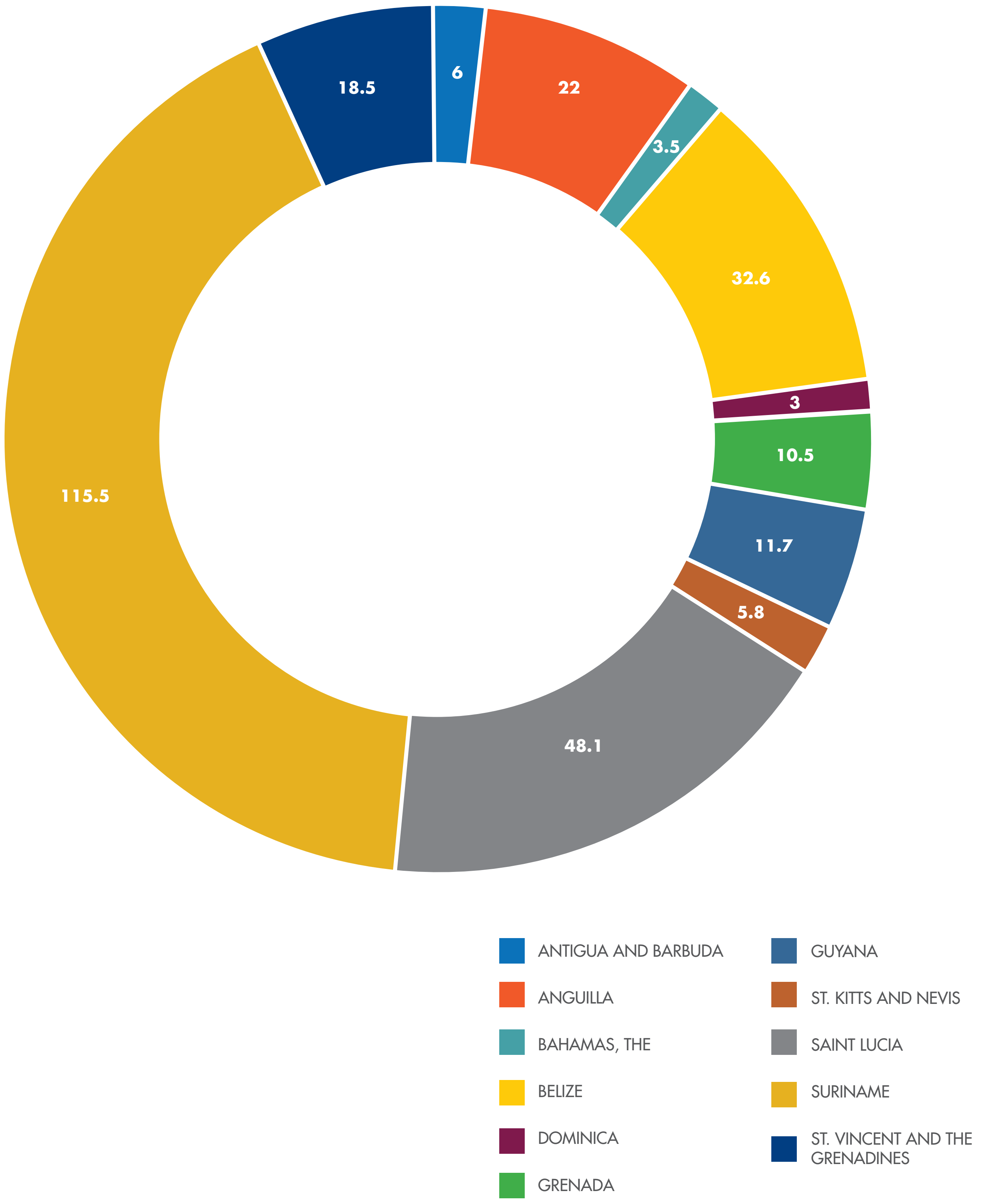
We will need this support again in 2017 to help create, shape, and build a sustainable future for every member of Caribbean society.

Wm. Warren Smith, Ph.D., CD
President

DISTRIBUTION OF LOANS BY SECTOR - 2016 ($ MN)



DISTRIBUTION OF LOANS BY COUNTRY - 2016 ($ MN)



SECTION 1

CARIBBEAN ECONOMIC REVIEW AND OUTLOOK

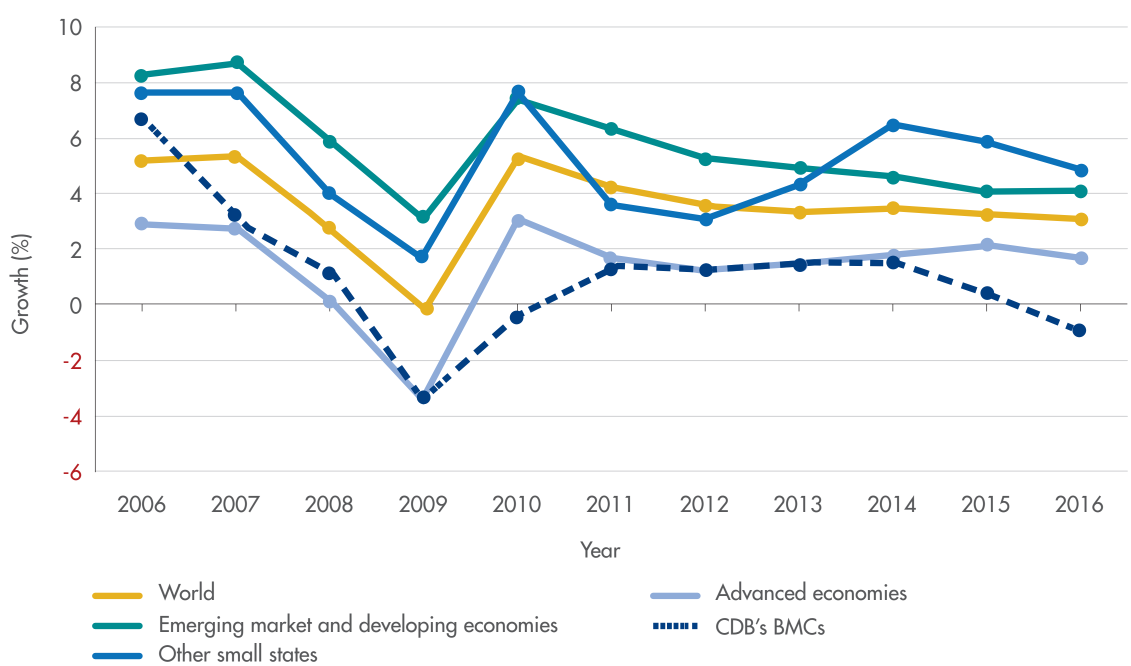
CARIBBEAN ECONOMIC REVIEW AND OUTLOOK

Caribbean economies experienced another challenging year in 2016. Economic performance in the larger commodity-producing countries was driven by the slow recovery of international commodity prices from their 2015 lows. The service-based economies fared better, where tourism and construction activities continued to grow.

In addition, low oil prices helped improve the current accounts of the balance of payments in many BMCs. However, natural disasters affected a number of countries, most significantly, Haiti. The loss of correspondent banking relationships (CBRs) in some countries continued to be problematic in 2016, leading to an increase in the costs of transactions, and threatening BMCs' ability to trade with the outside world. BMCs' debt dynamics were mixed in 2016, with some countries reducing their debt-to-GDP ratios via consolidation measures, while others faced an acceleration in their debt-to-GDP ratio to a worrying extent.

As Chart 1 shows, CDB's BMCs' real GDP growth underperformed when compared with other country groups. Since 2010, annual growth has averaged 0.8%[1]; while in other small states, growth averaged 4.7%. Much of this growth differential reflects a higher level of export diversification among other small states, underpinned by greater competitiveness.

CHART 1: GROWTH (%) IN REAL OUTPUT, 2006-2016



Sources: International Monetary Fund (IMF), CDB

[1]Regional real GDP growth is estimated at 1.2% when Trinidad and Tobago (which makes up about one-third of BMCs' total GDP) is excluded.

BMC PERFORMANCE IN 2016

The Region's five major commodity exporters — Belize, Guyana, Haiti, Suriname and Trinidad and Tobago – experienced weaker performance in 2016 than in 2015. Most significantly, Trinidad and Tobago's economy contracted by 5%, as output in the petroleum and hydrocarbon industries declined by 12.6%, mainly because of the effects of maturing oil and gas fields, ongoing major maintenance and overhaul activity, and weak prices. In addition, production of petrochemicals fell by 4.7%, and the manufacturing and services sectors also reported declines.

In Guyana, the economy grew by 2.6%, compared with 3.2% in 2015. Gold production rose significantly due to rising prices, incentives for small-scale miners, and the opening of a mine in late 2015. Bauxite production was also up. However, rice and sugar production fell, partly because of drought early in the year, as did manufacturing output.

In Belize, drought also affected the agriculture sector, causing citrus, banana and papaya production to decline. In the fisheries industry, shrimp production fell as a result of disease. With reserves exhausted, oil production slowed. No further exploration is currently planned. On the upside, tourism grew, driven by increases in the number of overnight and cruise-ship visitors. Overall, the economy contracted by an estimated 1.2%, compared with 2.9% growth in 2015.

The economy of Suriname contracted by an estimated 9% in 2016, following a 2.7% reduction in 2015. This was attributed to the closure of the alumina refinery in late 2015 and a reduction in oil production.

Severely impacted by Hurricane Matthew in early October 2016, Haiti's real growth rate slowed to 1.1%. Hurricane Matthew caused approximately $1.9 billion in infrastructure damages and affected more than 1.1 mn people.

Regional tourism activity improved in 2016, spurred by improved marketing campaigns and discretionary income in the major tourism source markets, reflecting improved employment conditions and low inflation. Most destinations recorded increases in total visitor arrivals, although the number of overnight visitors grew at a slower rate of 1.7% compared with 4% in 2015.

Antigua and Barbuda, and the Turks and Caicos Islands (TCI), experienced growth of more than 4%, as a result of the recovery in the tourism sector. Following two years of contraction, The Bahamas recorded modest growth of 0.3% in 2016, impacted, in part, by the effects of Hurricane Matthew. In Saint Lucia, tourist arrivals fell on account of a temporary reduction in hotel room stock; but increased construction activity helped to offset this decline. The Barbados economy grew by 1.6% (compared with 0.9% in 2015), based on a rise in long-stay arrivals of nearly 6% attributed to additional airlift, the refurbishment and expansion of the hotel room stock, and the 50th Anniversary of Independence celebrations. In Jamaica, both overnight and cruise-ship visitor numbers rose. This coincided with growth in the agriculture, construction and manufacturing sectors.

TABLE 1: GROWTH (%) IN REAL OUTPUT, 2012-2016*

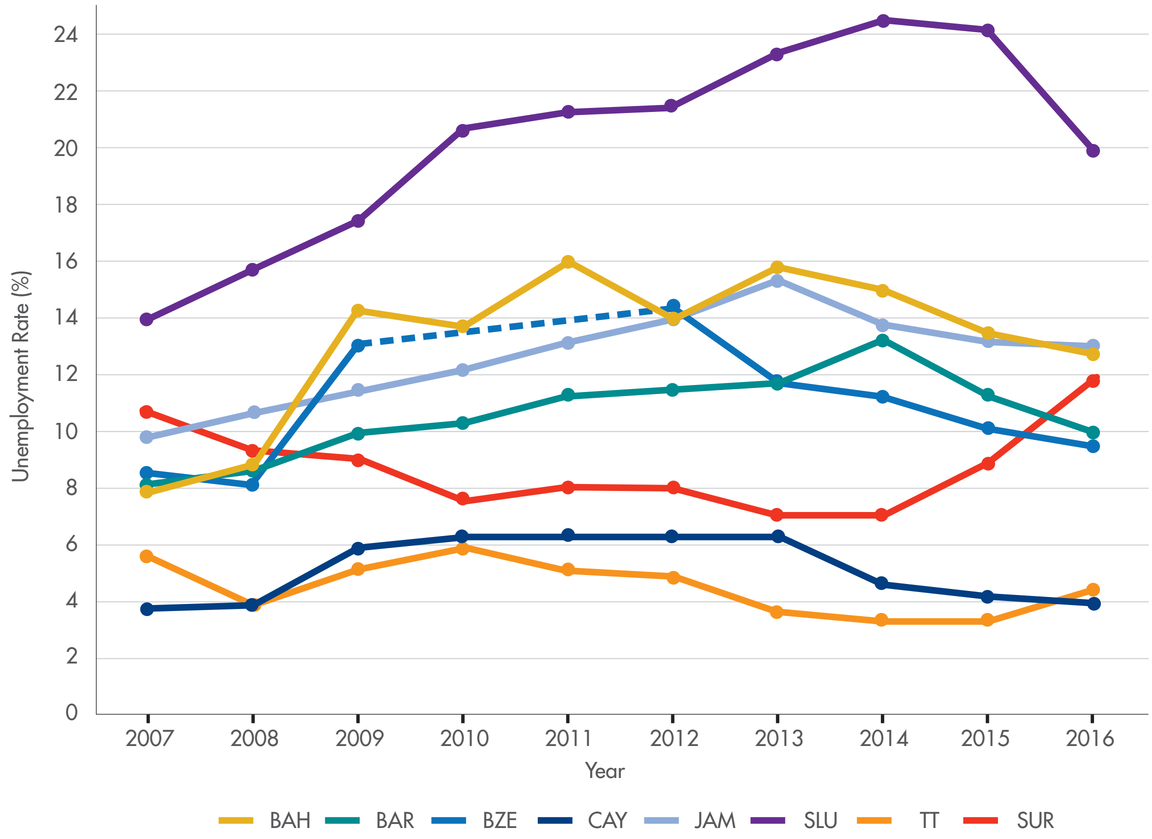
BMC	Weight (2015)	2012	2013	2014	2015	2016
ANG	0.40%	-1.9	0.5	5.6	2.8	3.8
ANT	1.77%	3.4	1.5	4.7	4.1	4.4
BAH	12.05%	3.1	0.0	-0.5	-1.7	0.3
BAR	6.45%	0.3	-0.1	0.2	0.9	1.6
BZE	2.24%	3.7	1.3	4.1	2.9	-1.2
BVI	1.34%	-4.6	-0.3	-0.3	0.9	2.2
CAY	4.94%	1.2	1.2	2.2	2.8	3.2
DOM	0.73%	-0.8	1.9	3.7	-1.8	0.9
GRE	1.12%	-1.2	2.4	7.3	6.2	3.2
GUY	3.16%	4.8	5.2	3.8	3.2	2.6
HAI	7.95%	2.9	4.2	2.8	1.2	1.1
JAM	17.68%	-0.5	0.2	0.5	0.9	1.7
MON	0.09%	3.5	2.0	3.7	-1.4	1.2
SKN	1.03%	-0.9	6.2	6.1	5.0	2.8
SLU	1.64%	-1.4	0.1	0.4	1.9	0.0
SVG	0.97%	1.3	2.5	0.2	0.6	2.8
SUR	4.68%	3.1	2.8	1.8	-2.7	-9.0
TT	30.65%	1.3	2.3	-1.0	-2.1	-5.0
TCI	1.11%	-2.5	1.3	4.6	5.1	4.4
All		1.2	1.4	1.5	0.4	-0.9
All excluding TT		1.2	1.3	1.3	0.6	0.8

Sources: National Statistics Offices, Central Banks and CDB
*Data for 2016 are preliminary estimates

EMPLOYMENT AND PRICES

Double-digit unemployment across the majority of the BMCs remains an area of concern for the Region. In Saint Lucia, increased construction activity helped the overall unemployment rate to fall to an estimated 20% in 2016 from 24.1% in 2015. The Bahamas, Barbados, Belize and Jamaica also reported declines. However, unemployment increased in Suriname and Trinidad and Tobago (Chart 2). Recent labour force surveys revealed high levels of unemployment in Grenada (28.6% in 2016) and St. Vincent and the Grenadines (25.1% in 2015).

CHART 2: ANNUAL AVERAGE / MID-YEAR UNEMPLOYMENT RATES, 2007-2016



Sources: National Statistics Offices, Central Banks
Notes: Rates for Cayman Islands, Saint Lucia and Trinidad and Tobago are as at mid-year. Rates for The Bahamas, Barbados, Belize, Jamaica and Suriname are annual averages.

Deflation persisted in Anguilla, Antigua and Barbuda, Cayman Islands, Dominica, and St. Vincent and the Grenadines; while inflation picked up elsewhere, as international commodity prices recovered slightly following their steep decline in 2015. In Trinidad and Tobago, inflation at the end of October was 2% (down from 2.4% the previous October), tempered by low aggregate demand. On one hand, in Jamaica, the end-December 2016 inflation rate of 1.7% was the lowest recorded since 1967. Suriname, on the other hand, witnessed inflation in excess of 60% by the end of December 2016 due to exchange rate adjustments and depreciation. Drought conditions caused inflation to increase in Belize, Guyana and Haiti.

EXTERNAL PERFORMANCE

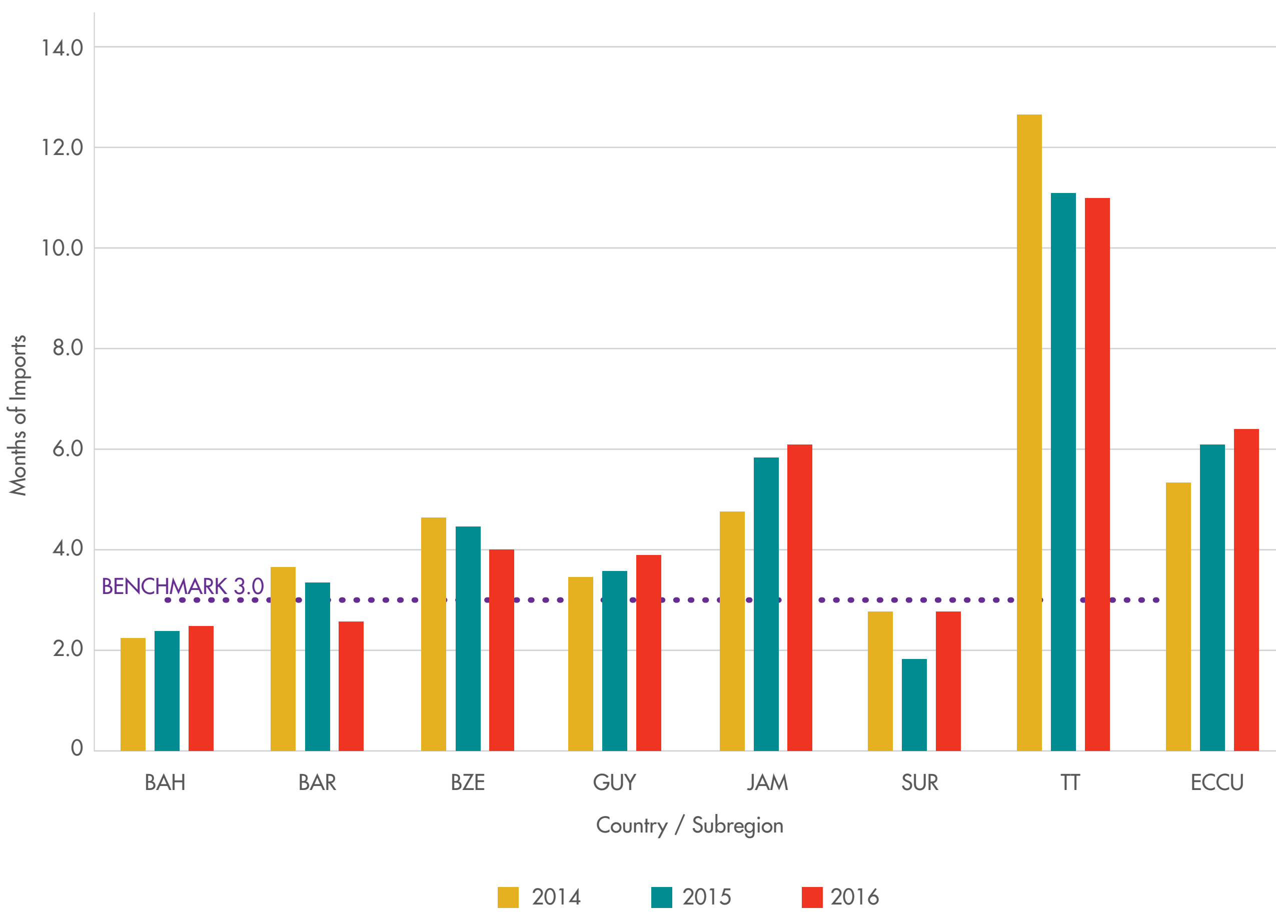
Trade performance in the BMCs was once again dominated by weak commodity prices. Trinidad and Tobago, the Region's largest oil and gas exporter, experienced a deterioration in its current account deficit, despite slight weakening in the exchange rate. However, increased foreign direct investment helped bring about an improvement in the overall balance of payments.

Belize's current account deficit worsened due to the sharp decline in oil exports, along with a reduction in agricultural products. Suriname's current account deficit stabilised as imports fell on account of the exchange rate depreciation, amid a reduction in commodity exports. In contrast, Guyana's current account deficit improved following an increase in gold exports that was accompanied by a fall in overall imports.

Many of the non-oil-producing BMCs experienced reductions in their current account deficits. Lower fuel prices and positive tourism performance contributed to reduced current account deficits in Barbados, Grenada, Jamaica, and St. Vincent and the Grenadines. These factors also helped keep the current account deficit stable in St. Kitts and Nevis, where inflows from the Citizenship by Investment (CBI) programme fell. In The Bahamas, the current account deficit widened, as the slight improvement in travel credits was offset by a deterioration in the goods balance.

These flows had implications for the stock position of foreign reserves across BMCs. The reserves position improved in Guyana, Jamaica and the Eastern Caribbean Currency Union (ECCU) member countries. More significantly, foreign reserves in The Bahamas, Barbados and Suriname were below the global benchmark of three months of import cover.

CHART 3: FOREIGN RESERVES (IN MONTHS OF IMPORTS)



Source: Caribbean Central Banks Statistical and Monetary Reports, 2016

MONETARY DEVELOPMENTS AND FINANCIAL STABILITY

The nominal growth of the monetary bases across the BMCs slowed, on average, relative to 2015, reflective of the benign inflationary environment and weak economic growth. On balance, credit growth remained sluggish in the midst of weak growth expectations. Jamaica was the exception to this trend. Buoyant household and private sector credit growth of 16% and 14.8%, respectively, was underpinned by an easing of credit conditions in Jamaica. Conversely, in the ECCU area, credit did not increase. This was in spite of the lowering of the minimum savings rate, which was intended to reduce costs to the banks and, therefore, encourage them to lend. Continuing its downward spiral, credit declined by 8.3% in 2016.

The regional banking system showed improved resilience in 2016, with satisfactory capitalisation (capital adequacy ratios above prudential guidelines) and marginal profitability. However, vulnerabilities persist across BMCs, with high but declining levels of non-performing loans. The loss of CBRs posed a threat to the viability of several domestic banks, amidst tighter lending conditions and increased oversight for anti-money laundering and combating the financing of terrorism.

FISCAL PERFORMANCE AND DEBT

High and/or rising levels of indebtedness remain a challenge for many BMCs, with increasing debt service payments crowding out productive expenditure that is critically needed to stimulate growth. Table 2 shows that debt-to-GDP ratios in five BMCs fell in 2016. Grenada and Jamaica benefited from reform programmes that are being implemented with support from CDB, IMF and other international financial institutions and donors. Both countries recorded primary surpluses in 2016; with Grenada achieving an overall fiscal surplus for the first time in a decade. Their tax and non-tax revenues rose, while expenditures, including the wage bill, were contained. In November, Jamaica's sovereign credit rating was upgraded by Moody's to B3 from Caa2. Jamaica replaced its IMF Extended Fund Facility with a three-year precautionary Stand-by Arrangement (SBA), signalling its intention to continue its fiscal reform programme. Similarly, Grenada met all of the targets under the IMF Extended Credit Facility, with improved revenue performance and falling public debt-to-GDP reflective of enhanced revenue administration and continued debt restructuring.

The debt burden also fell in St. Kitts and Nevis owing to scheduled principal repayments and lower interest costs, against a backdrop of lower government revenues (including from CBI). In Antigua and Barbuda, proceeds from the Citizenship by Investment Programme enabled the debt-to-GDP ratio to fall. The debt-to-GDP ratio fell in Guyana, due to continued economic growth; and also in the Cayman Islands and TCI, where actual debt levels fell.

Elsewhere, debt-to-GDP ratios increased. In Suriname, the IMF SBA approved in May 2016 supported fiscal adjustment that had begun in late 2015. However, following the implementation of some planned reforms, progress slowed. For example, the growth in revenues was constrained by the freezing of fuel pump prices and partial reversal of the increase in electricity tariffs. The fiscal deficit fell in comparison to the previous year, but not enough to prevent public debt from increasing.

In Anguilla, where a small fiscal surplus was recorded, the main reason for additional debt was funding of the bank resolution programme. In Barbados and The Bahamas, fiscal deficits fell because capital expenditure was reduced to accommodate rising current expenditure. In Barbados, interest payments and the public-sector wage bill accounted for 47% of total spending in the first nine months of the financial year 2016/2017. Revenue collections in the same period fell, set against a background of weak domestic demand and erosion of the revenue base. In The Bahamas, recovery expenditure following Hurricane Matthew was estimated at 7% of GDP.

Belize recorded a small primary surplus in 2016, on account of a reduction in capital expenditure. However, the debt-to-GDP ratio rose as a result of a one-off payment associated with a nationalised utility. With concerns about financing future expenditure, Belize approached creditors to renegotiate the terms of its commercial external debt. This prompted a credit downgrade to CCC+ from B- by Standard and Poor's.

TABLE 2: DEBT/GDP RATIO 2015-2016

	2015	2016	Change in %	Primary Balance (% of GDP)	Real GDP growth
BAR	140.4	145.3	4.9	0.1	1.6
JAM	124.8	120.3	-4.5	7.0	1.7
ANT	99.1	93.6	-5.5	7.0	4.4
BZE	81.9	90.0	8.1	-1.2	-1.2
GRE	94.3	89.2	-5.1	3.5	3.2
DOM	85.5	87.7	2.2	0.0	0.9
SLU	77.0	81.1	4.1	2.8	0.0
SKN	70.7	67.2	-3.5	1.9	2.8
BAH	64.4	65.9	1.5	-0.2	0.3
TT	52.1	56.6	4.5	-9.4	-5.0
SUR	43.5	52.0	8.5	-5.3	-9.0
GUY	48.6	46.4	-2.2	-2.9	2.6
ANG	24.6	44.3	19.7	3.3	3.8
HAI	30.1	33.6	3.5	-1.0	1.1

Sources: IMF World Economic Outlook Database, CDB estimates.

OUTLOOK

The IMF is forecasting that global growth will pick up in 2017 to reach 3.4% from 3.1% in 2016. Contrasting growth paths are forecast for the BMCs' major trading partners – the United States (1.9%), the United Kingdom (0.8%), Canada (1.5%), the Eurozone (1.6%) and China (6.4%). Risks to the global forecast are tilted on the downside in terms of the policy uncertainties surrounding the recently elected government in the United States; slowing productivity growth in the advanced economies and the likely volatility in capital flows and cost of borrowing surrounding the normalisation of U.S. interest rates; and slowdown in China that is more severe than expected.

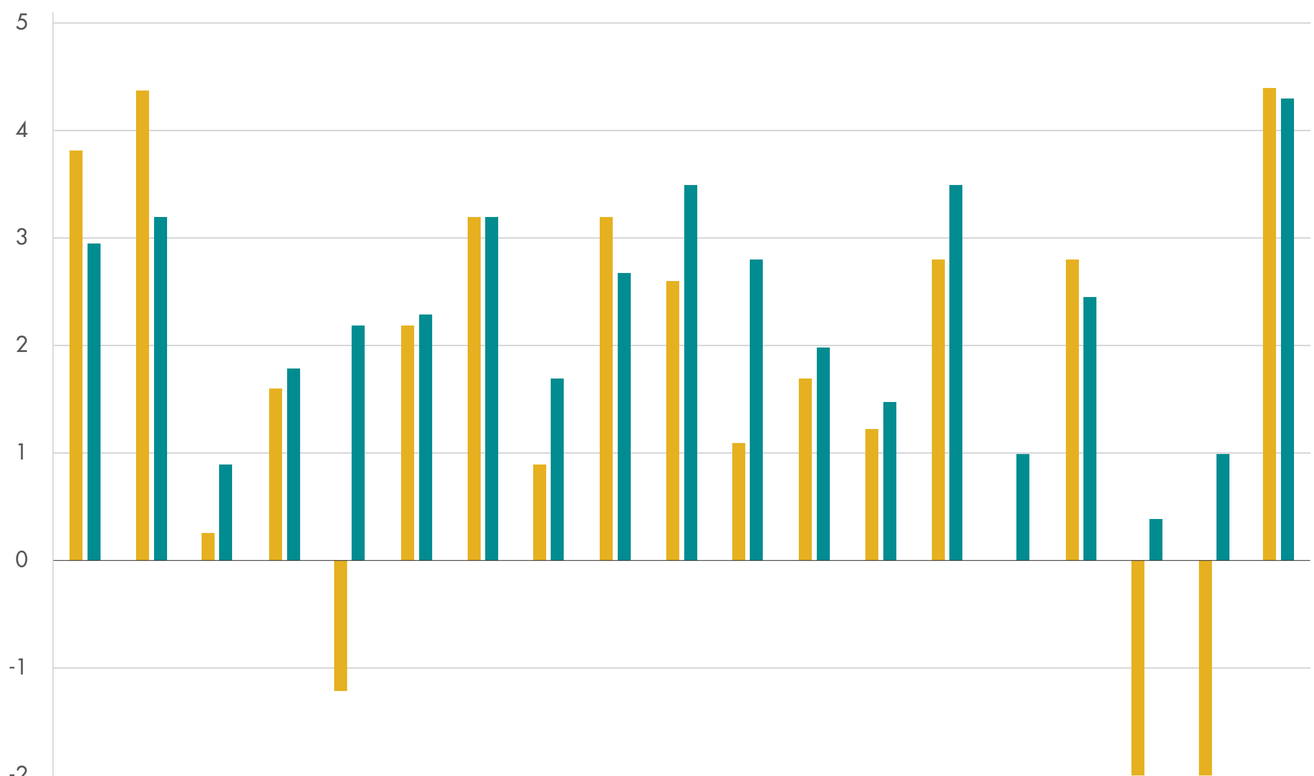
At the regional level, economic recovery of 1.7% is projected for 2017. This is predicated on a return to positive growth in Trinidad and Tobago. Notwithstanding, the risks to the outlook are tilted on the downside. Domestic headwinds to growth reside with the legacy effects of the Zika virus (although no longer an international epidemic) in redirecting tourist arrivals away from the Region; and the loss of CBRs, which could affect financial stability. In addition, there are the perennial risks of natural disasters and other weather-related challenges.

Growth in all of CDB's BMCs is projected for 2017 (see Chart 4). The projected 1% real GDP growth in Trinidad and Tobago will be driven by improvements in energy prices; investments slated for energy projects; and higher natural gas output.

The performance of Guyana and Suriname is expected to improve in 2017, commensurate with a gradual recovery in commodity prices. In Belize, recovery in agriculture and fisheries is expected. Real GDP growth is projected to range from 0.4% in Suriname to 3.5% in Guyana, where increased gold output and recovery in the agriculture and forestry sectors are expected.

In the tourism-dependent economies, real GDP growth is projected to range from 0.9% in The Bahamas to 4.3% in TCI, driven largely by increased tourist arrivals and buoyant investment in infrastructure. Improvements in the agriculture sector are projected for Grenada and Jamaica.

CHART 4: GDP GROWTH - 2016 AND 2017



	ANG	ANT	BAH	BAR	BZE	BVI	CAY	DOM	GRE	GUY	HAI	JAM	MON	SKN	SLU	SVG	SUR	TT	TCI
2016	3.8	4.4	0.3	1.6	-1.2	2.2	3.2	0.9	3.2	2.6	1.1	1.7	1.2	2.8	0.0	2.8	-9.0	-5.0	4.4
2017	2.9	3.2	0.9	1.8	2.2	2.3	3.2	1.7	2.7	3.5	2.8	2.0	1.5	3.5	1.0	2.5	0.4	1.0	4.3

Sources: CDB estimates

POLICY DISCUSSION

There are a number of key imperatives. Chief among these is the need to intensify policy actions that generate sustainable and more inclusive economic growth. The economies must be environmentally sustainable and adaptable to climate change. Additionally, they must provide, especially for young people, employment opportunities that reflect the changing way in which the world is working; by, for example, being complimentary to automation and artificial intelligence.

To achieve this shift requires an action plan that promotes regional participation in the global supply chains and increased employment opportunities. Policymakers must tackle the obstacles to growth by improving the doing-business environment; enabling better access to financing for micro, small and medium enterprises (MSMEs); and implementing labour market reforms, including making it easier for young people and women to work in all sectors. All of these measures could increase productivity and enhance competeiveness.

The benefits of positive growth outcomes should be enjoyed by all. These outcomes can be achieved through targeting the SDGs. The Region needs improvements in social development in the areas of quality education and good housing. Policies and institutions should quickly and accurately target where support is needed, and continuously evaluate and improve their performance.

Economic stability is a precondition for breaking out of the unhappy cycle of high debt and low growth. Evidence suggests that a high debt burden compromises economic stability, a country's economic growth agenda and government's ability to support social programmes. With limited resources available to achieve desired outcomes, fiscal discipline is crucial. With that in mind, robust institutions and frameworks to manage public finances must be in place. Expenditure reforms should include adoption of fiscal rules (as was done recently in Grenada); close monitoring and streamlining of state-owned enterprises and parastatal companies to limit transfers; and better targetting of social expenditure to reduce subsidies. Reforms should have the objective of ensuring that revenue-generating systems are simple and equitable, can finance government operations, and promote economic efficiency. In relation to promoting economic efficiency, revenue-generating systems have to be configured to facilitate trade and competitiveness.

Public debt management should be improved, including the implementation of debt management strategies that focus on minimising cost and risks. Additionally, given the vulnerabilities to natural disasters, it is important for countries to use revenue windfalls to set up contingency or sovereign wealth funds to build greater economic and social resilience. Windfalls are not permanent, so they should be used to create buffers against unanticipated adverse events to protect economies.

A number of structural reforms can be readily undertaken to enhance inclusive growth. Such reforms should help businesses grow, reduce barriers to trade and strengthen the financial sector. For example, by introducing and then widening the scope of its credit bureau, Guyana has started to address the problem of access to finance for MSMEs. This was one reason that Guyana rose from 140th to 124th in the 2016 World Bank Doing Business ranking. Jamaica remains the highest ranked BMC, at 67 of 190 countries. In recent years, Jamaica has implemented a number of reforms aimed specifically at facilitating business: easier property registration; reduced port transit times through technology improvements; easier tax filing through the use of e-filing; and a wider range of assets that can be used as collateral.

The Region should encourage public private partnerships (PPPs) to help unlock value from underutilised assets. Reforms should facilitate and promote green energy production, provide incentives for raising capital, for example, on the junior stock exchange markets, and enhance venture capital ecosystems. Efforts can also be made to engage the Region's vast diaspora in the growth agenda.

A significant platform for consistent positive growth outcomes is good governance. A well-functioning system can effect change through open and enlightened policymaking, a professional and accountable bureaucracy, and a strong civil society participating in public affairs. Systems of government should be transparent, and foster inclusion, security and growth. Moreover, government operations and resources should be managed in such a way to promote good value for money.

SECTION 2

OPERATIONS

OPERATIONS

CLIMATE ADAPTATION AND MITIGATION

As an accredited regional implementing entity for both the GCF and Adaptation Fund, the Bank now has the opportunity to access, and make available to its BMCs, even more lower-cost resources for investment projects, as well as grants to support their design.

Consistent with its climate resilience focus, CDB introduced climate risk screening for all investment projects and country strategies, and maintained its focus on building internal technical capacity to allow climate considerations to be incorporated into its work. With support from the European Investment Bank (EIB) and the World Bank, CDB delivered in-house seminars and workshops, and developed guidance tools on climate change topics. These were designed to sensitise and improve the technical capacity of Operations staff to mainstream climate considerations in the Bank's work. In November, CDB partnered with the Inter-American Development Bank (IDB) to host a Regional Policy Dialogue on environment licensing and enforcement in Kingston, Jamaica.

As it seeks to build resilience to natural hazards, climate variability and change, the Bank continued to provide technical assistance grants for national and regional capacity-building. Interventions included:

- development of a natural hazard profile and a "safe school" programme in Guyana;
- post-disaster training and needs assessment in Jamaica;
- strengthening of the procurement policy and procedures of the Caribbean Disaster Emergency Management Agency; and
- establishment of a national disaster early-warning system in St. Vincent and the Grenadines.

Under the Community Disaster Risk Reduction Fund, the Bank approved two new projects for implementation— Establishing Flood-Resilient SMART Communities in the British Virgin Islands and Building Adaptive Capacity and Resilience to Climate Change in the Toledo District in Belize.

The Bank provided Emergency Relief Grants to The Bahamas, Belize and Haiti to finance emergency supplies and services following the passage of Hurricane Earl. A $3.5 mn grant that was used to pay the annual insurance premium to the Caribbean Catastrophe Risk Insurance Facility on behalf of the Government of Haiti, yielded a $23.4 mn payout in the aftermath of Hurricane Matthew, which had devastating impacts on the south of the country in October.

RENEWABLE ENERGY AND ENERGY EFFICIENCY

CDB reached an important milestone in 2016 with the utilisation of a new risk mitigation financial instrument for geothermal energy development, comprising financing mobilised under CDB's GeoSmart Initiative. St. Vincent and the Grenadines was the first recipient of funding for a Geothermal Drilling Project, with the approval of a grant of £4 mn (UK Department for International Development resources to CDB for the specific purpose) and a $9.5 mn contingently recoverable grant to a Special Purpose Vehicle operating as a PPP. The grant contribution to the Project would constitute the Government of St. Vincent and the Grenadines' equity contribution to the company. The contingently recoverable grant, financed from Clean Technology Fund grant resources through IDB, would convert to a concessional loan if exploratory drilling yielded commercially adequate amounts of steam for a viable geothermal plant.

BMCs responded well to the launch of the Bank's streetlight retrofitting product. The availability of resources for co-financing under the EIB Climate Action Line of Credit (CALC) increased the concessionality of the CDB loans. Loans were approved for Antigua and Barbuda, St. Kitts and Nevis and Saint Lucia, with the cumulative potential to change more than 46,000 street lamps from existing energy-intensive lamps to LED lamps, which are estimated to be 50% more efficient. Potential benefits include energy savings of more than 16,000 megawatt hours annually and the corresponding reduction in greenhouse gas emissions (carbon dioxide) of up to 10,700 tonnes across the three countries. These projects will contribute to the countries' achievement of their Nationally Determined Contributions to emission reduction, under United Nations Framework Convention on Climate Change agreements.

The Basic Needs Trust Fund (BNTF) also made its contribution to energy savings through the provision of grant financing in Belize and Guyana for seven small solar photovoltaic (PV) installations serving hinterland sites with more reliable water supplies and two for primary schools.

ECONOMIC INFRASTRUCTURE

During 2016, the Bank approved:

- Seven new capital and eight new technical assistance interventions for economic infrastructure development in Antigua and Barbuda, The Bahamas, Belize, Dominica, Grenada, Saint Lucia, and St. Vincent and the Grenadines;

- Two regional technical assistance projects addressing climate change adaptation in the road transport and water supply sectors; and

- A natural disaster management project in St. Vincent and the Grenadines with the expected outcome of reduced vulnerability of select communities to extreme rainfall and other climate change impacts.

Overall, new approvals were in the energy, water and sanitation, and road transport sectors.

Ongoing infrastructure projects included the construction and upgrading of approximately 25 km of roads, benefitting approximately 20,000 men, women, boys and girls. CDB also installed 2,800 cubic metres (m^3) of water capacity, benefitting 1,600 households.

Energy

In addition to the three new street lighting projects in Antigua and Barbuda, St. Kitts and Nevis, and Saint Lucia, and the geothermal project in St. Vincent and the Grenadines, CDB approved a capital project to upgrade and expand the electricity system in Suriname. The project is expected to improve reliability, enhance capability and increase the operational flexibility of the power company's sub-transmission and distribution network, in the delivery of a quality power supply to customers.

Water and Sanitation

In Saint Lucia, the Bank approved a project to provide a safe, reliable and climate-resilient supply of potable water to residents and businesses in Dennery. Suriname also received technical assistance for the preparation of technically viable, socially inclusive infrastructure projects to upgrade water supply facilities in Nickerie, Paramaribo, Wanica and Para. In October, CDB supported the 12th High Level Forum for Water Ministers in the Caribbean, where it presented the findings of its water sector study, and committed further support for the sector.

Road Transport

In 2016, UKCIF grant funds financed most of the assistance in the road transport sub-sector. These projects included feasibility and design studies for selected roads in Belize, Dominica, and Antigua and Barbuda, for which the Bank also approved a capital project for road infrastructure rehabilitation. The expected outcome of the project is increased efficiency, climate resilience and improved safety along two main highways.

ASSESSMENT OF THE WATER SECTOR IN THE CARIBBEAN: KEY FINDINGS

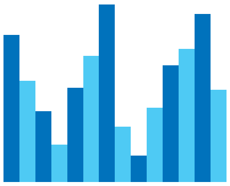
In 2015, CDB completed an assessment of the water sector in Anguilla, Antigua and Barbuda, The Bahamas, Barbados, Belize, British Virgin Islands, Cayman Islands, Dominica, Grenada, Guyana, Jamaica, Montserrat, St. Kitts and Nevis, Saint Lucia, St. Vincent and the Grenadines, Trinidad and Tobago, and TCI.

WATER GOVERNANCE

Water utilities in the Caribbean are generally owned and controlled by governments, with limited involvement from private sector, non-governmental or community groups.

Water management is done through various government agencies, but has suffered from poor integration of policies and operations between key stakeholders.

With the exception of The Bahamas, Belize, Jamaica and Saint Lucia, there has been limited fundamental reform of the system of governance over the past 20 years.



WATER RESOURCES

The largest water supply is from groundwater abstraction (52.5%), followed by surface water supply (35.8%), desalination (11.6%), and rainwater harvesting (< 1%).

Between 1968 and 2012, freshwater availability declined between 2% and 40% in respective Caribbean countries.

This decline in freshwater has been attributed to variability in rainfall, and suggests a need to review assumptions regarding stream flows, aquifer recharge rates and sustainable levels of abstraction from surface and groundwater sources.

NON-REVENUE WATER (NRW)

Water distribution networks were found to be highly inefficient, with NRW varying from approximately 17% to 66%.

TARIFFS

Water tariffs do not meet the cost of production, let alone the need for the sector to create reserves for increasing capacity. Tariffs vary significantly through the Region from \$0.14 per m^3 to \$6.60 per m^3.

CLIMATE CHANGE

Caribbean water resources are extremely vulnerable to the impacts of climate variability and change. Adaptation measures must be undertaken urgently to protect water supply systems.

The Caribbean Community Climate Change Centre has prepared a climate adaptation programme for the Region. It presents strategies and projects for implementation from 2011 to 2021, but will need significant coordination.

Cost of inaction has been estimated to vary from 4.0% to 21.3% of GDP.

REGIONAL COLLABORATION

Several bodies in the Region, mostly functioning as independent institutions, are involved in the oversight of its water sector.

A more symbiotic approach is needed to improve synergies for regional development, for example, through shared networks for data collection and information dissemination.

RECOMMENDED SECTOR PRIORITIES

Data Collection and Information Management Systems - Focus should be placed on the development of data management tools for water resources, network operations, financial performance, asset management, network design and benchmarking to assist the water utilities.

Efficient Operations - Support is required for NRW reduction that will establish operational targets and lead to improved demand management. There must be greater emphasis on enhancing the performance of operational systems and application of maintenance management principles and tools.

Sustainable Financing - Full-cost pricing, including determination of appropriate tariffs, is required to support capital works investments.

FEATURE

BOOSTING THE WATER SUPPLY IN BELIZE

Almost every four out of 10 families live below the poverty line in the Indian Church and San Carlos villages of Belize. Without a safe, reliable supply of water, building sustainable livelihoods has been even more difficult for the 100 households in these communities.

In May, the Indian Church/San Carlos Hybrid Solar Water System was inaugurated, signalling a turnaround. Through funding from CDB and the Government of Belize, households now have access to reliable and safe water.

In the communities, residents once used untreated water from hand-dug wells, hand pumps, lagoons and tanks. Now, a 20,000 gallon water reservoir, constructed at the entrance of Indian Church, will send gravity-fed water to the residents there and in San Carlos—a process powered by the sun.

With the new system, villagers will no longer have to buy purified water, or spend time gathering water. Many residents of Indian Church are engaged in food-services enterprises, which can now run more efficiently. The intervention will also expand business opportunities for people who live in San Carlos village where horticulture and habanero pepper production drive economic activity.

Under the sub-project, members of the Water Board received training in managing and operating the water system. They were also introduced to basic accounting principles through a programme organised by the Ministry of Labour, Local Government and Rural Development.

CDB financed the sub-project through a loan from the Social Investment Fund II. The Government of Belize and the San Carlos and Indian Church communities made counterpart contributions.

TECHNICAL COOPERATION

In 2016, the Bank continued its work in advancing Regional Cooperation and Integration; the development effectiveness of technical assistance; and good governance and institutional development.

Through the provision of training in Public Policy Analysis and Management (PPAM) and Project Cycle Management (PCM), and the management of the Caribbean Technological Consultancy Services (CTCS) Network, CDB provided technical cooperation to public and private sectors. During 2016, the Bank enhanced the effectiveness of its technical cooperation by managing a number of demand-driven initiatives that focused on delivering sustainable results.

Technical Assistance Policy and Operational Strategy

The Bank implemented activities, consistent with its Technical Assistance Policy and Operational Strategy throughout the year. Emphasis was placed on revising, simplifying and standardising the technical assistance appraisal and approval processes, whilst ensuring appropriate due diligence. The Bank improved the scope and integration of technical assistance in its country strategies, and finalised technical assistance business requirements within the project performance management system, scheduled to launch in 2017.

A review of the Bank's technical assistance portfolio showed that, as at the end of December 2016, 227 TA projects at a value of $94 mn were being implemented. This comprised both loans and grants in 15 countries, as well as projects at the regional level.

Deepening Regional Cooperation and Integration

CSME Standby Facility for Capacity Building, CARIFORUM-EU EPA Standby Facility for Capacity Building

The Standby Facilities, made possible through a Contribution Agreement between the European Union (EU) and CDB, are designed to strengthen the capacity of CARIFORUM member states to implement the Economic Partnership Agreement (EPA) and the CARICOM Single Market and Economy (CSME). In 2016, 13 projects with a total value of approximately $3 mn were under implementation for the CSME Standby Facility for Capacity Building. The Facility focuses on strengthening business skills and competencies to access markets in CSME at the national level. Ongoing projects in Antigua and Barbuda, The Bahamas, Belize, Jamaica, Saint Lucia, Suriname and Trinidad and Tobago focused on trade facilitation and trade promotion. Three of these projects support the improvement of the regional/national quality infrastructure to facilitate competitiveness and sustainable development of the Region. At the end of 2016, $1.9 mn (64% of the committed funds), had been disbursed.

Market-scoping and trade missions from Suriname to Barbados and Trinidad and Tobago were completed. The information gathered was used to identify potential niches for export. The missions focused on competitive issues such as pricing, consumer profiles and tastes, technical barriers to trade and the regulatory requirements for the importation of agri-foods into Barbados and Trinidad and Tobago.

Fifteen projects with a total value of $3.2 mn were implemented for the EPA Standby Facility. At the end of 2016, a total of $2.6 mn (80% of the committed funds), had been disbursed.

Four projects (two in Belize, one in St. Kitts and Nevis, and one in The Bahamas) supported the enhancement of the national quality infrastructure and standardisation, in accordance with the approved Regional Standardisation Strategy. When completed, these projects will result in affordable and accredited testing services being made available to agro-processors who wish to access EU markets. The improvements in the national quality infrastructure will also contribute to consumer safety.

Promoting Results and Supporting Regional Public Goods

During 2016, under a CDB grant of $0.5 mn to support the operationalisation of the Caribbean Community (CARICOM) Results Based Management (RBM) System, the CARICOM Secretariat established an RBM Committee and made key personnel appointments. Consultants conducted a training needs assessment, which will guide the design and roll-out of training in the first half of 2017.

Improving data availability

CDB continued to support, and play a key role in, the advancement of the regional statistical system. These efforts will improve the quality of statistical information for evidence-based policymaking and other uses at national, regional and international levels. This exercise complements the Bank's ongoing work to set a higher standard for conducting multi-dimensional poverty assessments and analysing non-income dimensions of poverty and human development.

CDB supported regional capacity-building in the analysis and dissemination of 2010 national population and housing census data. The Bank invested in training for officials from national statistical offices and end users from line Ministries in demographic and social analysis and dissemination of census and survey data.

Activities under the CDB grant to the CARICOM Secretariat to support the implementation of DevInfo (a database system for monitoring human development, and institutionalising managing for development results) came to a close. Workshops in Anguilla, Barbados, Grenada, Montserrat and Saint Lucia strengthened knowledge and skills for effectively managing DevInfo.

As Chair of the Development Partners Task Force on Statistics, CDB convened two meetings in 2016. They provided support for improving national and regional statistical capacity and building a comprehensive statistical infrastructure.

CTCS: Listening and Responding to MSMEs

Through CTCS, the Bank continued to promote the growth of the MSME sub-sector in the Caribbean. Bank approved $1.2 mn for the CTCS Network to implement technical assistance activities to strengthen MSMEs' capacity. As at December 31, 2016, the Bank had disbursed $0.9 mn (78% of the total approval), to facilitate the implementation of 46 technical assistance activities. The interventions benefited 860 business people (556 women and 304 men) and included ongoing training to improve food safety; enhance production capacities; develop business advisory and management skills; and facilitate institutional strengthening.

Building on a train-the-trainer workshop held in 2015, business development officers in 15 BMCs participated in Managing for Development Results (MfDR) workshops to improve their

project preparation and assist the CTCS Network to measure, monitor and report the results of CDB-financed TA interventions.

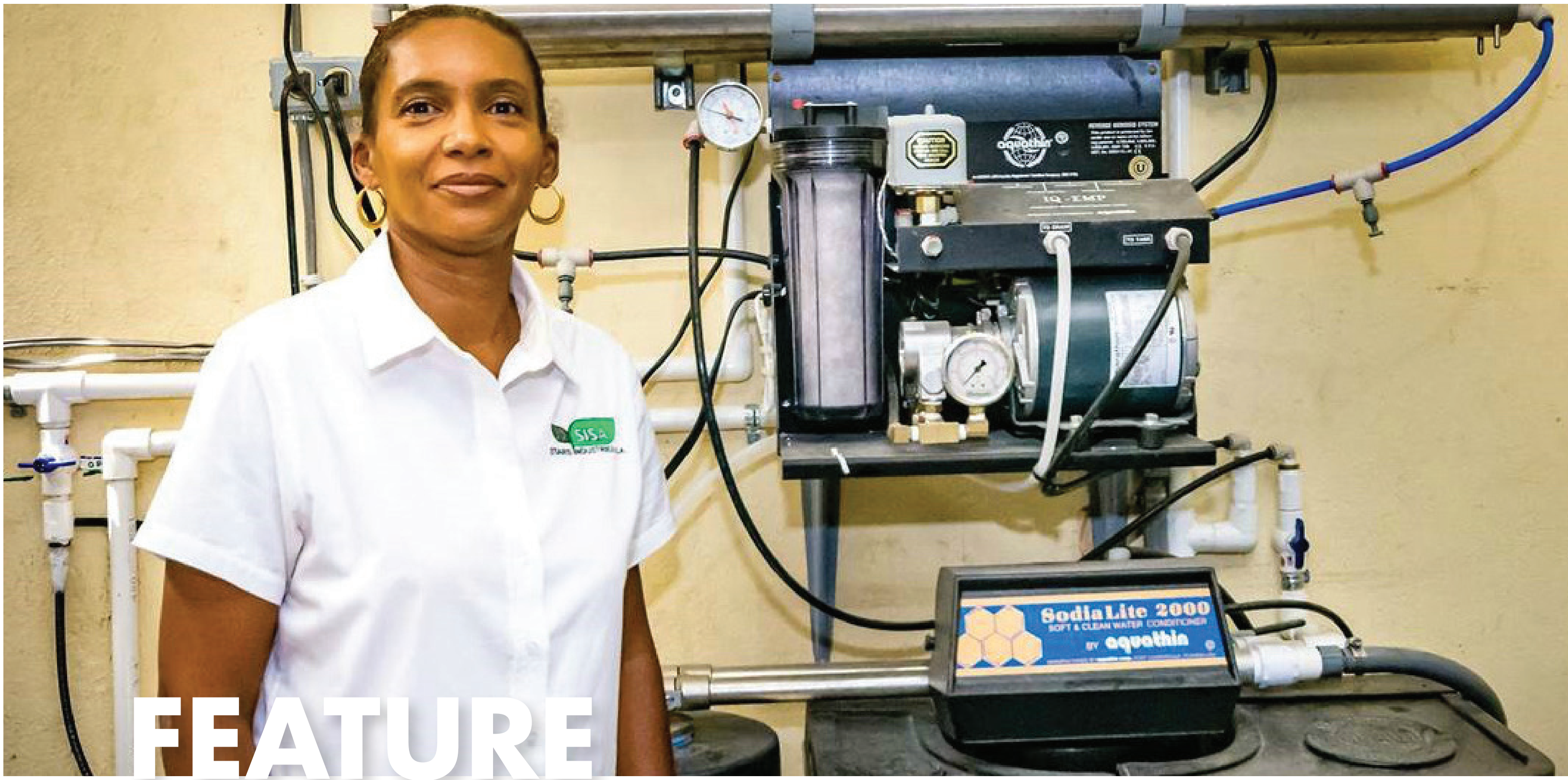
The Bank delivered training workshops in hospitality services to hotel and restaurant employees in Haiti. Participating hotels and restaurants received follow-on, in-house technical assistance. Capacity building in food safety in three other countries helped to support a safer regional food industry.

Based on the demonstrated and potential significant contribution of the creative sector to the economies of BMCs, the CTCS Network conducted training to build the capacity of MSMEs in the music industry in Barbados and developed a business plan to establish a Caribbean Creative Industries Management Unit.

In collaboration with the Caribbean Tourism Organisation, the Bank conducted a regional workshop to train business advisors from 10 BMCs for the Hospitality Assured Certification Programme in the Caribbean. This helped to elevate the business performance and competitiveness of tourism-related MSMEs.

Public Policy and Project Governance

CDB launched a new programme to provide online and face-to-face training on PPAM and PCM for all BMCs and Bank staff. The programme recognises that the capacity of civil servants is important to the success of governance and institutional reforms in the Region and, as such, provides public administration training on key areas of relevance. PCM training, as well as the development of the Monitoring and Evaluation system, commenced in 2016 with a strong focus on project contracting and procurement.



FEATURE

HELPING ENTREPRENEURS IN HAITI FIND THE RECIPE FOR SUCCESS

In Haiti, small-business owner Isabelle Laguerre Mevs has found the recipe for success. Her company, Stars Industries S.A. (SISA) turns local produce into condiments that are now on local supermarket shelves and in a number of restaurants and hotels.

In response to increased demand, Isabelle applied to CDB for assistance to grow SISA sustainably. The Bank facilitated Isabelle's access to experts with business and technical experience, through the CTCS Network.

With the help of a CTCS-provided consultant, Isabelle gained access to market data and intelligence to help her make more informed business decisions. This information included the company's market value; the structure of the Haitian market; and consumers' preferences for pepper sauce products.

Having gained access to higher quality market data, in 2016, SISA won a business plan competition through. LEAD, Leveraging Effective Application of Direct Investments. LEAD provides capital to small- and medium-sized businesses in Haiti.

With the award, SISA will buy equipment to manufacture pepper sauce for a mass market. The new machinery could see SISA, which employs 13 persons, growing even more.

"We are excited and motivated in entering a new journey in our business," said Isabelle.

SOCIAL SECTOR

Gender

In 2016, the Bank made progress on mainstreaming gender in its investments in quality infrastructure and public services in education, water and sanitation and transport.

The Bank began more strategic engagement on gender equality with BMCs. It engaged BMCs in policy dialogue that informed the design of country strategies, and the appraisal of capital projects and policy-based operations.

The Bank completed the Synthesis Report of ten Country Gender Assessments. CDB hosted a capacity building workshop for 50 policymakers from the education sector. Participants learned how to design comprehensive sector plans that include gender analysis.

Development partner collaboration and coordination

CDB broadened its engagement with development partners and co-chaired a Donor Coordination Group on Gender Equality. As a member of the Multilateral Development Bank Working Group on Gender, CDB participated, along with a regional team of private sector representatives, in a workshop entitled, "Challenging Gender Stereotypes in Women's Economic Empowerment."

The Bank collaborated with partners to:

- address data gaps for gender policymaking and programming (Development Partner Committee on Statistics - Organisation of Eastern Caribbean States Commission, CARICOM and other development partners);
- conduct Enhanced Country Poverty Assessments (Development Partners Task Force);
- improve available information on trade services, including specific economic sectors where gender segregation exists (CARTAC and Eastern Caribbean Central Bank); and
- finance a pilot prevalence study on gender-based violence (UN Women and Government of Grenada).

CDB's cooperation with national partners has grown through its involvement with government agencies, nongovernmental organisations and stakeholders in the private sector, to address gender-based violence and inequalities in access to economic opportunities. In collaboration with the Coalition of Service Industries, in Saint Lucia, the Bank supported a pilot study on Gender and Information Communication Technologies (ICTs) to examine issues related to women's access to ICTs, including attitudes that limit women's contributions to the sector. The findings of the pilot will inform the design of a regional study with a view to increasing women's participation and entrepreneurship in ICTs.

The Bank maintained its support for the creation of systems required for the management of gender mainstreaming and the sustainability of gender equality outcomes in BMCs.

EDUCATION

CDB maintained its long-term focus on enhancing the learning environment at the basic and post-secondary levels of education, with the approval of financing for the construction and rehabilitation of schools and institutions.

However, the primary emphasis of the interventions in education during the year was on the continuation of the work started in 2015 to develop mechanisms and structures to assist all students in obtaining optimal benefit from education. Special emphasis was placed on those at greater risk of educational failure. To this end, projects approved for Saint Lucia, and to a lesser extent Guyana, included significant components for students with special educational needs. In the Saint Lucia Education Quality Improvement Project (EQuIP) interventions will:

- assess what institutional and infrastructural improvements are needed to provide quality education and equitable access to children with special educational needs;
- support policy and curriculum development;
- deliver continuing professional development and long-term training for special needs teachers; and
- provide learning resources and assistive devices for the delivery of instruction.

Addressing equity in the provision of education services was also a focus of CDB in 2016. For example, Practical Instruction Centres in the hinterland districts of Guyana, will be the primary beneficiaries of an $11 mn Technical and Vocational Education and Training (TVET) project. The aim of the project is to improve access to, and the quality and effectiveness of, the TVET system. It is expected to provide skills required in emerging sectors, to bridge the divide between remote and coastal communities, and to contribute to the sustainability of proposed townships in hinterland communities.

Further, in keeping with the need to address the common areas of weakness in mathematics teaching and learning highlighted in a CDB-funded study, the Bank sponsored a regional consultation designed to develop a Framework for Action in Mathematics Education. CDB proposes to continue both regional and bilateral support for the implementation of the actions proposed.

Lastly, the Bank prioritised initiatives to address emerging issues that contribute to learning difficulties, school indiscipline, and citizen insecurity. CDB provided approximately $1.2 mn in technical assistance to assist BMCs in piloting and implementing programmes to identify solutions to these challenges. The findings and recommendations will inform other similar initiatives regionwide.

CITIZEN SECURITY

Shifting from the earlier approach to address citizen security issues as a component of its education projects, the Bank approved four standalone citizen security interventions. These new initiatives seek to address the concerns of BMCs about the increasing levels of social dissonance within and across communities, as well as the rising involvement of youth in particular communities in crime, violence and gang-related activity. The projects, approved for Belize, Grenada, Jamaica and Saint Lucia, were designed to, *inter alia:*

- provide empirical data to underpin rehabilitative interventions;
- enhance the resilience of children, youth and poor families in selected communities;
- reduce the number of juveniles coming into conflict with the law and rehabilitate youth offenders through education and psychosocial services; and
- share best practices nationally and regionally.

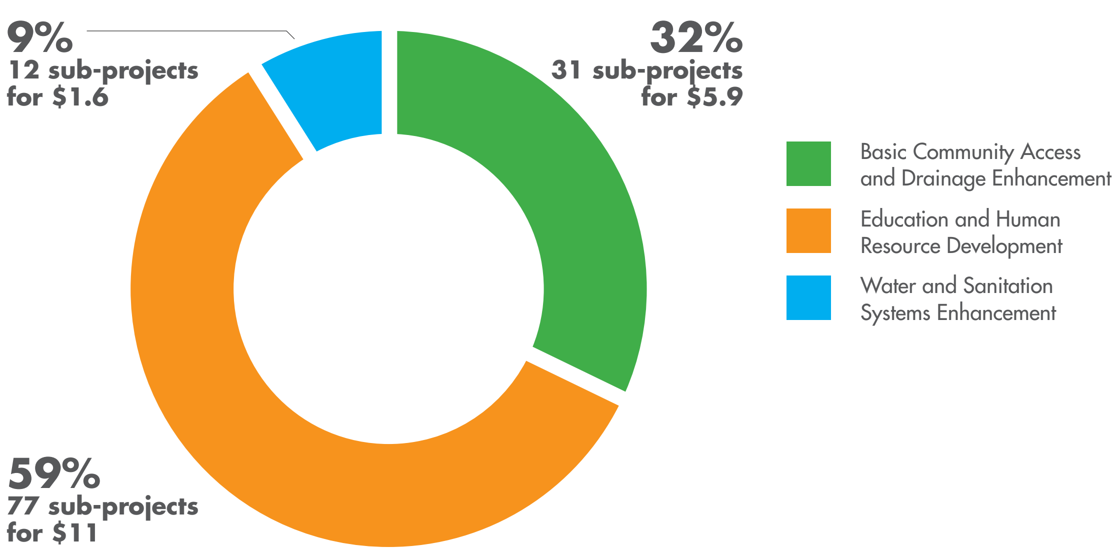
Approximately $5 mn of both loan and grant resources supported these interventions.

BNTF: FIGHTING POVERTY THROUGH COMMUNITY DEVELOPMENT

The Bank and Governments of BNTF's participating countries (PCs) placed emphasis on promoting community empowerment, gender equality, environmental sustainability, and a more holistic approach to community development. These were all aligned with national priorities.

CDB and BNTF Implementing Agencies (IAs) in ten PCs focused on preparing and implementing the BNTF 7 and BNTF 8 Programmes. In this period, CDB approved 19 sector portfolios, comprising 120 new sub-projects valued at $18.6 mn, of which counterpart financing by governments was $0.9 mn. The sub-projects are expected to improve the livelihoods of 22,590 males and 23,901 females. New sub-projects approved during the period are highlighted in Chart 5.

CHART 5: BNTF 7 AND 8 SECTOR PORTFOLIO DISTRIBUTION ($MN)



These investments included:

- construction or upgrade of 133 classrooms and the conduct of teacher training, mainly in the areas of early childhood development, and for training in agriculture, marketing, webpage design, and in music theory and performance for at-risk youth;
- construction of approximately 11km of secondary and farm access roads; and
- the laying of 5 km of new water pipelines and construction of 786m^3 of additional water storage capacity, including the conduct of Water, Sanitation and Hygiene training for beneficiaries in Guyana and Jamaica.

Some Early Results

During the year, PCs completed 74 sub-projects, which benefited:

- 5,817 males and 5,480 females through the construction or upgrading of 138 classrooms, with additional educational support facilities such as bathrooms, administrative spaces, and facilities for the disabled.
- 32 male and 374 female teachers who received training and certification in specific areas of early childhood education.
- 385 males and 510 females who graduated from various training activities across the BNTF PCs, most with National or Caribbean Vocational Qualifications in the subjects in which they were trained.
- 5,474 households through the provision of access to sanitation services and water supply.
- 14,544 males and 6,488 females through new or upgraded community road infrastructure including farm access roads.
- approximately 962 males and 909 females through newly constructed basic community infrastructure in Grenada and Saint Lucia.

Improving Disbursements

CDB was able to significantly address the issue of lagging disbursements by making changes to the operational modality of the BNTF Programme. In February, recognising the need to accelerate implementation, CDB approved the delegation of authority to additional BNTF PCs to operate special accounts and receive grant resources on an advance and reconciliation basis. Similar arrangements were already in place in Belize and Jamaica. As a result, total disbursement in 2016 was $26 mn, comprised of $22.5 mn under BNTF 7 and $3.5 mn under BNTF 8. This performance brings cumulative disbursements to $31.4 mn under both Programmes.

FEATURE

SUPPORTING AGRICULTURE IN SAINT LUCIA

Agriculture is one of the economic pillars in Saint Lucia's development agenda. Agriculture development and the country's ability to achieve its food and nutrition security goals are inextricably linked.

CDB recognises that youth involvement in agriculture and crop production is critical for sustaining regional food security and alleviating poverty through job creation for male and female youth. Through two sub-projects in BNTF 7 and 8, youth at risk (50 female and 50 male) between the ages of 17 and 35 will receive training to CVQ Level 2 Certification.

The youth from Babonneau and its environs in the North, and Grand Riviere and its environs in the East, will learn farm cultivation methods and practices, crop production and livestock rearing. The training is providing core skills and knowledge, and certification that allows participants to seek further training and employment. Already, 48 youth have completed preliminary modules of training. Graduates will also receive agricultural equipment and small tools.

A key stakeholder in this programme for youth at risk in agriculture is the Sir Arthur Lewis Community College. The institution has a proven track record of upgrading the skills of farmers and training students in agriculture. The beneficiaries are learning modern techniques and new approaches to farming through educational tours. There is a high level of engagement and excitement among beneficiaries, who have commited to building successful careers in this area. In the words of one student, "I am thankful to receive this scholarship and will return to my family's land to make a career in agriculture."


VS
NEW YORK
BALL

PPP REGIONAL SUPPORT FACILITY

In 2016, the Regional Support Facility successfully delivered on its objectives through capacity building, the launch of the PPP Helpdesk, the dissemination of a Caribbean PPP Toolkit, and advocacy and knowledge sharing.

Capacity Building

Three modular PPP Boot Camps took place in Barbados, Jamaica, and Trinidad and Tobago, where 41 public-sector officials from BMCs and four CDB staff were trained in all aspects of PPPs, including policy and enabling environments, and PPP procurement and project monitoring.

At workshops co-hosted by CDB, the IMF and CARTAC, participants from BMC governments received training in key issues concerning the potential long-term fiscal impacts of PPPs. In addition, the Regional Support Facility held workshops for government staff in Guyana and Trinidad and Tobago.

PPP Helpdesk

This component of the Regional Support Facility provides early-stage technical support to BMC governments, in order to screen and develop PPP project concepts. Screening reports were prepared on three PPP projects in Anguilla and Grenada. In Jamaica, the Helpdesk secured $75,000 in support from the IDB for a pre-feasibility study on a Water Supply and Non-Revenue Water Reduction project in northern parishes, where growing demand is putting strain on current water sources.

Caribbean PPP Toolkit

The Toolkit is a comprehensive, best-practice guide on all aspects of PPPs in the Caribbean, based on the economic and political realities of the Region. This knowledge resource, hosted on CDB's website, was made available to BMC employees, private sector and other stakeholders, on all aspects of PPPs.

PROCUREMENT

Contracts with a value exceeding $56 mn were placed on CDB-financed projects in 2016, reflecting a significant increase compared with previous years.

The Bank strengthened procurement capacity through the roll-out of online procurement training in early 2016, for which approximately 400 trainees registered. It also launched related online presentations and webinars at the end of the year. These initiatives were blended with a number of face-to-face training sessions tailored for specific projects.

The University of Technology in Jamaica was contracted in early 2016 to establish a regional procurement centre under a project financed by CDB and the World Bank. Work commenced towards offering accredited public procurement training at the centre by the end of 2017. The Bank, as part of its PPAM and PCM Training Programme, also co-financed the annual conference of the Inter-American Network on Government Procurement in November. CDB supported the participation of representatives from its BMCs to facilitate the dissemination and sharing of public procurement developments and knowledge amongst practitioners in the region.

The Bank also undertook a number of initiatives to better communicate its procurement procedures and present CDB-financed procurement opportunities to the private sector. These included the formal launch of the Register of Consultants on the Bank's website; the holding of a procurement fair in Belize, in collaboration with other development banks; and trade missions to Canada and the UK.

In October, CDB hosted the Multilateral Development Bank (MDB) Heads of Procurement group meeting in Barbados. Eight MDBs attended the event, which furthered the group's efforts to harmonise their procurement policy and procedures and promote best procurement practice.

SECTION 3

DEVELOPMENT EFFECTIVENESS

DEVELOPMENT EFFECTIVENESS

CDB maintained its focus on MfDR and continued to assess its development effectiveness using the Results Monitoring Framework (RMF).

The RMF tracks performance across four levels: regional development progress; CDB's contributions to country outcomes; operational effectiveness; and efficiency.

The Bank completed reporting on regional performance against Millennium Development Goals (MDG) targets, and continued, with steady pace, on the road toward its ambitious 2019 corporate targets.

REGIONAL PROGRESS ON DEVELOPMENT GOALS

The global financial crisis hindered the achievement of the Caribbean-specific Millennium Development Goals (CMDG) targets. The gaps in BMCs' implementation capacity, as well as their inadequate monitoring and reporting capability, impacted the effective monitoring of progress towards these goals. As a result, although progress was made on the CMDGs, gains were uneven across indicators and across countries.

The review of the Region's MDG experience revealed that a transition to the ambitious SDG agenda will require support from CDB, along with other development partners, to achieve BMCs' development goals. BMCs will need to improve collaboration to develop a core set of targets and indicators for the SDGs, and put in place systems to effectively monitor progress.

CDB'S CONTRIBUTION TO SDGS AND DEVELOPMENT OUTCOMES

The Bank's ongoing and recently completed operations accomplished important results, contributing to national and regional development goals across all sectors (See infographic on page 45).

MANAGING OPERATIONS EFFECTIVELY

CDB improved its operational effectiveness. The Bank was on track toward meeting the targets for nine of its 19 indicators in this area. Notably, CDB made significant advances in laying the strategic, financial, and human capital groundwork for integrating energy security, a cross-cutting theme of the Bank's strategy. The Bank made steady progress in mainstreaming gender equality. Meanwhile, CDB's strong performance on risk management indicators is evidence of the major strides it has made in this area over the past few years.

MAINTAINING AND IMPROVING ORGANISATIONAL EFFICIENCY

The Bank made notable progress, meeting performance targets for seven of eight indicators in the area of organisational efficiency. Budget efficiency improved as a result of the narrowing of the gap between administrative expenses and disbursements. Operational efficiency was also bolstered by increasing the ratio of professional staff to support staff, and expanding capacity in important functional areas, including the Operations departments.

IMPROVING DEVELOPMENT EFFECTIVENESS

CDB prepared an MfDR Action Plan for the 2016-2019 period to guide focused and coordinated improvements in development effectiveness. The Bank established a Development Effectiveness Committee (DEC), consisting of operational managers from across the organisation, to coordinate and champion execution of the Action Plan. Key actions completed in 2016 included:

- clearing the backlog of Project Completion Reports (PCRs);
- increasing cross-Bank ownership of the Development Effectiveness Review by involving the DEC and hosting an interactive presentation for staff about key findings; and
- providing MfDR training to all new professional staff.

HIGHLIGHTS OF RESULTS ACHIEVED IN 2015 WITH CDB SUPPORT

Social and Economic Infrastructure

Provided improvements in classroom facilities in **4 BMCs** and increased access to finance to students for tertiary education in **3 countries**.

Trained **757 teachers** to improve the quality of teaching and education throughout the Region.

Private Sector Development

Helped **480 business people** in MSMEs through skills training and technical assistance.

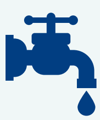
Increased access to credit for **289 small businesses and individuals**.

Increased the capacity of **12 BMCs** to undertake PPP arrangements.

Social and Economic Infrastructure

Financed the construction or rehabilitation of **91 km** of primary, secondary and minor community roads, benefitting an estimated **30,609** people directly in 4 BMCs, and many more users indirectly.

Provided **5,476** people with access to new or improved community buildings.



Installed or upgraded **12 km of water lines**, affording households with access to clean water supply and improved sanitation.

Agriculture and Rural Development

Financed training for approximately **440 stakeholders** in advanced agricultural production techniques.

SECTION 4

OPERATIONAL PERFORMANCE

OPERATIONAL PERFORMANCE

HUMAN RESOURCES AND ADMINISTRATIVE EFFECTIVENESS

CDB made considerable progress in the areas of employee engagement, talent development and talent acquisition. The Bank's goal to create a high-performance organisation guided its talent management activities and programmes.

The results of CDB's first Employee Engagement Survey indicated engagement of 70.5%. Following consultations with, and feedback from employees, on the results of the Survey, the Bank started the implementation of a number of initiatives.

The Board established the Human Resources Committee to strengthen the oversight of human resources and the governance framework of the Bank. The Committee had two meetings in 2016.

A talent review of all Management and Professional Staff up to the Deputy Director Level was conducted through the

use of a 360-degree tool to identify high-potential employees and bench strength gaps. The results will be leveraged to create a development framework for Staff and build a strong leadership bench.

The Bank partnered with McGill University to deliver an international development certificate programme for employees who joined the Bank in 2014 and 2015. The intensive four-day course, which was conducted onsite, provided participants with the requisite knowledge, skills and strategies for working in the expanding field of international development.

Acquiring the right type and mix of talent remained a high priority for the Bank, as it sought to maintain a 95% capacity utilisation rate. Despite a net reduction of seven staff at the end of the year, the Bank achieved its targeted utilisation rate by resourcing 203 of the 212 established positions.

Configuration of the new Human Resources Information System (HRIS) commenced in February and will be completed by the end of 2017.

During the year, the Bank maintained its focus on energy-saving activities started in 2015. These included the commissioning of the Solar PV 150KW Grid Tied system; the installation of LED lighting throughout the Bank; and increased promotion of the "Switch Off" campaign intended to reduce the waste of electricity. By the end of the year, the Bank had realised savings of $31,000 from these projects.

A Safety and Health audit was completed during the third quarter of 2016. The results revealed some areas of good practice, including the security of office and compound; preparedness for emergencies; and ergonomically-designed workstations. Recommendations for improvement included the need for

additional exterior lighting; pedestrian safety areas; more visible signage on exits; and fire suppression instruments. These recommendations will be implemented in 2017.

INTERNAL AUDIT

The Internal Audit Division (IAD) is an independent and objective assurance and advisory function designed to enhance and protect organisational value to CDB by improving its operations.

IAD's work is carried out in accordance with the Institute of Internal Auditors (IIA) International Professional Practices Framework (Standards).

IAD reports administratively to the President and is under the purview of the Oversight and Assurance Committee (OAC).

Activities

IAD fully adopted a risk-based planning approach in 2016. Consistent with the IIA Standards (Performance Standard 2010), the approach required IAD to conduct a formal risk assessment of the Bank's operations, and to consider organisational goals in determining internal audit priorities.

During 2016, IAD focused on several internal reforms, including the implementation of the Audit Management System, and the development of a project audit plan and programme process.

In addition, IAD prepared an inventory of CDB's policies and procedures for use in future assurance activities.

Three assurance activities were completed; and ten consultancy engagements and advisory services were undertaken with various departments. These activities helped CDB to enhance its governance and internal control environment. Throughout the year, IAD reviewed and evaluated the design of controls in the Bank's HRIS and the application that will replace the existing Project Portfolio Management System.

IAD also increased its focus on the follow-up of Management Action Plans for recommendations, stemming from the external auditors' management letter and IAD's assurance work.

INDEPENDENT EVALUATION

The Office of Independent Evaluation (OIE) built on its earlier experience with the evaluation of CDB's investments in TVET, which complemented the CDB-commissioned study, "Youth are our Future: The Imperative of Youth Employment for Sustainable Development". Both feature strongly in the revisions and reforms proposed for the regional education strategies and the emerging vision for the education sector under the SDGs.

OIE disseminated the Evaluation Brief on TVET, which summarised the main highlights, findings, lessons and recommendations that arose from the evaluation. Key lessons from the evaluation highlight the importance of forging stronger and effective links between the private sector, business and industry associations, and the education sector. Greater use of data obtained through labour market surveys, student information services, TVET councils and tracer studies can make TVET programming more effective and responsive. Also, investing in the capacity, skills and technical expertise available to countries can enhance both project effectiveness and efficiency. More inclusive stakeholder consultation and participation in design can help to improve implementation and strengthen sustainability and impact. Specific measures to advance gender equity should be included in design and implementation to improve broader and more inclusive access to services.

OIE finalised its Multicycle Evaluation of SDF 6 and SDF 7, which informed the SDF 9 Contributors' negotiation meetings in 2016.

OIE presented a summary of the initial findings from the Haiti Country Strategy Programme Evaluation (CSPE) to the OAC and the second formal meeting of SDF 9 Contributors in May 2016. The final report is scheduled for completion in 2017.

In line with the common practice of development institutions, OIE started preparations for a Peer Review of CDB's Independent Evaluation functions in late 2015. The Bank engaged a Review Panel of international evaluation experts to start work in January 2016. The objective of the Review is to highlight the strengths, weaknesses, opportunities and challenges of OIE's current evaluation practices, with a view to recommending improvements that can strengthen its role and functions. The Final Report of the OIE Peer Review is expected early in 2017.

OIE's mandate under the 2011 Evaluation Policy also extends to the independent validation of PCRs. Over the course of the year, six PCRs were completed by OIE for review by the OAC.

INTEGRITY, COMPLIANCE AND ACCOUNTABILITY

The Board of Directors of CDB established the Office of Integrity, Compliance and Accountability (ICA) as an independent area within the Bank to operationalise, manage and refine a Strategic Framework for Integrity, Compliance and Accountability. The Strategic Framework articulates a strategy, pursuant to which the Board approved four policies that collectively enhance the Bank's internal governance. The policies cover institutional integrity, ethics, whistleblowing, compliance and accountability in CDB's internal systems and external operations.

Enhancing Integrity, Compliance and Accountability in CDB

ICA is a convergence of five internal governance functions. The Head, ICA reports administratively to the President and functionally to the Board of Directors. ICA commenced phased operationalisation of the Strategic Framework in late 2015. Throughout 2016, ICA worked on draft procedures for all five functions, consultations, training, prevention exercises and investigations. ICA also supported the Bank's work in finding solutions to the de-risking and withdrawal of correspondent banking relationships. During the year, ICA commenced phased operationalisation of three functions. The:

- Institutional Integrity function, which covers prevention, investigation and sanction of violations related to fraud, corruption and other corrosive practices;

- Ethics function, for the investigation of ethics violations; and

- Whistleblowing function, which covers complaints intake, management, resolution and the protection of whistleblowers from retaliation.

In 2017, ICA plans to commence full operationalisation of the Compliance function and the Accountability function, which includes a projects complaints mechanism.

SECTION 5

RISK REVIEW

RISK REVIEW

In 2016, the Bank maintained its Enterprise Risk Management (ERM) approach with coverage, including financial, strategic, operational and developmental risks.

The operational risk pillar now formally includes environmental, climate and disaster risk management, given its increasing visibility and potential impact on the sovereign risk profiles of BMCs.

The ERM framework continues to be supported with key risk governance tools and resources, including risk appetite statements (RAS); risk taxonomy; risk control self-assessments; risk registers; internal risk ratings; risk based limits; market surveillance; risk due diligence; credit spreading; and an oversight Enterprise Risk Committee (ERC).

The RAS, in particular, sets out high-level quantitative and qualitative boundaries or thresholds within which the Bank's strategic initiatives are executed.

At yearend, CDB was in full compliance with all of its risk appetite thresholds, as shown in Table 4.

ORGANISATION

The Office of Risk Management (ORM) is an independent but integral part of the Bank's activities, free from influence and operating to three lines of defence governance structure:

- **Line 1 - Front Line Functions:** This represents areas where risk-taking activities directly take place either in the front, middle or back office.
- **Line 2 - ORM:** ORM provides leadership, guidance, monitoring, and independent oversight of the activities conducted by Line 1.
- **Line 3 - Internal Audit:** IAD is responsible for, and provides assurance, on the internal compliance with controls.

OPERATIONAL RISK

Process

In 2016, a manual Risk Register continued to effectively serve as an internal surveillance and early warning system for identifying impending threats to the Bank. The Risk Register was used to record operational risk issues, events, losses, near misses and accidental gains on a monthly basis. The outputs from the risk register were compiled into a single report and reviewed by the CRO to determine which risks to mitigate or new controls to introduce.

During 2016, the Bank completed and signed off its first manual firm-wide Risk Control Self-Assessment (RCSA) initiative across all of its functional areas. This process enabled ORM to gain first-hand insight into the Bank's universe of actual and potential operational risks. The RCSA process will be conducted annually.

Systems

The Bank signed a contract and purchased an operational risk system called aCCelerate. The system will automate the Bank's end-to-end operational risk management process, including, but not limited to, periodic risk and control assessments; dynamic risk logging; event capture and causal analysis; scenario and stress testing; modelling; reporting; escalation and management. aCCelerate is used by a number of multilateral institutions.

Policies are in place to manage the Bank's information technology (IT) processes, systems development, change management, information security and access processes. All IT systems are backed up to host servers to ensure continuity in the event of a disaster.

Business Continuity

CDB has a firm-wide business continuity framework in place that provides for an assured contingency response in the event

TABLE 4: OCR RISK MEASURES AND POLICY RATIOS - SCORECARD

		AS AT DECEMBER 31, 2016 ($MN)			
Risk Measure / Policy Ratio	**Measure**	**Base Amount**	**Threshold Limit**	**Actual**	**RAG Status**
Capital Adequacy	Minimum - 150% of Economic Capital		$383.2	$803.9	209.8%
Single Sovereign Exposure	**Greater of:**				
	40% of Outstanding Loans	$1,014.7	$405.9	$210.8	20.8%
	50% of Total Available Capital	$803.9	$402.0	$210.8	26.2%
Exposure to 3 Largest Borrowers	**Greater of:**				
	60% of Outstanding Loans	$1,014.7	$608.82	$414.7	40.9%
	90% of Total Available Capital	$803.9	$723.5	$414.7	51.6%
Non-Sovereign Exposure Limit					
Single Exposure	3.6% of Total Available Capital	$803.9	$28.9	$16.5	2.1%
Portfolio Limit	43% of Total Available Capital	$803.9	$345.7	$29.9	3.7%
Investment Risk					
Investment Risk - Single Entity Limit	10% of Total Investment Portfolio	$374.4	$37.4	$27.0	7.2%
Investment Risk - Single Entity Limit - US Treasury or Gov't Agency	35% of Total Investment Portfolio	$374.4	$131.0	$131.2	35.0%
Commercial Entity Exposure Limit	50% of Total Investment Portfolio	$374.4	$187.2	$69.1	18.4%
Liquidity Risk	**Greater of:**				
	40% of Undisbursed & Loans not yet effective	$528.8	$211.5	$425.1	80.4%
	3 Years of Net Funding Requirements	$48.0	$48.0	$425.1	885.7%
Policy Based Loans (PBL) & Guarantees	33% of Total Outstanding Loans & Guarantees	$1,672.3	$551.87	$507.8	30.4%
Limit on Operations (Article14.1)	Equal to or less than Limit		$2,277.9	$1,026.7	45.1%
Borrowing Limit - Proforma	Equal to or Less than 100% Capital Limit (as defined)		$1,398.2	$655.6	46.9%
Borrowing Limit - Capitalisation	Equal to or Less than 65% of Capitalisation		$1,534.0	$655.6	42.7%
Interest Coverage Ratio	1.5 Times Operating Profit (as defined)		1.5X	1.7X	1.7X

KEY	
Item	**Description**
Base Amount	Gross Amount
Threshold Limit	Measure times Base Amount
Actual	Actual Exposure in $

of an emergency. The plan was revamped with assistance from an external expert to upgrade to a highly flexible model to deal with a wide range of service disruptions. The Bank currently has a warm backup and IT recovery site located away from its campus and a secondary site in another country. The risks of catastrophic loss are also mitigated with the use of comprehensive insurance programmes.

ENVIRONMENTAL RISK AND CLIMATE CHANGE

The matters relating to environmental risk and climate change are addressed systematically at various levels of the institution through enterprise risk reporting. It is also addressed by the ERC whose membership includes a representative from the

Environmental Sustainability Unit (ESU). ESU has primary responsibility for managing environmental and climate risk.

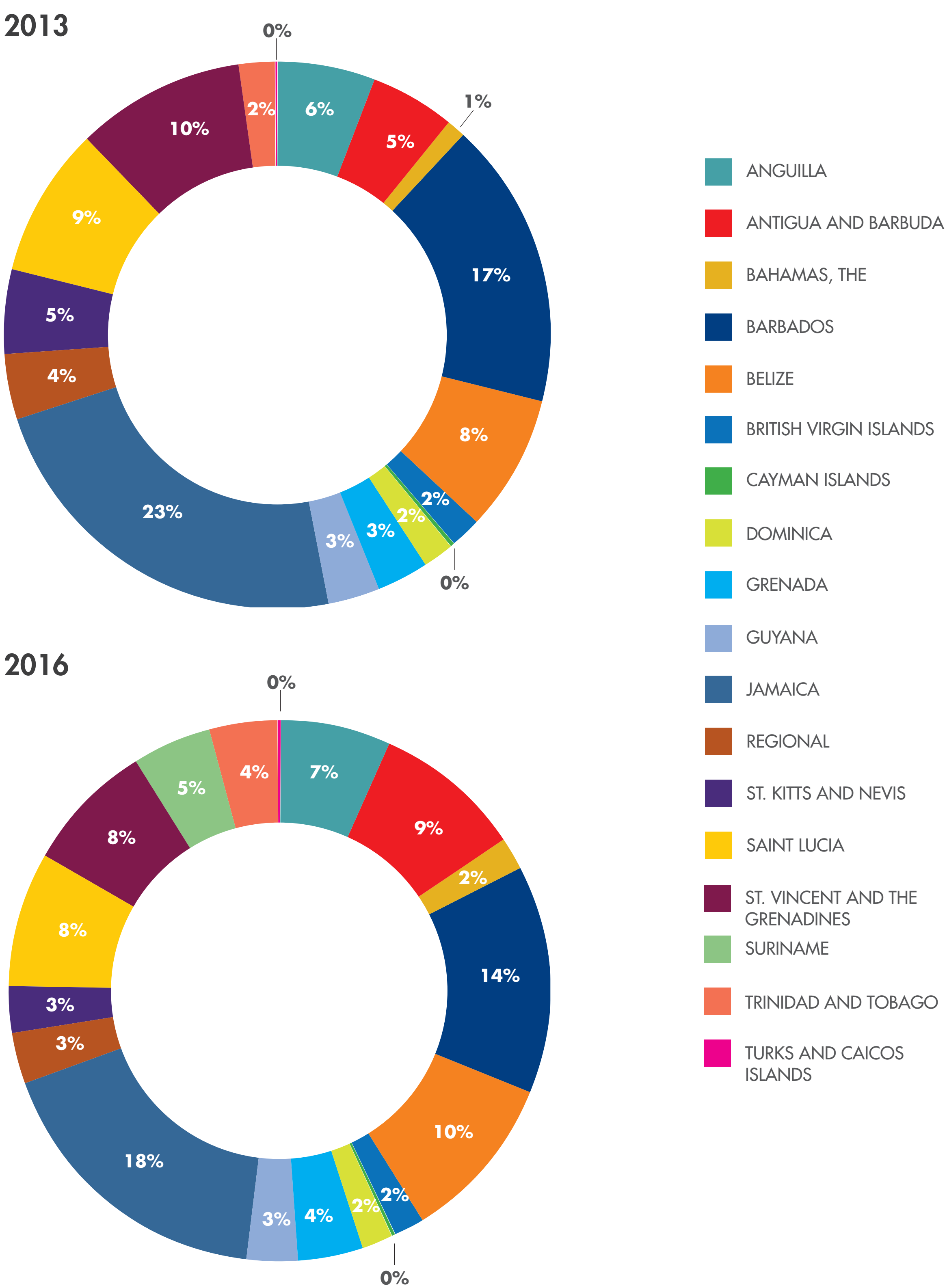
ORM worked on a number of initiatives to incorporate environmental and climate change in its internal sovereign risk assessments, modelling and portfolio management process.

The Bank also received two accreditations from international bodies during the year to enable it to access climate-related funding to support its own efforts at mitigating this risk.

CREDIT RISK

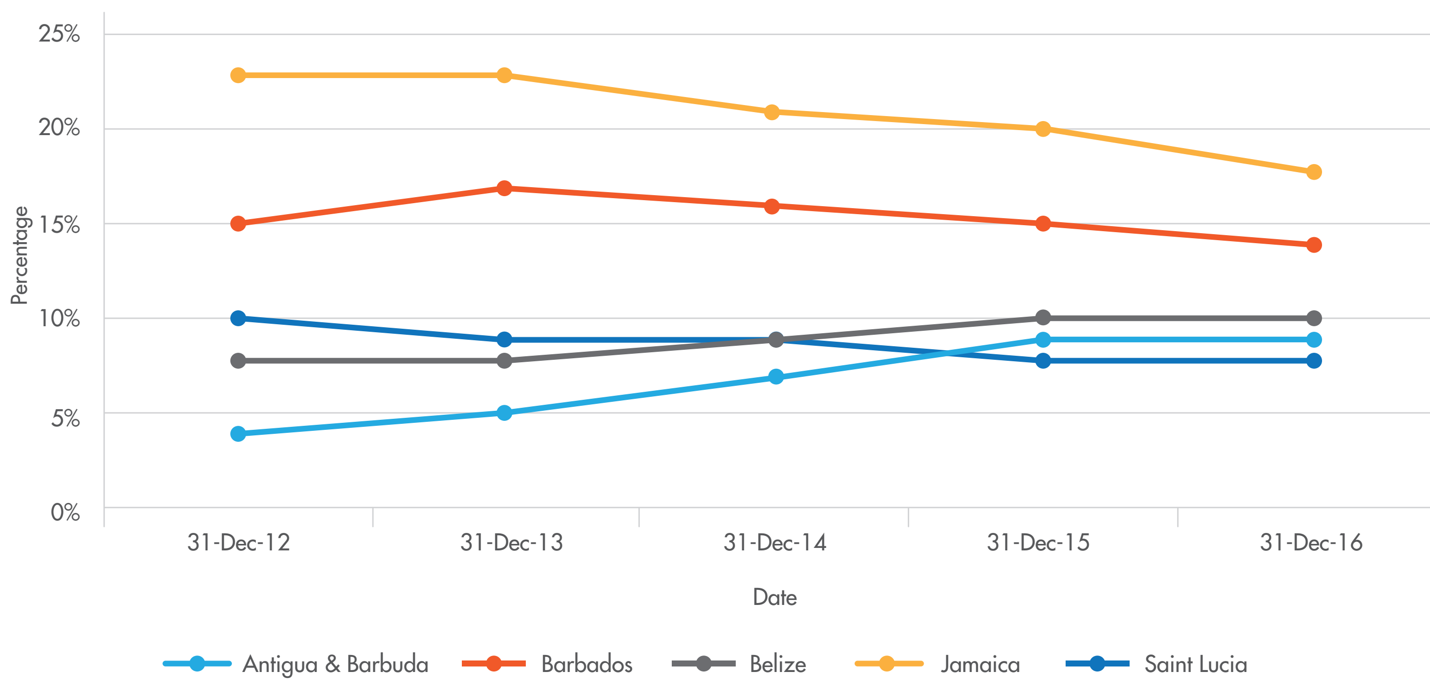
The Bank has been strategically diversifying its portfolio distribution by targeting its highly rated BMCs for new business growth, whilst also reducing exposure to challenged credits via the target review and cancelling of aged, undisbursed balances. These efforts have resulted in measurable improvements in the distribution of the portfolio as shown in Chart 6.

CHART 6: CDB'S GEOGRAPHIC EXPOSURE DIVERSIFICATION - 2013 AND 2016



During the year, the Bank's exposure to Jamaica, its largest borrower, continued to fall relative to the entire portfolio via controlled lending. CDB also took steps to reduce its exposure to its second largest borrower, Barbados, via the targeted cancelling of aged, undisbursed balances. With these efforts, the Bank's top five sovereign exposures declined systematically as depicted in Chart 7.

CHART 7: TOP 5 HIGH RISK EXPOSURE TRENDS



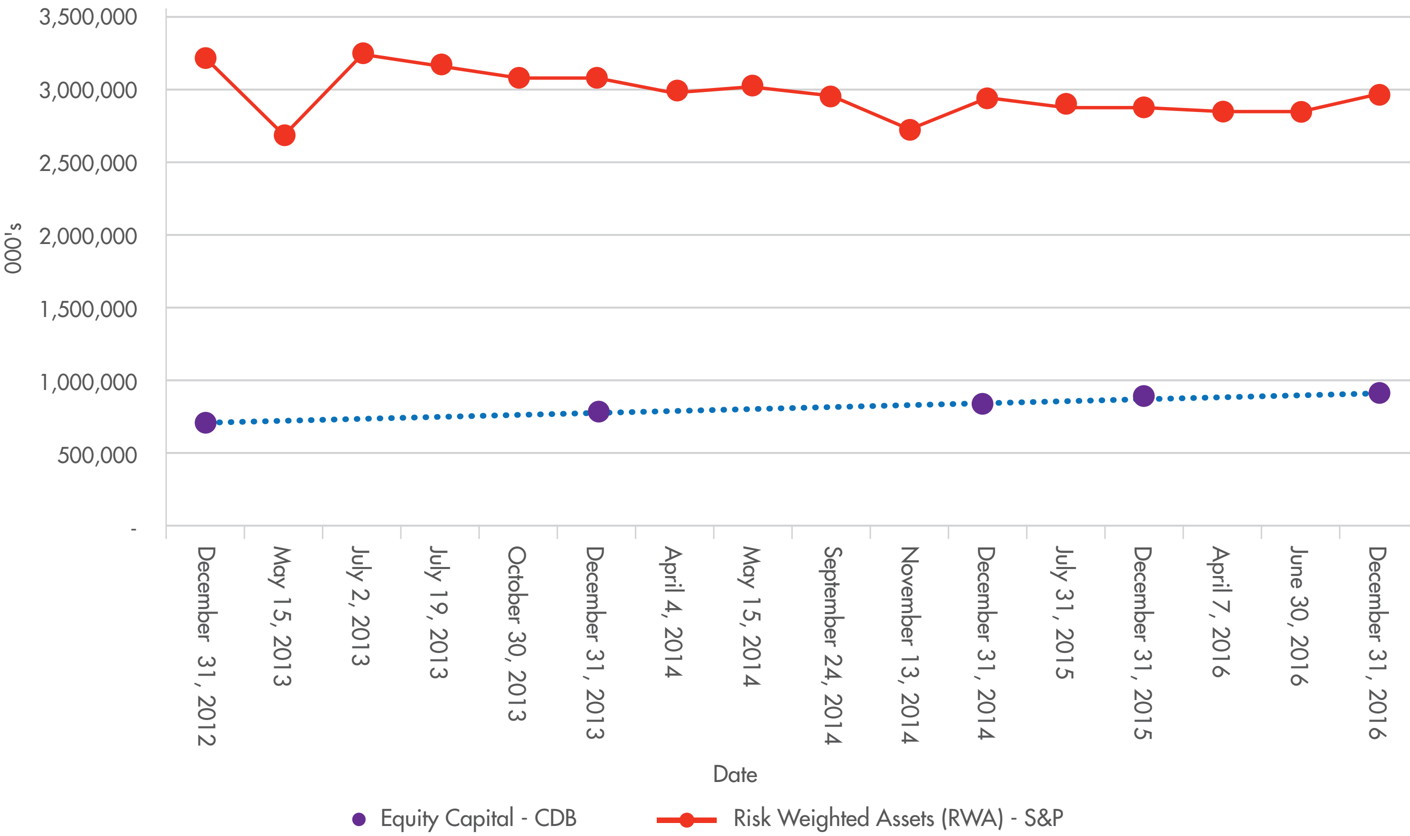
With regard to investment credit risk, the Bank applied other, more specific controls, including restricting investment risk exposure to individual investments with a minimum credit rating of A-/A3 (by Standard & Poor's Rating Agency and Moody's Investors Service, respectively) for commercial bank obligations and AA-/Aa3 for government obligations and use of master netting agreements.

CAPITAL RISK

The measures adopted by the Bank to improve its capital adequacy included encouraging new lending to highly rated BMCs; supporting lower-rated entities with interventions sourced from its soft funding window; introducing hard credit limit controls; minimising concentration; strengthening operational controls; managing undisbursed balances; and maintaining a robust capital and debt collection process.

These efforts have ensured that the Bank's risk-weighted assets have maintained a downward spiral, whilst increasing its capital base.

CHART 8: S&P RISK WEIGHTED ASSETS VS. CDB EQUITY CAPITAL TRENDS



Manual Internal Capital Adequacy Calculations

ORM computes the Bank's capital adequacy manually utilising the Basel II framework.

Under Pillar I, ORM utilises a Basic Indicator Approach for Operational Risk and a modified Standardised Approach for Credit Risk.

Under Pillar II, the Bank ensures that all other residual risks over and above Pillar I are computed, which includes, but is not limited to, additional liquidity requirements, interest rate in the banking book and, business and concentration risks. This is then complemented with top-down and bottom-up scenario assessments to determine the extent of additive capital needed as a cushion against unexpected risk losses.

Under Pillar III, CDB has been meeting its enhanced disclosure reporting obligations by improving dissemination of risk reviews.

The Bank is currently monitoring Basel III developments closely to determine whether to make any amendments to its *modus operandi* to remain in voluntary compliance. The Bank does not need to comply with these requirements but does so, where relevant, to ensure alignment with best practice.

MARKET RISK

CDB separates exposure to market risk into trading or non-trading portfolios. Trading portfolios comprise positions arising from market making, position taking and others designated as marked-to-market. Non-trading portfolios comprise positions that primarily arise from interest rate management. CDB's overall objective is to manage its market risks in order to minimise market losses and optimise return.

Interest Rate Risk

CDB manages its interest rate exposure by ensuring that the changes in the cash flow of its assets closely match those of its liabilities. This relationship is managed with the use of interest rate swaps, which convert fixed rate liabilities into floating rate liabilities. There is, however, residual exposure resulting from interest rate movements, which is effectively monitored and managed operationally with governance oversight provided by the ERC. Any residual interest rate exposure risk arising out of these during the year were well within the Bank's risk appetite.

Foreign Exchange Risk

CDB's exposure to currency exchange movements is minimised by the extent of its activities, which limits its assets and liabilities to a single currency, U.S. dollars. Mismatches could occur; but these are managed effectively via the use of derivative hedging instruments, where necessary. All loans by the Bank are made either from currencies available from members' subscriptions, or from currencies borrowed. The principal amounts are repayable to the Bank in the currencies lent. Any residual currency exposure risk arising out of these activities during the year were well within the Bank's risk appetite.

LIQUIDITY RISK

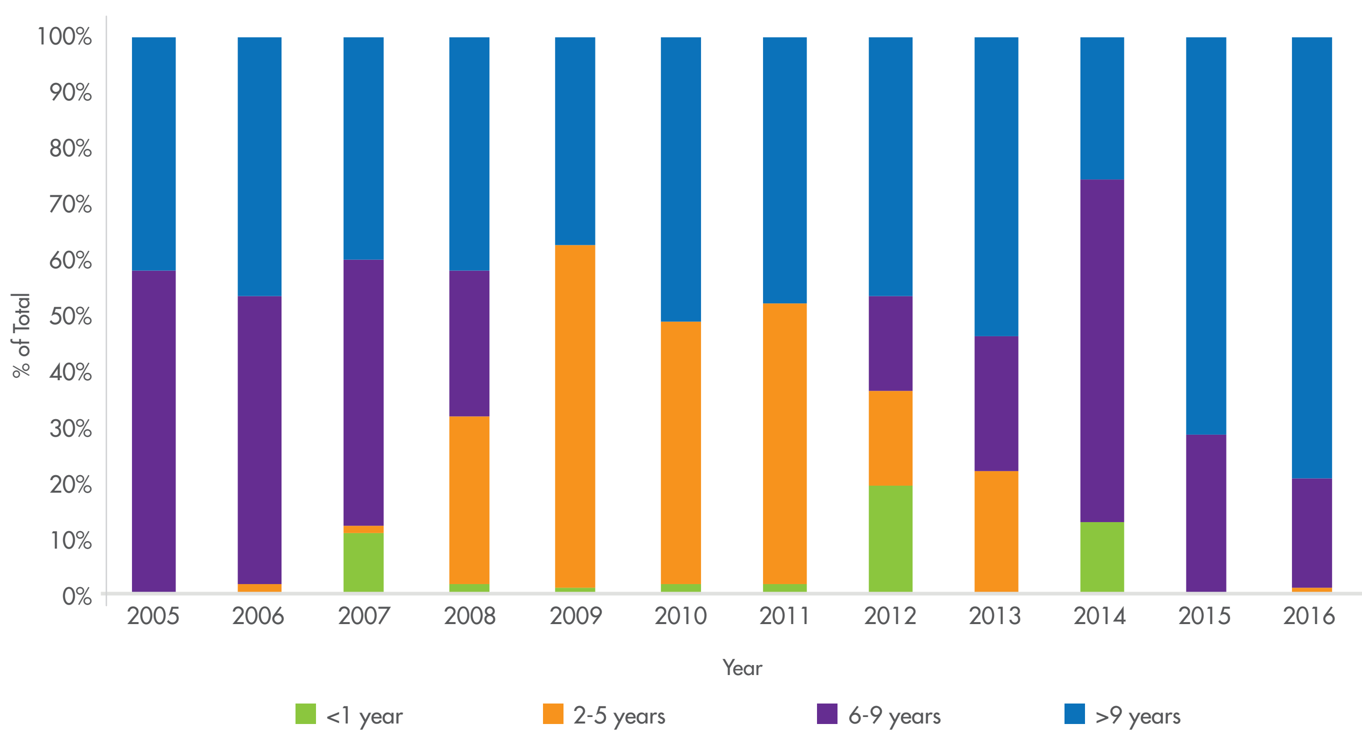
CDB's objective is to ensure that all foreseeable funding commitments can be met when due, and that access to the wholesale market is sustained.

To that end, the Bank seeks to maintain a portfolio of highly liquid assets, augmented with a diversified funding base to enable prompt response to unforeseen liquidity gaps. In 2016, consistent with that objective, the Bank successfully raised funds in the Swiss market for the first time. The accessing of the European market represented a decisive effort on the part of the Bank to strategically diversify its geographic funding source.

The Bank also received approval from the Board of Directors during the year to increase its secured borrowing limit to boost its funding options.

The risks relating to rollover have been eliminated, with no immediate maturities anticipated.

CHART 9: ROLLOVER RISK - DEBT MATURITY BY YEARS, % OF TOTAL



Sources: CDB, Standard and Poor's

CDB loans are usually fully disbursed over several years and the Bank, as a result, continues to have undisbursed balances on approved loans. The liquidity risk remains with CDB, as it is required to provide funds to the borrowers, as and when requested, provided the conditions precedent for disbursement are satisfied. This risk is managed by conformity to the Bank's policy of maintaining a net three years' funding requirement, or 40% of undisbursed commitments, whichever is greater. Presently, CDB's liquid assets exceed the 150% prudential minimum guideline, which is in keeping with management's decision to maintain high liquidity levels.

NEW DEVELOPMENTS

In 2016, the Bank initiated the development of a regional risk framework to be supported by a dedicated portal. The platform ensures the effective exchange of key information on sovereign risks and robust mitigation strategies among BMCs.

CDB also signed a letter of intent with the Caribbean Catastrophe Risk Insurance Facility to work on an initiative to merge disaster and climate risks with the Bank's ERM approach. The result will be a comprehensive model that will help BMCs better manage national risks.

SECTION 6

MANAGEMENT'S DISCUSSION AND FINANCIAL STATEMENTS


April
45
0
January

MANAGEMENT'S DISCUSSION AND ANALYSIS

I. OVERVIEW

CDB (The Bank) is a multilateral financial institution dedicated to the development of the economies of the BMCs, with a focus on the Least Developed Countries, primarily through project loans and technical assistance to the governments, public agencies and other entities in those countries.

The Bank's main goals are to promote sustainable economic development and to reduce poverty. The primary financial objective is to earn adequate operational income to maintain financial strength and to sustain its developmental activities. The Bank was established in 1969 and is owned by its member countries. These include 19 borrowing member countries and nine non-borrowing members.

The operations of the Bank are divided into two categories, ordinary operations and special operations. Ordinary operations are financed from CDB's Ordinary Capital Resources (OCR) which comprises share capital, borrowings raised in the capital markets, lines of credit from commercial and other multilateral institutions and internally-generated equity. Special operations are financed from the Special Funds Resources (SFR), comprising the Special Development Fund (SDF) and Other Special Funds (OSF).

Contributions are made to the SDF for loan financing to deserving projects at low fixed rates of interest and extended maturities, as well as grant financing, taking into account the economic circumstances of the BMC in which the project is being undertaken and the ultimate objectives of the project. The Bank also accepts contributions to the OSF for on-lending or administering on terms agreed with the contributors once the purposes are consistent with its objectives and functions.

The principal assets are loans to the BMCs. Projects may be funded by a combination of OCR and SFR resources. Resources may also be used to guarantee loans of high developmental priority, and will usually comprise longer maturities and grace periods, as well as lower interest rates than usually pertains in the operations of the OCR.

During 2016, the rating agency Standard and Poor's (S&P) reaffirmed CDB's long and short term ratings as 'AA' and "A-1+' with a Stable outlook while Moody's Investor Services reaffirmed CDB's long term issuer rating as Aa1 with a Stable outlook.

II. ORDINARY CAPITAL RESOURCES

The following discussion should be read in conjunction with the audited financial statements of the OCR and accompanying notes set out in Section 6 of this report.

FINANCIAL STATEMENT REPORTING

The financial statements of the OCR are prepared in accordance with International Financial Reporting Standards (IFRS) on an historical cost basis, except as modified by the revaluation of investment securities held at fair value through profit or loss and derivative financial instruments which are reflected at fair value.

The preparation of the financial statements in conformity with IFRS requires management to make estimates and to exercise judgement in the process of applying its accounting policies.

All of the amounts shown in the financial statements are US dollar equivalents.

CRITICAL ACCOUNTING POLICIES

Critical accounting policies are those that are important both to the portrayal of the financial condition and results and that require management's most difficult, subjective or complex judgements, often as a result of the need to make estimates about the effects of matters that are inherently uncertain. The following have been identified as critical accounting policies:

- Financial assets at fair value through profit and loss; and
- Loan loss provisions.

The accounting policies are more fully described in the Notes to the Financial Statements.

Financial assets: The OCR financial statements comply with IFRS which require that financial assets at fair value through profit and loss be classified as either financial assets held for trading or financial assets designated at fair value through profit and loss at inception. The Bank's debt securities are designated at fair value through profit and loss at inception and all derivatives are categorised as held for trading and recorded at their fair value. All changes in the fair value of these instruments are recognised in profit and loss in the statement of comprehensive income. The Bank uses derivative financial instruments to hedge against the impacts of interest rates and currency risks in the borrowing portfolio and to align its borrowing and lending activities to a variable rate basis. These financial instruments are cross currency interest rate swaps and interest rate swaps with major international banks by which proceeds of borrowings made in other currencies and at fixed rates are transformed into U.S. dollars at floating rates linked to LIBOR. The Bank holds derivatives for each of the following: (i) two Japanese Yen denominated borrowings for a total notional amount of $163.2mn, (ii) a fixed rate borrowing negotiated in 2012 for $300.0mn and (iii) a Swiss Franc denominated borrowing negotiated in 2016 for $151.3mn for a total notional amount of $614.5mn.

Loan impairment provisions: Due to the nature of the Bank's borrowers and guarantors, the Bank expects to receive all of the amounts due on its sovereign guaranteed loans. In addition, the Bank's sovereign portfolio has been fully performing since the Bank's inception. Management reviews the loan portfolios at least on an annual basis to assess for impairment. In determining whether an impairment should be recorded in the statement of comprehensive income, the Bank first assesses whether impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. The methodology also uses the Bank's preferred creditor status treatment afforded by its borrowing member countries. The provision is calculated on a methodology which combines the external credit ratings of its members, the probability of default related to those ratings, the loss given default based on the Bank's historical loss experience (if any) and the exposure at default. The Bank currently carries no loan loss provision on its sovereign portfolio and has a General Banking Reserve of $7.0mn which has been identified to mitigate any risk of non-performance. In addition, the non-sovereign portfolio has an accumulated provision of $6.3mn comprising of $5.4mn in respect of the loans which were mentioned in the previous paragraph and an inherent provision of $0.9mn.

Non-Performing Loans: CDB's policy on non-performing loans precludes new loan approvals to any borrower, or guarantor, which is in arrears on an earlier loan, until the default has ended or satisfactory arrangements have been made for payment of the arrears. The Bank also maintains constant dialogue with its borrowers to ensure prompt settlement of debts, which serves to minimise arrears in its loan portfolio.

Liquidity: The liquidity portfolio ensures availability of funds to meet the Bank's operations, provides a buffer in the event of financial stress and contributes to the Bank's operating income. The primary objective of CDB's investment policy is capital preservation while optimising income. Investments are held mainly in government or government-related debt instruments and are reported at market value in the financial statements. At December 31, 2016 the portfolio was $434.5mn. This represented 80.4% of undisbursed loans and agreements not yet effective, with the Bank's OCR liquidity requirement peg having a floor of 40%.

MANAGEMENT REPORTING

The accounting treatment under IFRS requires that derivatives are recorded at their fair value, while loans and borrowings are recorded based on the amortised levels. This creates income volatility which is not representative of the underlying strategy or economics of the transactions, as it is the Bank's policy to hold these instruments to maturity. In accordance with policy, the Bank excludes the impact of the fair value adjustments and related foreign exchange translation adjustments associated with these derivatives from the determination of its operating income. This operating income is, in turn, used to determine CDB's financial performance, liquidity, capital adequacy and other analyses.

RESULTS OF OPERATIONS OF THE OCR

Total comprehensive income: The OCR operations of the Bank recorded total comprehensive loss of ($15.7)mn, a decrease of $24.2mn from the profit of $8.5mn earned for the year ended December 31, 2015. This change was mainly due to decreases in net interest income of $9.4mn and derivative adjustments, including the foreign exchange components, of $13.0mn.

Operating income: Operating income is defined as comprehensive income adjusted for the effects of the derivative adjustment, the foreign exchange translation on the related Japanese yen and Swiss Franc borrowings and the actuarial re-measurements. It is this metric which is used to analyse the performance of the Bank and is allocated to reserves by the Board of Governors in accordance with the Bank's Charter. The operating income decreased by $9.8mn which was mainly driven by a reduction in net interest income of $9.4mn.

Income from loans: Loan income decreased by $5.6mn during the year from $37.7mn in 2015 to $32.1mn in 2016. This was due to a reduction of the average lending rates by 70bps when compared to the average rates in 2015. This reduction in rates was undertaken due to the subscriptions from members received during the year which also forms part of the Bank's capital and strengthened the Bank's capital adequacy ratios.

Income from cash and investments: For the year ended December 31, 2016, income from cash and investments was $3.7mn compared to $2.5mn in 2015. This was mainly due to an increase in the average portfolio from $276.2mn in 2015 to $379.4mn in 2016.

Interest expense: Interest expense for the year ended December 31, 2016, was $13.8mn, an increase of $5.1mn compared to $8.7mn in 2015. This was primarily due to the additional costs of a Swiss Franc borrowing and the related cross currency interest rate swap which were negotiated in 2016.

Operating expenses: In 2016, operating expenses increased by $1.1mn to $16.0mn compared with $14.9mn in 2015. This was due to net realised and unrealised losses on investments, declines in administrative expenses and exchange rate adjustments of $3.0mn, ($0.8)mn and ($1.1) mn respectively. These movements were partially offset by an increase in other income of $0.8mn.

OPERATING EXPENSES

	2016	2015
Administrative expenses	$13.4	$14.2
Realised/unrealised (gains)/losses	2.8	(0.2)
Exchange rate adjustments	(0.2)	0.9
Total operating expenses	**$16.0**	**$14.9**

Rate/Volume analysis: The rate/volume analysis shows the changes in the net earning assets due to changes in the Bank's lending rate, the yield on investments and the cost of borrowings.

RATE/VOLUME ANALYSIS			
	Increase/(Decrease) Due to		
	Rate	Volume	Total
Interest-earning assets			
Cash & investments	0.21	0.99	1.20
Loans	(6.50)	0.71	(5.79)
Total earning assets	(6.29)	1.70	(4.59)
Interest-bearing liabilities	(3.07)	(1.97)	(5.04)
Net change in interest income	(9.36)	(0.27)	(9.63)

FINANCIAL POSITION OF THE OCR

Total assets: At December 31, 2016, total assets were $1,599.2mn, representing an increase of $192.1mn (14.0%) from $1,407.1mn in 2015. This change was due primarily to the inflows from the Swiss Franc borrowing of $151.3mn and capital subscriptions from members of $38.4mn.

Loans: In 2016, the loan portfolio grew by $24.4mn from $992.5mn in 2015 to $1,016.9mn in 2016 or by 2.5%. This growth is expected to continue slowly but consistently over the short term. At December 31, 2016, there were two non-performing private sector loans in the portfolio with a total amount outstanding of $5.1mn which has been fully provided for.

Debt and other liabilities: Total liabilities increased by $169.6mn (31.8%) from $533.1mn at December 31, 2015 to $702.7mn at December 31, 2016. This increase was mainly due to the new Swiss Franc borrowing of $151.3mn and the related derivative financial liability of $22.0mn.

Shareholders' equity: At December 31, 2016, CDB's equity totalled $896.5mn compared with $874.0mn as at December 31, 2015. The increase was due to new net paid-in capital of $38.2mn and total comprehensive loss of ($15.7)mn. Total equity currently represents 56.1% of the Bank's liabilities and capital at the end of this reporting period.

SELECTED FINANCIAL DATA

(EXPRESSED IN MILLIONS OF UNITED STATES DOLLARS)

	Years ended December 31				
	2016	2015	2014	2013	2012
Balance Sheet Data					
Cash and investments	434.5	279.2	267.0	357.2	496.9
Loans outstanding[1]	1,016.9	992.5	982.7	967.9	972.3
Loans undisbursed	528.8	473.2	392.9	333.8	320.3
Total assets	1,599.2	1,407.1	1,378.5	1,452.3	1,640.8
Borrowings outstanding	654.5	502.8	530.3	675.4	920.2
Callable capital	1,375.1	1,375.1	1,324.9	1,274.9	1,207.6
Paid-in capital	388.5	388.5	374.4	360.3	341.3
Retained earnings & reserves	514.9	530.6	522.1	487.2	475.4
Income Statement Data					
Loan income	32.1	37.7	40.5	39.1	39.6
Investment income	3.7	2.6	4.8	(1.8)	4.8
Borrowing costs	13.8	8.7	10.8	15.6	9.8
Foreign exchange translation	(0.2)	0.9	0.3	0.6	0.1
Derivative adjustment	(14.3)	(1.2)	26.9	(8.7)	(7.1)
Operating income	7.5	17.3	21.7	11.6	22.6
Comprehensive (loss)/ income	(15.7)	8.5	34.9	11.8	10.3
Ratios					
Return on:					
Average assets	0.71%	1.36%	1.46%	1.17%	1.52%
Average investments	0.24%	0.89%	1.53%	(0.43%)	1.47%
Average loans outstanding	3.32%	3.99%	4.33%	4.19%	4.02%
Cost of borrowings	2.34%	1.73%	1.83%	2.04%	1.26%
Available capital[2]/economic capital	209.8%	216.5%	204.1%	191.5%	188.7%

[1] Net of provisions.
[2] Defined as the sum of paid-in capital, total reserves, retained earnings after adjustment for derivatives and the currency translation on related borrowings and subscriptions paid in advance, less the General Banking Reserve, subscriptions not yet due or overdue and demand obligations from borrowers.

III. SPECIAL DEVELOPMENT FUND

The SDF (the Fund), was established in 1970 and is the Bank's largest pool of "soft" funds, offering loans on "softer" terms and conditions than those that are applied in the Bank's ordinary operations, i.e., longer maturities and grace periods and lower interest rates.

SDF represents a significantly important enabler in the Bank's efforts to reduce poverty and contribute to sustained welfare enhancement in eligible borrowing member countries. Indeed, successive replenishments of the SDF since its inception have allowed CDB to make a meaningful contribution to the transformation of lives of ordinary men, women, boys and girls particularly those in rural settings who are likely to be more at risk.

The SDF originally offered an assortment of terms and conditions which were fixed by the Fund's various contributors. These differing terms and conditions created a number of complexities and inefficiencies in the Fund's operation, which prompted the decision to set up a fund with a uniform set of rules. Hence, in 1983, the Special Development Fund (Unified) [SDF(U)] was formed.

All members of the Bank are required to contribute to SDF(U), and contributions are also sought from non-members. Contributions are interest-free and provided on a multi-year basis, for an indefinite term. The SDF(U) also has consistent terms, objectives and procurement conditions and thus overcomes the problems associated with individual donors and funding arrangements. There is a supplementary governance structure through an Annual Meeting of Contributors which provides the focus for the SDF(U)'s operations and receives an annual report on the performance of the fund. Non-members are also invited to participate as observers in meetings of the Bank's Board of Directors (BOD) and Board of Governors.

Contributors to the SDF(U), which is usually replenished in four-year cycles, enter into negotiations with the Bank with the objective of agreeing on the priority areas and programmes that should be addressed and on the amount of SDF(U) resources that will be necessary to realise the agreed objectives. Negotiations for the replenishment of the SDF (U) for a ninth cycle, covering the period 2017 - 2020 were completed in December 2016. This cycle will be underpinned by the Bank's efforts to support the BMCs in achieving their development goals consistent with the SDGs.

SUMMARY OF RESULTS

The following discussion should be read in conjunction with the audited financial statements of the SDF and notes set out in this report.

RESULT OF OPERATIONS OF THE SDF

At December 31, 2016, there was a comprehensive loss of ($1.2mn) for the year, compared with ($3.3mn) in 2015. Gross income for the year was $15.5mn, an increase of $1.6mn from $13.9mn in 2015. This increase was due to higher levels of investment income in 2016. Total expenses decreased from $17.2mn in 2015 to $16.7mn in 2016 mainly arising from a reduction in administrative expenses which were allocated to the funds based on the approved formula.

Income from loans: At December 31, 2016, loan income improved to $12.7mn from $12.5mn at December 31, 2015 arising from an increase in the average balances of the portfolio despite the overall decline in loan balances.

Income from cash and investments: At December 31, 2016, income from cash and investments of $2.8mn increased from the $1.4mn which was achieved in 2015. The increase in 2016 was due to a much higher level of unrealised gains in 2016 compared to 2015.

Administrative expenses: At December 31, 2016, administrative expenses were $16.9mn, a decrease of $1.0mn from $17.9mn in 2015. The SDF's share of the Bank's total administrative expenses is based on a predetermined cost-sharing formula, which is driven by the relative number of loans and their stage of execution.

Exchange: At December 31, 2016, foreign exchange translation gains were $0.3mn, compared with $0.7mn in 2015. This is as a result of the volatility in the various currencies in relation to the US dollar.

FINANCIAL POSITION OF THE SDF

Total assets: At December 31 2016, total assets were $1,005.1mn, representing an increase of $11.0mn (1.1%) from $994.1mn at the end of 2015. The main components of the change are discussed below.

Investments: At December 31, 2016, SDF cash and investments amounted to $374.8mn, compared with $349.6mn at the end of 2015. This increase was due to a reduction in receivable from contributors of $12.7mn and an increase in technical assistance of $15.5mn.

Loan portfolio: At December 31, 2016, total outstanding loans were $557.7mn, $1.5mn (0.3%) lower than the $559.2mn outstanding at the end of 2015.

Contributions: Contributions to the SDF net of allocations to technical assistance and grant resources increased by $22.6mn (3.1%) to $750.7mn in 2016 from $728.1mn in 2015. This was due to receipts from the amounts due under SDF 8.

IV. OTHER SPECIAL FUNDS

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

The financial statements are prepared in accordance with accounting policies set out in the notes to the financial statements.

SUMMARY OF RESULTS

The following discussion should be read in conjunction with the audited financial statements of the OSF and notes set out in Section 7 of this report.

RESULT OF OPERATIONS OF THE OSF

At December 31, 2016, the net income was $4.6mn, an increase of $0.6mn from $4.0mn in 2015. This change was due to foreign exchange translation gains during the year.

Income from loans: At December 31, 2016, income from loans was $2.3mn, a marginal decrease from $2.5mn in 2015. This decline was caused by a smaller average balance in the loan portfolio than existed in 2015.

Income from cash and investments: At December 31, 2016, income from cash and investments increased to $3.5mn from $3.3mn in 2015. This change in investment income was due to the larger net realised and unrealised gains on investments.

Administrative expenses: At December 31, 2016, administrative expenses remained unchanged from 2015 at $1.4mn. The OSF's share of the total administrative expenses for the Bank as a whole is based on a predetermined cost-sharing formula, which is driven by the relative levels of loan count.

Charges on contributions: At December 31, 2016, charges on contributions were $0.9mn, an increase of $0.1mn from $0.8mn in 2015 due to additional drawdowns on repayable contributions.

Exchange: At December 31, 2016, foreign exchange translation gains were $1.1mn, an increase of $0.5mn from $0.6mn in 2015. Foreign exchange translation movement is a result of the volatility in various currencies in relation to the US dollar.

FINANCIAL POSITION OF THE OSF

Total assets: At December 31, 2016, total assets were $289.6mn, representing an increase of $24.5mn from $265.1mn at the end of 2015. The main components of the change are discussed below.

Investments: At December 31, 2016, cash and investments amounted to $89.3mn, compared with $98.4mn at the end of 2015. The investment portfolio included assets from the Microfinance Guarantee Fund and the Interest Subsidy Fund that are externally managed. In addition, included in the investment portfolio are equity investments amounting to $7.6mn (2015: $7.4mn).

Loan portfolio: At December 31, 2016, total outstanding loans were $103.6mn, a decrease of $6.8mn (6.2%) from $110.4mn in 2015. This was due to repayments during the year 2016.

Receivable from members: This represents a promissory note of GBP49.3mn received as a disbursement from the UKCIF.

Accounts receivable: There was a decrease in accounts receivable from $56.4mn in 2015 to $35.9mn in 2016. Substantial increases in disbursement of BNTF funds required transfers of cash from the SDF(U) as reimbursement towards the BNTF account.

Liabilities and funds: At December 31, 2016, liabilities and funds totalled $289.6mn, representing increases of $28.2mn and $4.5mn in technical assistance and grant resources and accumulated net income respectively. There were decreases of $4.0mn and $4.2mn in accounts payable and contributed resources respectively.

V. OPERATIONS

In 2016, CDB approved $277.3mn in loans (2015 - $261.5mn) and $45.8mn in grants, excluding UKCIF, (2015 - $32.7mn) totaling $323.1mn (2015 - $294.2mn). During the year, there were loan disbursements of $154.8mn (2015 - $135.3mn) and grant disbursements of $42.8mn (2015 - $26.1mn).

	Gross Approvals ($mn)		Disbursements ($mn)	
	2016	2015	2016	2015
OCR Loans	205.5	197.2	126.3	95.1
SDF Loans	71.8	63.0	28.2	39.1
OSF Loans	-	1.3	0.3	1.1
Total Loans	**277.3**	**261.5**	**154.8**	**135.3**
SDF Grant	23.3	31.2	13.0	14.4
OSF Grants	22.5	1.5	29.8	11.7
Total Grants	**45.8**	**32.7**	**42.8**	**26.1**
TOTAL	**323.1**	**294.2**	**197.6**	**161.4**
UKCIF	**£(mn)**			
	20.3	**-**	**-**	**-**

Loans: Lending to the public sector accounted for all of the loans approved in 2016. Of the 24 loans approved during the year, five were entirely funded from the OCR, while 19 were a blend of OCR and SFR funding. The three largest borrowers were Suriname, St. Lucia and Belize with 41.6%, 17.4% and 11.8% respectively.

Grants and Equity: Grant and equity approvals, excluding UKCIF, amounted to $45.6mn. The three major beneficiaries were St. Vincent & the Grenadines ($15.9mn), Haiti ($12.4mn) and Regional ($7.0mn).

Resource Transfers: In 2016, there was a positive net transfer of resources (i.e. disbursements of loans and grants less repayments of principal, interest and charges) between CDB and its BMCs. The net flow of resources amounted to $13.0mn, a significant increase of $21.5mn when compared to the negative net resource transfer of ($8.5mn) in 2015.

Borrowings: CDB uses its borrowings to ensure that funds are available for its operations. In meeting this objective, CDB seeks to diversify its borrowings across creditors and markets. In July 2016 the Bank transacted its first issuance of bonds for CHF145mn in the Swiss market. This was very important for CDB as it increased the diversification of its borrowing portfolio.

Financing: During 2016, additional sources of funding became available for CDB through;

a) Accreditation to the Adaptation Fund;
b) Accreditation to the GCF;
c) Award of a grant of GBP300mn from DFID UKCIF; and
d) An increase of the contingency funding limit from $50mn to $75mn.

Repayments: During the year, CDB was repaid 97.7% (2015 – 97.5%) of the total amounts which were charged to its borrowers. A breakdown by fund group is shown below:

	December 31, 2016 Amounts in $mn			December 31, 2015 Amounts in $mn		
	Principal Interest & Charges			Principal Interest & Charges		
	Billed	Received	%	Billed	Received	%
OCR	138.5	134.2	96.8	127.2	122.9	96.6
SDF	42.4	42.4	100	39.3	39.3	100
OSF	8.9	8.9	100	8.9	8.9	100
Total	$189.8	$185.5	97.7	$175.4	$171.1	97.5

ADMINISTRATIVE EXPENSES

A comparative analysis of major administrative expenditure items is shown below. At December 31, 2016, recurrent expenses were $32.2mn, increasing by $0.5mn (2%) from $31.7mn in 2015. The costs related to the one-off restructuring exercise undertaken in 2015 are excluded from the recurrent expenses.

ANALYSIS OF ACTUAL EXPENSES FOR 2016 AND 2015 $' mn

	2016	2015	Variance	%
Staff costs	$21.8	$21.9	$(0.1)	-
Professional fees and consultants	2.0	1.7	0.3	18
Travel	1.9	2.0	(0.1)	(5)
Maintenance and utilities	0.7	1.0	(0.3)	(30)
Computer services	1.3	1.1	0.2	18
Other	3.2	2.9	0.3	10
Depreciation	1.3	1.1	0.2	18
Sub-total – recurrent costs	**$32.2**	**$31.7**	**$0.5**	**2**
Restructuring costs	(0.6)	1.6		
Total	**$31.6**	**$33.3**		

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INDEPENDENT AUDITOR'S REPORT

TO THE BOARD OF GOVERNORS OF CARIBBEAN DEVELOPMENT BANK

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of the **Ordinary Capital Resources** of the **Caribbean Development Bank** ("the Bank"), which comprise the statement of financial position as of December 31, 2016, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Bank as of December 31, 2016 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs").

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the Audit of the Financial Statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

INDEPENDENT AUDITOR'S REPORT (Continued)

TO THE BOARD OF GOVERNORS OF CARIBBEAN DEVELOPMENT BANK

Report on the Audit of the Financial Statements (continued)

Key Audit Matters (continued)

Key audit matter	***How our audit addressed the key audit matter***
Provision for loan impairment	
Related disclosures in the financial statements are included in Note 5 *Financial Assets*, *Provision for loan impairment*, and Note 10 (c), *Loans Outstanding* (Pages 115 – 116; 124). As a Multilateral Development Bank (MDB), the Bank's largest exposure is country credit risk, which is the risk that a borrowing member country is unable or unwilling to service its obligations to the Bank. As at December 31, 2016, no specific or collective provision was established on the Bank's sovereign portfolio. The balance on the provision for loan impairment account solely related to the specific and collective assessment of the non-sovereign portfolio.	We assessed and tested the design and operating effectiveness of controls over: - Management's process for making lending decisions inclusive of the approval, disbursement and monitoring of the loan portfolio. - Data used to determine the provisions for loan impairment, including transactional data captured at loan origination, internal credit quality assessments, storage of data and computations. We assessed the adequacy of provision for loan impairment by testing the key assumptions used in the Bank's specific and collective provision calculations. The results of our independent review of the historical payment pattern and arrears status of the Bank's sovereign debtors was consistent with the Bank's data inputs and its "preferred creditor treatment". In addition, we assessed the adequacy of the disclosures in the financial statements. We involved IT specialists in areas that required specific expertise (i.e. data reliability).

Key Audit Matters (continued)

Key audit matter	***How our audit addressed the key audit matter***
Fair value of financial instruments	
Related disclosures in the Financial Statements are included in Note 3, *Risk Management* and Note 5 *Financial Assets, Fair value measurement* (Pages 108 – 111; 114). Valuation models are in use which require the input of market-observable data. The use of different valuation techniques and assumptions however could produce significantly different estimates of fair value. The associated risk management disclosure is complex and dependent upon high quality data.	We included derivative valuation specialists on our team who independently recomputed the fair value of all derivatives held by the Bank and the related sensitivity disclosures in accordance with IFRS 7, using their own internal model. We reviewed the market prices applied to the Bank's debt securities by comparing the prices used to an independent external source. We also assessed the adequacy of the disclosures in the financial statements, including the disclosure of valuation sensitivity and fair value hierarchy in Note 3. We involved IT specialists in areas that required specific expertise (i.e. data reliability, input of market prices).

INDEPENDENT AUDITOR'S REPORT (Continued)

TO THE BOARD OF GOVERNORS OF CARIBBEAN DEVELOPMENT BANK

Report on the Audit of the Financial Statements (continued)

Other information included in the Bank's 2016 Annual Report

Management is responsible for the other information. Other information consists of the information included in the Bank's 2016 Annual Report, other than the financial statements and our auditor's report thereon. The Bank's 2016 Annual Report is expected to be made available to us after the date of this auditor's report.

Our opinion on the financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

When we read the Annual Report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to the Oversight and Assurance Committee.

Responsibilities of Management and the Oversight and Assurance Committee for the Financial Statements

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

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

The Oversight and Assurance Committee is responsible for overseeing the Bank's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

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

INDEPENDENT AUDITOR'S REPORT (Continued)

TO THE BOARD OF GOVERNORS OF CARIBBEAN DEVELOPMENT BANK

Report on the Audit of the Financial Statements (continued)

Auditor's Responsibilities for the Audit of the Financial Statements (continued)

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

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

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

We also provide the Oversight and Assurance Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

INDEPENDENT AUDITOR'S REPORT (Continued)

TO THE BOARD OF GOVERNORS OF CARIBBEAN DEVELOPMENT BANK

Report on the Audit of the Financial Statements (continued)

Auditor's Responsibilities for the Audit of the Financial Statements (continued)

From the matters communicated to the Oversight and Assurance Committee, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Other Matter

This report is made solely to the Bank's members, as a body, in accordance with Article 38, sub-section 2 of the Agreement establishing the Caribbean Development Bank entered into force on January 26, 1970. Our audit work has been undertaken so that we might state to the Bank's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law and subject to any enactment or rule of law to the contrary, we do not accept or assume responsibility to anyone other than the Bank and the Bank's members as a body, for our audit work, for this report, or for the opinion we have formed.

The engagement partner in charge of the audit resulting in this independent auditor's report is Maurice Franklin.

Ernst & Young Ltd
Chartered Accountants
BARBADOS
March 16, 2017

CARIBBEAN DEVELOPMENT BANK

ORDINARY CAPITAL RESOURCES

STATEMENT OF FINANCIAL POSITION

AS OF DECEMBER 31, 2016
(EXPRESSED IN THOUSANDS OF UNITED STATES DOLLARS, UNLESS OTHERWISE STATED)

	Notes	2016	2015
Assets			
Cash and cash equivalents	6	**$94,207**	$65,412
Debt securities at fair value through profit or loss	7	**340,318**	213,765
Receivables and prepaid assets	8	**6,342**	11,396
Cash collateral on derivatives	9	**11,655**	-
Loans outstanding	10	**1,016,926**	992,530
Receivable from members			
Non-negotiable demand notes	11	45,682	45,746
Maintenance of value on currency holdings	12	5,769	4,606
Subscriptions in arrears	13	6,866	5,590
		58,317	55,942
Derivative financial instruments	14	**58,663**	56,251
Non-current assets held for sale	15	**572**	-
Property and equipment	16	**12,177**	11,767
Total Assets		**$1,599,177**	$1,407,063

CARIBBEAN DEVELOPMENT BANK

ORDINARY CAPITAL RESOURCES

STATEMENT OF FINANCIAL POSITION CONT'D

AS OF DECEMBER 31, 2016
(EXPRESSED IN THOUSANDS OF UNITED STATES DOLLARS, UNLESS OTHERWISE STATED)

	Notes	2016	2015
Liabilities and Equity			
Liabilities			
Accounts payable and accrued liabilities	18	$3,021	$7,503
Subscriptions in advance	19	-	4,326
Deferred income	20	875	875
Post-employment obligations	21	22,210	17,655
Borrowings	22	654,530	502,752
Derivative financial instruments	14	22,039	-
Total Liabilities		$702,675	$533,111
Equity			
Subscriptions matured (net)	23(b)	$381,580	$343,324
Retained earnings and reserves	23(e)	514,922	530,628
Total Equity		$896,502	$873,952
Total Liabilities and Equity		$1,599,177	$1,407,063

Approved by the Board of Directors on March 16th, 2017 and signed on their behalf by:

Wm. Warren Smith, Ph.D., CD
President

Carlyle Assue
Director, Finance & Corporate Planning

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

CARIBBEAN DEVELOPMENT BANK

ORDINARY CAPITAL RESOURCES

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED DECEMBER 31, 2016
(EXPRESSED IN THOUSANDS OF UNITED STATES DOLLARS, UNLESS OTHERWISE STATED)

	Notes	Capital Stock	Retained Earnings	Post Employment Obligations Reserve	Other Reserves	Total
Balance as of December 31, 2014		**$299,468**	**$520,600**	**$(11,777)**	**$13,260**	**$821,551**
New capital subscriptions	**23(b)**	43,953	-	-	-	43,953
Prepayment discount	**23(b)**	(97)	-	-	-	(97)
Net income for the year		-	10,042	-	-	10,042
Other comprehensive loss	**21**	-	-	(1,497)	-	(1,497)
Balance as of December 31, 2015		**$343,324**	**$530,642**	**$(13,274)**	**$13,260**	**$873,952**
New capital subscriptions	**23(b)**	38,414	-	-	-	38,414
Prepayment discount	**23(b)**	(158)	-	-	-	(158)
Net loss for the year		-	(12,767)	-	-	(12,767)
Other comprehensive loss	**21**	-	-	(2,939)	-	(2,939)
Balance as of December 31, 2016		**$381,580**	**$517,875**	**$(16,213)**	**$13,260**	**$896,502**

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

CARIBBEAN DEVELOPMENT BANK

ORDINARY CAPITAL RESOURCES

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED DECEMBER 31, 2016
(EXPRESSED IN THOUSANDS OF UNITED STATES DOLLARS, UNLESS OTHERWISE STATED)

	Notes	2016	2015
Interest and similar income	24(a)	**35,782**	40,179
Interest expense and similar charges	24(b)	**(13,777)**	(8,736)
Net interest income		**22,005**	31,443
Other income		**1,521**	757
		23,526	32,200
Operating expenses	25	**(16,015)**	(14,910)
Operating income		**7,511**	17,290
Allocation from net income	26	**(6,000)**	(6,000)
Net income before derivative and foreign denominated borrowing adjustments		**1,511**	11,290
Derivative fair value adjustment	27	**(18,659)**	4,817
Foreign exchange gain/(loss) in translation	22(b)	**4,381**	(6,065)
Net (loss)/income for the year		**(12,767)**	10,042
Other comprehensive loss that will not be reclassified to the income statement			
Re-measurements – Actuarial losses	21	**(2,939)**	(1,497)
Total comprehensive (loss)/income for the year		**$(15,706)**	$8,545

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

CARIBBEAN DEVELOPMENT BANK

ORDINARY CAPITAL RESOURCES

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2016
(EXPRESSED IN THOUSANDS OF UNITED STATES DOLLARS, UNLESS OTHERWISE STATED)

	Notes	2016		2015
Operating activities:				
Net (loss)/income for the year			**$(12,767)**	$10,042
Adjustments:				
Unrealised loss/(gain) on debt securities		3,222		(154)
Depreciation	**16**	1,250		1,139
Gain on disposal of fixed assets		(18)		(70)
Initial capitalisation of borrowing costs		(901)		-
Derivative fair value adjustment		18,659		(4,817)
Interest income		(35,782)		(40,179)
Interest expense		13,777		8,736
Foreign exchange (gain)/loss in translation	**22(b)**	(4,381)		6,065
Increase in maintenance of value on currency holdings		(1,162)		(895)
Total cash flows used in operating activities before changes in operating assets and liabilities			**(18,103)**	(20,133)
Changes in operating assets and liabilities:				
Decrease/(increase) in receivables and prepaid assets		5,054		(3,789)
Increase in cash collateral on derivatives		(11,655)		-
(Decrease)/increase in accounts payable and accrued liabilities		(4,482)		5,106
Increase in post-employment obligations		1,616		1,302
Net (increase)/ decrease in debt securities at fair value through profit and loss		(129,118)		18,926
Cash (used in)/provided by operating activities			**(156,688)**	1,412
Disbursements on loans	**10(b)**		**(126,345)**	(95,082)
Principal repayments on loans	**10(b)**		**101,161**	84,253
Interest received			**35,912**	41,379
Net cash (used in)/provided by operating activities			**(145,960)**	31,962
Investing activities:				
Purchase of property and equipment	**16**	(2,232)		(4,027)
Proceeds from sale of property and equipment		18		295
Net cash used in investing activities			**(2,214)**	(3,732)
Financing activities:				
New borrowings		219,962		1,488
Repayments on borrowings	**22(b)**	(64,433)		(34,432)
Interest paid on borrowings		(11,278)		(8,438)
New capital subscriptions	**23(b)**	38,414		43,953
Prepayment discounts	**23(b)**	(158)		(97)
Decrease in subscriptions in advance		(4,326)		(4,424)
(Increase)/decrease in receivables from members		(1,212)		4,930
Net cash provided by financing activities			**176,969**	2,980
Net increase in cash and cash equivalents			**28,795**	31,210
Cash and cash equivalents at beginning of year			**65,412**	34,202
Cash and cash equivalents at end of year	**6**		**$94,207**	$65,412

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

CARIBBEAN DEVELOPMENT BANK
ORDINARY CAPITAL RESOURCES
NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2016
(EXPRESSED IN THOUSANDS OF UNITED STATES DOLLARS, UNLESS OTHERWISE STATED)

NOTE 1 – NATURE OF OPERATIONS

Corporate structure
The Caribbean Development Bank ("CDB" or "the Bank") is an international organisation established by an Agreement ("Charter") signed in Kingston, Jamaica, on October 18, 1969 and accepted and ratified by all the member countries which are signatories thereto. The Charter is an international treaty which, together with the instruments of ratification and accession by member countries, is deposited with the United Nations Secretary-General. The Charter entered into force on January 26, 1970 and CDB commenced operations on January 31, 1970. Since then other countries have become members of CDB by acceding to the Charter.

The Bank's headquarters is located in Wildey in the parish of Saint Michael in the island of Barbados.

Purpose and objectives
CDB is a regional financial institution established for the purpose of contributing to the harmonious economic growth and development of the member countries in the Caribbean ("Region") and to promote economic cooperation and integration among them, with special and urgent regard to the needs of the less developed members.

Membership
The membership of the Bank is open to:
(a) States and Territories of the Region;
(b) Non-Regional States which are members of the United Nations or any of its specialised Agencies; or of the International Atomic Energy Agency.

The Bank's members are classified as either of:-
- Borrowing member countries ("BMCs") which comprise members of the Region that are qualified to borrow from the Bank.
- Non-regional members ("NRMs") are comprised of members outside of the region that do not qualify to borrow from the Bank.

The BMCs are also shareholders of the OCR and are therefore considered related parties.

The current membership of the Bank is comprised of 23 regional states and territories and five non-regional states (2015: 23 regional states and territories and 5 non-regional states). A detailed listing of the membership is provided at Note 23(c) - Equity.

Reducing poverty in the region is CDB's main objective and it finances development projects in its BMCs primarily through its Ordinary Capital Resources ("OCR") which comprises shareholders' paid-in capital, retained earnings and reserves and borrowings. In advancing this objective, the Bank participates in the selection, study and preparation of projects contributing to poverty reduction and, where necessary, provides technical assistance and support.

Special fund resources
Attainment of the Bank's objectives are also supplemented by the Special Development Fund ("SDF") and Other Special Funds ("OSF") which comprise its Special Fund Resources ("SFR") with distinct assets and liabilities and which are subject to different operational, financial and other rules as set out by the contributors (some of which are non-members of the Bank). The SFR is independently managed from, and has no recourse to, the OCR for obligations in respect of any of the liabilities of the SDF or OSF.

CARIBBEAN DEVELOPMENT BANK

ORDINARY CAPITAL RESOURCES

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2016
(EXPRESSED IN THOUSANDS OF UNITED STATES DOLLARS, UNLESS OTHERWISE STATED)

NOTE 1 – NATURE OF OPERATIONS…continued

Special fund resources…continued
Mobilising financial resources is an integral part of CDB's operational activities, where alone or jointly, it administers funds restricted for specific uses such as technical assistance, grants and regional programmes.

These funds are provided by donors, including members, some of their agencies and other development institutions.

NOTE 2 – ACCOUNTING POLICIES (GENERAL)

Accounting policies which are specific in nature are included as part of the disclosures that are relevant to the particular item in these Notes to the financial statements. The accounting policies that are of a general nature applied in the preparation of these financial statements are set out below:

Foreign currency translation
The functional and presentation currency of the Bank is the United States dollar. Monetary assets and liabilities in currencies other than United States dollars are translated into United States dollars at market rates of exchange prevailing at the reporting date. Non-monetary items measured at historical cost in currencies other than United States dollars are translated into United States dollars using the exchange rates at the dates of the initial transactions.

Foreign currency transactions are initially translated into United States dollars at applicable rates of exchange on the transaction dates. Any gains or losses arising as a result of differences in rates applied to income or expenses and to assets or liabilities are shown as an exchange gain or loss in the determination of net income for the year.

Taxation
Under the provisions of Article 55 of the Charter and the provisions of the Caribbean Development Bank Act, 1970-71 of Barbados, the Bank's assets, property, income and its operations and transactions are exempt from all direct and indirect taxation and from all custom duties on goods imported for its official use.

All policies have been consistently applied to the years presented, except where otherwise stated. Prior year comparatives have been adjusted or amended to conform with the presentation in the current year where applicable.

Basis of preparation

Statement of compliance
These financial statements are prepared in accordance with International Financial Reporting Standards (IFRS) under the historical cost basis, except as modified by the revaluation of debt securities at fair value through profit or loss and derivative financial instruments (cross currency interest rate swaps and interest rate swaps) which are reflected at fair value. The financial statements are presented in United States dollars (USD) and all values are rounded to the nearest thousand, except where otherwise indicated.

CARIBBEAN DEVELOPMENT BANK

ORDINARY CAPITAL RESOURCES

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2016
(EXPRESSED IN THOUSANDS OF UNITED STATES DOLLARS, UNLESS OTHERWISE STATED)

NOTE 2 – ACCOUNTING POLICIES (GENERAL)…continued

Basis of preparation…continued

Content of financial statements
The financial statements comprise the statement of financial position, the statement of comprehensive income, the statement of changes in equity, the statement of cash flows and the notes to the financial statements for the year ended December 31, 2016 (the reporting date).

Presentation of financial statements
The presentation format of the Bank's statement of comprehensive income reflects the Operating income from the Bank's core activities. In the opinion of management, this enhances the information to the users of the Bank's financial statements as Operating income is the basis upon which the Bank's financial, liquidity, capital adequacy, efficiency and other performance ratios and measures are determined.

The Bank presents its statement of financial position in order of liquidity. An analysis regarding recovery or settlement within 12 months after the reporting date (current) and more than 12 months after the reporting date (non–current) is presented in Note 3.

Financial assets and financial liabilities are generally reported gross in the statement of financial position. They are only offset and reported net when, in addition to having an unconditional legally enforceable right to offset the recognised amounts without being contingent on a future event, the parties also intend to settle on a net basis in all of the following circumstances:

- The normal course of business
- The event of default
- The event of insolvency or bankruptcy of the Bank and/or its counterparties

Derivative assets and liabilities with master netting arrangements (e.g. ISDAs) are only presented net when they satisfy the eligibility of netting for all of the above criteria and not just in the event of default.

Critical judgments and estimates
The preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities and the disclosure of contingent liabilities. All estimates and assumptions required in conformity with IFRS are applied in accordance with the applicable standard. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

CARIBBEAN DEVELOPMENT BANK

ORDINARY CAPITAL RESOURCES

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2016
(EXPRESSED IN THOUSANDS OF UNITED STATES DOLLARS, UNLESS OTHERWISE STATED)

NOTE 2 – ACCOUNTING POLICIES (GENERAL)…continued

Critical judgments and estimates…continued
Management's judgment for certain items that are especially critical for the Bank's results and financial situation due to their materiality is included in the relevant note disclosures in these financial statements, except as stated below:

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

New and amended standards and interpretations which are applicable to the Bank

The Bank applied for the first time certain standards and amendments, which are effective for the reporting period. The nature and the impact of each new standard and amendment is described below:

IAS 16 and IAS 38, Clarification of Acceptable Methods for Depreciation and Amortisation (Amendments) (Effective date January 1, 2016). These standards relate to the accounting treatment for Property, plant and equipment as well as intangible assets and had no impact on the Bank's financial statements.

Annual Improvements 2012 – 2014 cycle (Effective date January 1, 2016). Improvements were made to IFRS 5, IFRS 7, IAS 19 and IAS 34. The only amendment applicable to the Bank from this cycle was the amendment to IAS 19 which clarified that the market depth of high quality corporate bonds is assessed based on the currency in which the obligation is denominated, rather than the country where the obligation is located. The Bank was already applying this interpretation and thus there was no impact on the financial statements.

Standards in issue not yet effective and which are applicable to the Bank

The following is a list of standards and interpretations issued that are not yet effective up to the date of the issuance of the Bank's financial statements. The Bank intends to adopt these standards, if applicable, when they become effective. The impact of adoption depends on the assets held by the Bank at the date of adoption and it is therefore not practical to quantify the effect at this time.

- IAS 7, *Disclosure initiative - Amendments to IAS 7* (Effective January 1, 2017), relating to required disclosures on changes in liabilities arising from financing activities.

- IFRS 9, *Financial Instruments* (Effective January 1, 2018), relating to the classification and measurement of financial assets and liabilities, Hedge accounting and impairment.

- IFRS 15, *Revenue from contracts with customers* (Effective January 1, 2018), relating to the principles to be applied for the measurement and recognition of revenue

- IFRS 16, *Leases* (Effective January 1, 2019), related to the accounting and disclosure requirements for leases by lessees and lessors.

CARIBBEAN DEVELOPMENT BANK

ORDINARY CAPITAL RESOURCES

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2016
(EXPRESSED IN THOUSANDS OF UNITED STATES DOLLARS, UNLESS OTHERWISE STATED)

NOTE 3 – RISK MANAGEMENT

The Bank's principal financial liabilities, other than derivatives, comprise borrowings and trade and other payables, the main purpose of which is to finance the Bank's operations. The Bank also provides guarantees to its borrowers under set terms and conditions. The Bank's principal financial assets are loans, receivables, cash and short-term deposits and debt securities at fair value through profit and loss that are all derived directly from its operations. The Bank also holds derivative contracts and enters into derivative transactions when deemed necessary by senior management. All derivative activities for risk management purposes are to be undertaken by senior management in accordance with approved Board of Directors (BOD) policy which includes the provision that no trading in derivatives for speculative purposes may be undertaken.

The Bank's BOD sets the governance framework for the Bank by setting the risk and risk appetite framework, and the underlying policies and procedures. Financial risk activities are governed by the policies and procedures and financial risks are identified, measured and managed in accordance with the Bank's approved policies and risk objectives.

The ability to manage these risks is supported by an enterprise wide risk management framework which was approved by the Board of Directors. Operationally, CDB seeks to minimise its risks via the implementation of robust mitigating controls aimed at reducing exposure to achieve adherence to approved risk appetite portfolio limits. The Bank's risk mitigation approaches include adopting processes, systems, policies, guidelines and practices which are reviewed and modified periodically in line with the institution's changing circumstances.

The Bank's Office of Risk Management (ORM) manages, coordinates, monitors and reports on the mitigation of all risks that the Bank faces such as strategic, financial, operational, and reputational risks. The ORM also has the responsibility for recommending and implementing new or amended policies and procedures for effective risk management to the BOD for approval and to ensure that risk awareness is embedded within the Bank's operations and among the Bank's employees. CDB's risk management framework is built around its governance, policies and processes. The risk management governance structure supports the Bank's senior management in their oversight function in the coordination of different aspects of risk management.

The Bank's governance is built around the following committees:

(i) The Enterprise Risk Committee (ERC);
(ii) The Loans Committee (LC);
(iii) The Oversight and Assurance Committee (OAC) and
(iv) The Advisory Management Team (AMT).

The Office of Institutional Integrity, Compliance and Accountability (ICA) was established to operationalise the strategic framework for integrity, compliance and accountability. ICA is responsible for managing institutional integrity, compliance, anti-money laundering (AML), countering the financing of terrorism (CFT) and financial sanctions, ethics, whistleblowing, and project accountability. ICA reports to the BOD through the OAC.

CARIBBEAN DEVELOPMENT BANK

ORDINARY CAPITAL RESOURCES

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2016
(EXPRESSED IN THOUSANDS OF UNITED STATES DOLLARS, UNLESS OTHERWISE STATED)

NOTE 3 – RISK MANAGEMENT…continued

The Board of Directors also approved a Code of Conduct for the Board of Directors, and a new Charter for the Internal Audit Division (IAD).

The Bank is exposed to market risk, credit risk, liquidity risk and operational risk which is overseen by its senior management through established committees with defined roles and responsibilities. Market risk includes currency, interest rate and price risk. The most important types of risk faced by CDB are associated with the borrowing member countries and relate to country credit risk and concentration risk.

The Bank manages limits and controls concentration of credit risk in relation to loans, debt securities, cash and investments, derivative and borrowing counterparties based upon policies approved by the BOD. These financial policies limit the amount of exposure in relation to a single borrower and to groups of borrowers, by counterparties and by type of investments and they are monitored on a monthly basis.

Credit risk

A major risk to CDB as a multilateral development bank is its exposure to country credit risk. This risk relates to potential losses in the event that a borrowing member is unable or unwilling to service its obligations to the Bank. CDB manages its country credit risk through its financial policies and lending strategies, including the setting of individual country exposure limits and evaluation of overall creditworthiness. Individual BMC exposure to the Bank on outstanding loans as at December 31, 2016 is reported in Note 3 and Note 10.

The Bank manages its credit risk in liquid funds and derivative financial instruments by ensuring that all individual investments carry a minimum credit rating as follows:

	Standard & Poor's	Moody's Investors Service
Commercial bank obligations	A-	A3
Government obligations	AA-	Aa3

Additionally, CDB can invest in non-freely convertible currencies in unconditional obligations issued or guaranteed by indigenous commercial banks provided that no such bank holds more than $1 million of the investible amount of the given currency or 10% of CDB's capital, whichever is smaller. In relation to derivative transactions, all counterparties must have a minimum rating of BBB/Baa2 (by Standard & Poor's and Moody's respectively), with a minimum rating for new transactions of A-/ A3 (stable outlook by Standard & Poor's and Moody's respectively).

CARIBBEAN DEVELOPMENT BANK

ORDINARY CAPITAL RESOURCES

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2016
(EXPRESSED IN THOUSANDS OF UNITED STATES DOLLARS, UNLESS OTHERWISE STATED)

NOTE 3 – RISK MANAGEMENT…continued

Credit risk…continued

Credit risk measurement

The Bank assesses borrowers based upon their external credit ratings. For borrowers without an external rating, judgment and bench-marking against similar credits are used to assign an appropriate internal rating. Borrowers are segmented into four rating classes. The rating scale, shown below, reflects the range of default probabilities defined for each rating class and related exposures can migrate between classes based on the results of the re-assessments of their probability of default.

Internal rating scale and mapping of external ratings are as follows

CDB's Rating	Description of the grade	External rating: Standard & Poor's equivalent
1	Basic monitoring	AAA, AA+, AA, AA- A+, A-
2	Standard monitoring	BBB+, BBB, BBB-, BB+, BB, BB-, B+, B, B-
3	Special monitoring	CCC to C
4	Sub-standard	D

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

Risk limit control and mitigation measures

Loans

Currently the approved exposure limit to the single largest borrower is 40% of total outstanding loans or 50% of total available capital, whichever is greater. The limit for the three largest borrowers is 60% of total outstanding loans or 90% of total available capital whichever is greater.

	2016	2015
Single largest borrower's exposure to total outstanding loans	**20.8%**	22.8%
Three largest borrowers' exposure to total outstanding loans	**40.9%**	45.5%

CARIBBEAN DEVELOPMENT BANK

ORDINARY CAPITAL RESOURCES

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2016
(EXPRESSED IN THOUSANDS OF UNITED STATES DOLLARS, UNLESS OTHERWISE STATED)

NOTE 3 – RISK MANAGEMENT...continued

Credit risk...continued

Risk limit control and mitigation measures...continued

Cash and cash equivalents and Debt securities through profit and loss
The Bank's results as at December 31 against the BOD approved policy ratios were as follows:

Investment Type	Maximum policy limit (based upon total investment portfolio)	2016	2015
Single entity US Treasury or US Government	10%	**7.2%**	7.4%
Agency	35%	**35.0%**	28.7%
Commercial entity	50%	**18.4%**	28.3%

Credit related commitments

Guarantees and standby letters of credit represent irrevocable assurances that the Bank will make payment. The primary purpose of these instruments is to ensure that funds are available to a borrower as required. The Bank currently has guarantees not exceeding the equivalent of $12 mn with respect to bonds issued by the Government of St. Kitts and Nevis (GOSKN).

Master netting arrangements

All of the Bank's derivatives are executed under International Swap Dealers' Association (ISDA) agreements and the Schedule to the Master Agreement in order to limit exposure to credit risk through the provisions in these agreements for offsetting of amounts due to or by both counterparties. Under the provisions of these agreements both parties compute amounts owing to and by each other and the party with net amount owing makes payment to the second party. The ISDA and related Schedule also makes provision for the voluntary netting of currencies and transactions and for the computation methodology of and settlement of final net payment in the event of termination. CDB currently is party to five swaps with four counterparties.

CARIBBEAN DEVELOPMENT BANK

ORDINARY CAPITAL RESOURCES

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2016
(EXPRESSED IN THOUSANDS OF UNITED STATES DOLLARS, UNLESS OTHERWISE STATED)

NOTE 3 – RISK MANAGEMENT...continued

Credit risk...continued

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

Credit risk exposure relating to assets included on the statement of financial position is as follows:

As at December 31	2016	2015
Cash and cash equivalents	**$94,207**	$65,412
Debt securities at fair value through profit or loss	**340,318**	213,765
Sovereign loans outstanding	**992,587**	962,259
Non-sovereign loans outstanding	**24,339**	30,271
Derivative financial instruments	**58,663**	56,251
Non-negotiable demand notes	**45,682**	45,746
Maintenance of value on currency holdings	**5,769**	4,606
Subscriptions in arrears	**6,866**	5,590
Receivables	**6,084**	11,130
	1,574,515	1,395,030
Commitments		
Undisbursed sovereign loan balances	**372,707**	322,965
Undisbursed non-sovereign loan balances	**9,227**	14,097
Commitments	**15,000**	6,000
Guarantees	**12,000**	12,000
	408,934	355,062
	$1,983,449	$1,750,092

The above table represents a worst case scenario of credit risk exposure as at December 31, 2016 and 2015, without taking account of any collateral held or other credit enhancements attached.

The Bank's policy in relation to collateral is disclosed in Note 10 to these financial statements.

For assets included on the statement of financial position, the exposures set out above are based on gross carrying amounts as reported in the statement of financial position. As shown, the total maximum exposure from loans and commitments to the sovereign was 68.9% (2015: 73.4%), and to the non-sovereign was 1.7% (2015: 2.5%).

CARIBBEAN DEVELOPMENT BANK

ORDINARY CAPITAL RESOURCES

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2016
(EXPRESSED IN THOUSANDS OF UNITED STATES DOLLARS, UNLESS OTHERWISE STATED)

NOTE 3 – RISK MANAGEMENT…continued

Credit risk…continued

Credit quality

Debt securities, treasury bills and other eligible bills
The main investment management objectives are to maintain capital preservation and liquidity. Subject to these parameters, CDB seeks the highest possible return on its investments. CDB's Investment Policy restricts its investments to government and government-related debt instruments and time deposits. Investments may also be made in unconditional obligations issued or guaranteed by commercial banks rated A-/A3, or better, AAA rated asset-backed securities, and AAA-rated mortgage-backed securities. Adherence to the investment policy guidelines is monitored on a continuous basis by the ERC.

The following tables present an analysis of the credit quality of debt securities, treasury bills and other eligible bills, neither past due nor impaired based on Standard & Poor's rating or equivalent, as of December 31, 2016 and 2015.

2016			Ratings		
	AAA	AA+ to AA-	A+ to A-	BBB+ to BBB-	Total
Obligations guaranteed by					
Governments[1]	$63,129	$154,067	$5,072	$-	$222,268
Time Deposits	-	24,975	8,782	1,330	35,087
Sovereign Bonds	2,004	-	-	-	2,004
Supranational Bonds[2]	78,012	2,947	-	-	80,959
	$143,145	$181,989	$13,854	$1,330	$340,318

2015			Ratings		
	AAA	AA+ to AA-	A+ to A-	BBB+ to BBB-	Total
Obligations guaranteed by					
Governments[1]	$49,397	$76,962	$5,036	$-	$131,395
Time Deposits	-	4,974	21,478	1,324	27,776
Sovereign Bonds	3,560	-	-	-	3,560
Supranational Bonds[2]	51,034	-	-	-	51,034
	$103,991	$81,936	$26,514	$1,324	$213,765

[1]Freely convertible currencies in Government and Government-guaranteed obligations which are members of the G7 or EU and its agencies.
[2]An international organization, or union, whereby member states transcend national boundaries or interests to share in the decision-making and vote on issues pertaining to the wider grouping.

CARIBBEAN DEVELOPMENT BANK

ORDINARY CAPITAL RESOURCES

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2016
(EXPRESSED IN THOUSANDS OF UNITED STATES DOLLARS, UNLESS OTHERWISE STATED)

NOTE 3 – RISK MANAGEMENT...continued

Credit risk...continued

Credit quality...continued

Debt securities, treasury bills and other eligible bills...continued
In accordance with the Bank's internal rating scale 99.6% (2015: 99.4%) of debt securities, treasury bills and other eligible bills are classified as 'Basic monitoring'. The residual securities are rated as 'Standard monitoring'.

Loans and advances
Loans are summarised as follows:

	December 31, 2016		December 31, 2015	
	Sovereign	Non-sovereign	Sovereign	Non-sovereign
Neither past due nor impaired	**$992,587**	**$25,588**	$962,259	$31,219
Past due but not impaired	**-**	**-**	-	-
Impaired	**-**	**5,060**	-	5,361
Gross	**992,587**	**30,648**	962,259	36,580
Less: allowance for impairment	**-**	**(6,309)**	-	(6,309)
Net	**$992,587**	**$24,339**	**$962,259**	**$30,271**

As of December 31, 2016, loans that were neither past due nor impaired represented 99.5% (2015: 99.5%) of gross loans outstanding.

<u>Loans and advances neither past due nor impaired</u>
The credit quality of the loan portfolio that was neither past due nor impaired can be assessed by reference to the internal rating system adopted by the Bank.

	2016		
	Sovereign	Non-Sovereign	Total Loans
Basic monitoring	**$39,347**	**$1,380**	**$40,727**
Standard monitoring	**481,802**	**-**	**481,802**
Special monitoring	**471,438**	**24,208**	**495,646**
	$992,587	**$25,588**	**$1,018,175**

CARIBBEAN DEVELOPMENT BANK
ORDINARY CAPITAL RESOURCES
NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2016
(EXPRESSED IN THOUSANDS OF UNITED STATES DOLLARS, UNLESS OTHERWISE STATED)

NOTE 3 – RISK MANAGEMENT…continued

Credit risk…continued

Credit quality…continued

Loans and advances…continued

Loans and advances neither past due nor impaired…continued

	2015		
	Sovereign	Non-Sovereign	Total Loans
Basic monitoring	$42,744	$1,878	$44,622
Standard monitoring	546,282	1,928	548,210
Special monitoring	373,233	27,413	400,646
	$962,259	**$31,219**	**$993,478**

As at December 31, 2016, there were no financial assets past due but not impaired (2015 – Nil).

Other financial assets
Other financial assets comprise amounts due from local institutions and staff as well as the Bank's member countries.

Other financial assets neither past due nor impaired

	2016			
	Basic Monitoring	Standard Monitoring	Special Monitoring	Total
Cash and cash equivalents	**$89,199**	**$1,068**	**$3,940**	**$94,207**
Receivables	**-**	**6,084**	**-**	**6,084**
Derivative financial instruments	**58,663**	**-**	**-**	**58,663**
Non-negotiable demand notes	**18,343**	**19,591**	**7,748**	**45,682**
Maintenance of value on currency holdings	**1,935**	**3,775**	**59**	**5,769**
Subscriptions in arrears	**-**	**5,129**	**1,737**	**6,866**
	$168,140	**$35,647**	**$13,484**	**$217,271**

CARIBBEAN DEVELOPMENT BANK

ORDINARY CAPITAL RESOURCES

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2016
(EXPRESSED IN THOUSANDS OF UNITED STATES DOLLARS, UNLESS OTHERWISE STATED)

NOTE 3 – RISK MANAGEMENT…continued

Credit risk…continued

Credit quality…continued

Other financial assets…continued

Other financial assets neither past due nor impaired…continued

	2015			
	Basic Monitoring	Standard Monitoring	Special Monitoring	Total
Cash and cash equivalents	$65,091	$1,001	$(680)	$65,412
Receivables	-	11,130	-	11,130
Derivative financial instruments	56,251	-	-	56,251
Non-negotiable demand notes	18,584	22,811	4,351	45,746
Maintenance of value on currency holdings	1,508	3,040	58	4,606
Subscriptions in arrears	-	4,141	1,449	5,590
	$141,434	**$42,123**	**$5,178**	**$188,735**

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NOTE 3 – RISK MANAGEMENT…continued

Credit risk…continued

Risk concentration of financial assets with exposure to credit risk

Concentrations of risk arise from financial instruments that have similar characteristics and are affected similarly by changes in economic or other conditions. The Bank manages risk concentration by counterparty and geography.

Geographical sectors

The following table presents CDB's main credit exposures at their carrying amounts, as categorised by BMC and non-regional members, USA, and other countries. For this table, the exposures are allocated to regions based on the country of domicile of the counterparties. A further analysis of the Bank's exposure to loans by geographical region is provided at Note 10.

	2016				
	Borrowing Member Countries	Non-Regional Members	USA	Other	Total
Cash and cash equivalents	$7,054	$23,068	$57,802	$6,283	$94,207
Debt securities at fair value through profit or loss	1,330	84,536	151,190	103,262	340,318
Sovereign loans outstanding	992,587	-	-	-	992,587
Non-sovereign loans outstanding	24,339	-	-	-	24,339
Derivative financial instruments	-	30,689	27,974	-	58,663
Maintenance of value on currency holdings	1,587	4,182	-	-	5,769
Non-negotiable demand notes	37,403	8,279	-	-	45,682
Subscriptions in arrears	2,728	4,138	-	-	6,866
Receivables	6,084	-	-	-	6,084
	$1,073,112	$154,892	$236,966	$109,545	$1,574,515

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NOTE 3 – RISK MANAGEMENT...continued

Credit risk...continued

Risk concentration of financial assets with exposure to credit risk...continued

Geographical sectors...continued

	2015				
	Borrowing Member Countries	Non-Regional Members	USA	Other	Total
Cash and cash equivalents	$2,638	$10,483	$31,804	$20,487	$65,412
Debt securities at fair value through profit or loss	1,324	68,511	74,493	69,437	213,765
Sovereign loans outstanding	962,259	-	-	-	962,259
Non-sovereign loans outstanding	30,271	-	-	-	30,271
Derivative financial instruments	-	29,662	26,589	-	56,251
Maintenance of value on currency Holdings	690	3,916	-	-	4,606
Non-negotiable demand notes	37,449	8,297	-	-	45,746
Subscriptions in arrears	1,452	4,138	-	-	5,590
Receivables	11,130	-	-	-	11,130
	$1,047,213	**$125,007**	**$132,886**	**$89,924**	**$1,395,030**

Market risk

CDB takes on exposure to market risks, which is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. CDB is exposed to two types of market risk - foreign currency risk and interest rate risk. Financial instruments affected by market risk include loans, debt securities at fair value through profit or loss, borrowings and derivative financial instruments.

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NOTE 3 – RISK MANAGEMENT…continued

Market risk…continued

Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The Bank manages foreign currency risk by ensuring that 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. It also manages this risk by entering into currency swaps. The following table summarises the exposure to foreign currency exchange rate risk. Included in the table are the financial instruments at carrying amounts, categorised by currency.

All of the Bank's loans are denominated in United States dollars.

Concentrations of foreign currency risk

	2016				
As at December 31	**US$**	**Yen**	**CHF**	**Other**	**Total**
Assets					
Cash and cash equivalents	**$87,717**	**$-**	**$-**	**$6,490**	**$94,207**
Debt securities at fair value through profit and loss	**323,652**	**-**	**-**	**16,666**	**340,318**
Loans outstanding	**1,016,926**	**-**	**-**	**-**	**1,016,926**
Derivative financial instruments	**9,674**	**48,989**	**-**	**-**	**58,663**
Receivable from members	**36,753**	**-**	**-**	**21,564**	**58,317**
Receivables	**4,606**	**-**	**-**	**1,478**	**6,084**
Total financial assets	**$1,479,328**	**$48,989**	**$-**	**$46,198**	**$1,574,515**
Liabilities					
Accounts payable	**$240**	**$-**	**$-**	**$(12)**	**$228**
Borrowings	**344,985**	**167,193**	**142,352**	**-**	**654,530**
Derivative financial instruments	**-**	**-**	**22,039**	**-**	**22,039**
Total financial liabilities	**$345,225**	**$167,193**	**$164,391**	**$(12)**	**$676,797**
Net on-balance sheet financial position	**1,134,103**	**(118,204)**	**(164,391)**	**46,210**	**897,718**
Credit commitments	**$408,934**	**$-**	**$-**	**$-**	**$408,934**

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NOTE 3 – RISK MANAGEMENT...continued

Market risk...continued

Concentrations of foreign currency risk...continued

	2015				
As at December 31	**US$**	**Yen**	**CHF**	**Other**	**Total**
Assets					
Cash and cash equivalents	$62,090	$(1)	$-	$3,323	$65,412
Debt securities at fair value through profit and loss	194,788	-	-	18,977	213,765
Loans outstanding	992,530	-	-	-	992,530
Derivative financial instruments	16,440	39,811	-	-	56,251
Receivable from members	34,818	-	-	21,124	55,942
Receivables	8,862	-	-	2,268	11,130
Total financial assets	**$1,309,528**	**$39,810**	**$-**	**$45,692**	**$1,395,030**
Liabilities					
Accounts payable	$3,312	$-	$-	$-	**$3,312**
Subscriptions in advance	4,326	-	-	-	**4,326**
Borrowings	339,155	163,597	-	-	**502,752**
Total financial liabilities	**$346,793**	**$163,597**	**$-**	**$-**	**$510,390**
Net on-balance sheet financial position	**$962,735**	**$(123,787)**	**$-**	**$45,692**	**$884,640**
Credit commitments	**$355,062**	**$-**	**$-**	**$-**	**$355,062**

Foreign currency sensitivity

In calculating these sensitivities management made the assumptions that the sensitivity of the relevant item within profit or loss is the effect of the assumed changes in respect of market risks based on the financial assets and liabilities at the reporting period.

The Bank entered into currency swap agreements by which proceeds of two Yen denominated borrowings were converted into US dollars in order to hedge against ongoing operational currency risks.

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NOTE 3 – RISK MANAGEMENT…continued

Market risk…continued

Foreign currency sensitivity…continued

The following is the estimated impact on profit or loss that would have resulted as a result of management's estimate of reasonable possible changes in the Yen exchange rate:

	Effect on profit or loss (Income)/ Expense	
Exchange rate movements	**2016**	**2015**
Increase of 5%	**$(7,720)**	$(3,892)
Decrease of 5%	**$8,533**	$11,904
Increase of 10%	**$(14,739)**	$(10,713)
Decrease of 10%	**$18,014**	$21,119

The Bank entered into a currency swap agreement by which proceeds of one Swiss Franc denominated borrowing was converted into US dollars in order to hedge against ongoing operational currency risks.

The following is the estimated impact on profit or loss that would have resulted as a result of management's estimate of reasonable possible changes in the Swiss Franc exchange rate:

	Effect on profit or loss (Income)/ Expense	
Exchange rate movements	**2016**	**2015**
Increase of 5%	**$(6,779)**	$-
Decrease of 5%	**$7,492**	$-
Increase of 10%	**$(12,941)**	$-
Decrease of 10%	**$15,817**	$-

The 'Other' currency category comprises various individual currencies which management does not consider to be material and sensitivity analysis has therefore not been applied.

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NOTE 3 – RISK MANAGEMENT…continued

Market risk…continued

Interest rate risk

Interest rate risk arises from the possibility that changes in interest rate will affect future cash flows on the fair value of financial instruments. CDB manages its interest rate exposure by ensuring that the changes in the cash flow of its assets closely match those of its liabilities. This relationship is maintained by the use of interest rate swaps which converts, its liabilities from fixed rate into floating rate obligations.

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

Exposure to interest rate risk

	2016					
As at December 31	0-3 months	3-12 months	1-5 years	Over 5 years	Non-interest generating/ bearing	Total
Assets						
Cash and cash equivalents	$94,207	$-	$-	$-	$-	$94,207
Debt securities at fair value through profit and loss	41,952	58,279	201,466	38,621	-	340,318
Loans outstanding	1,016,926	-	-	-	-	1,016,926
Derivative financial instruments	48,989	9,674	-	-	-	58,663
Receivable from members	-	-	-	-	58,317	58,317
Receivables	-	-	-	-	6,084	6,084
Total Assets	$1,202,074	$67,953	$201,466	$38,621	$64,401	$1,574,515
Liabilities						
Accounts payable	$-	$-	$-	$-	$228	$228
Borrowings	4,577	4,598	28,002	617,353	-	654,530
Derivative financial instruments	-	22,039	-	-	-	22,039
Total Liabilities	$4,577	$26,637	$28,002	$617,353	$228	$676,797
Total interest sensitivity Gap	$1,197,497	$41,316	$173,464	$(578,732)		

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NOTE 3 – RISK MANAGEMENT...continued

Market risk...continued

Exposure to interest rate risk...continued

	2015					
As at December 31	**0-3 months**	**3-12 months**	**1-5 years**	**Over 5 years**	**Non-interest generating/ bearing**	**Total**
Assets						
Cash and cash equivalents	$65,412	$-	$-	$-	$-	$65,412
Debt securities at fair value through profit and loss	28,658	43,923	116,650	24,534	-	213,765
Loans outstanding	992,530	-	-	-	-	992,530
Derivative financial instruments	39,811	16,440	-	-	-	56,251
Receivable from members	-	-	-	-	55,942	55,942
Receivables	-	-	-	-	11,130	11,130
Total Assets	**$1,126,411**	**$60,363**	**$116,650**	**$24,534**	**$67,072**	**$1,395,030**
Liabilities						
Accounts payable	$-	$-	$-	$-	$3,312	$3,312
Subscriptions in advance	-	-	-	-	4,326	4,326
Borrowings	2,078	4,598	26,786	469,290	-	502,752
Total Liabilities	**$2,078**	**$4,598**	**$26,786**	**$469,290**	**$7,638**	**$510,390**
Total interest sensitivity Gap	**$1,124,333**	**$55,765**	**$89,864**	**$(444,756)**		

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NOTE 3 – RISK MANAGEMENT…continued

Market risk…continued

Interest rate sensitivity

All other variables held constant (and excluding the effects of the derivative instruments), if interest rates had been 50 bps higher, net income for the year would have increased by $3,669 (2015: $3,568). Had interest rates been 50 bps lower, net income would have declined by the same amount.

All other variables held constant if interest rates had been 50 bps higher, the impact of the derivatives would have caused a decrease of $20,166 (2015: $12,563) in the net income for the year and an increase of $23,870 (2015: $13,304) if 50 bps lower.

The sensitivity analyses have shown the exposure to interest rates for both derivatives and non-derivative instruments at the reporting date. For floating rate liabilities, the analysis is prepared assuming the amount of liability outstanding at the reporting date was outstanding for the whole year. The 50 bps movement represents management's assessment of a reasonable possible change in interest rates.

Liquidity risk

Liquidity risk relates to the probability that the Bank will be unable to meet the payment obligations associated with its financial liabilities when they fall due. The consequence may be the failure to meet obligations or to disburse on its commitments. This risk is managed by conformity to the Bank's policy of maintaining a net three years' funding requirement of $48 mn (2015: $48 mn) or 40% of undisbursed loan commitments and loans not yet effective (comprising loans approved by the BOD for which all conditions precedent have not yet been met) of $528,800 (2015: $473,166), whichever is greater.

The Bank holds a diversified portfolio of cash and securities to support payment obligations and contingent funding in the event of a highly stressed market environment. The Bank's assets held for managing liquidity risk comprise:

- Cash and balances with commercial banks;
- Time deposits;
- Government bonds and other securities that are easily traded; and
- Secondary sources of liquidity including a line of credit with a commercial bank.

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NOTE 3 – RISK MANAGEMENT…continued

Liquidity risk …continued

Non-derivative cash flows

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

	2016				
As at December 31	**0-3 months**	**3-12 months**	**1-5 years**	**Over 5 years**	**Total**
Assets					
Cash and cash equivalents	**$94,207**	**$-**	**$-**	**$-**	**$94,207**
Debt securities at fair value through profit and loss	**41,550**	**60,715**	**208,472**	**40,181**	**350,918**
Loans outstanding	**42,884**	**101,792**	**471,885**	**599,008**	**1,215,569**
Receivable from members	**12,635**	**45,682**	**-**	**-**	**58,317**
Receivables	**4,838**	**306**	**834**	**106**	**6,084**
Total Assets	**$196,114**	**$208,495**	**$681,191**	**$639,295**	**$1,725,095**
Liabilities					
Accounts payable	**$7**	**$129**	**$73**	**$19**	**$228**
Borrowings	**6,779**	**23,606**	**122,131**	**590,019**	**742,535**
Total Liabilities	**$6,786**	**$23,735**	**$122,204**	**$590,038**	**$742,763**

	2015				
As at December 31	**0-3 months**	**3-12 months**	**1-5 years**	**Over 5 years**	**Total**
Assets					
Cash and cash equivalents	$65,419	$-	$-	$-	$65,419
Debt securities at fair value through profit and loss	22,578	44,074	126,923	28,334	221,909
Loans outstanding	44,448	92,752	443,237	592,718	1,173,155
Receivable from members	10,196	45,746	-	-	55,942
Receivables	8,935	543	1,538	114	11,130
Total Assets	**$151,576**	**$183,115**	**$571,698**	**$621,166**	**$1,527,555**
Liabilities					
Accounts payable	$3,288	$2	$4	$18	$3,312
Subscriptions in advance	4,326	-	-	-	4,326
Borrowings	7,094	16,800	94,837	578,477	697,208
Total Liabilities	**$14,708**	**$16,802**	**$94,841**	**$578,495**	**$704,846**

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NOTE 3 – RISK MANAGEMENT…continued

Liquidity risk…continued

Derivative cash flows

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

	2016				
As at December 31	**0-3 months**	**3-12 months**	**1-5 years**	**Over 5 years**	**Total**
Derivative asset:					
Derivative financial instruments	**$2,683**	**$3,858**	**$13,845**	**$48,567**	**$68,953**
Derivative liability:					
Derivative financial instruments	**$2,054**	**$1,830**	**$22,000**	**$(3,584)**	**$22,300**

	2015				
As at December 31	**0-3 months**	**3-12 months**	**1-5 years**	**Over 5 years**	**Total**
Derivative asset:					
Derivative financial instruments	$3,353	$3,050	$17,936	$40,929	$65,268
Derivative liability:					
Derivative financial instruments	$-	$-	$-	$-	$-

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NOTE 3 – RISK MANAGEMENT...continued

Liquidity risk...continued

Commitments, guarantees and contingent liabilities

Loan and capital commitments
The table below summarises the amounts of the Bank's commitments and guarantees to which it has committed for the extension of credit to its BMCs.

Loan commitments represent amounts undrawn against loans approved by the BOD, capital commitments represent obligations in respect of ongoing capital projects.

Other commitments comprise a proposed allocation, subject to the approval of the Board of Governors of the Bank, from the net income of the OCR to the operations of the Special Development Fund [SDF (U)] in respect of the four year cycle (Cycle 9) covering the period 2017 to 2020.

	2016		
As at December 31	**0-12 months**	**1-5 years**	**Total**
Loan commitments	**$145,000**	**$236,934**	**$381,934**
Other commitments	**-**	**15,000**	**15,000**
Guarantees	**12,000**	**-**	**12,000**
	$157,000	**$251,934**	**$408,934**

	2015		
As at December 31	**0-12 months**	**1-5 years**	**Total**
Loan commitments	$120,000	$217,062	$337,062
Other commitments	6,000	-	6,000
Guarantees	12,000	-	12,000
	$138,000	**$217,062**	**$355,062**

Fair value of financial assets and liabilities

Fair value hierarchy

IFRS 13 specifies a hierarchy of valuation techniques based on whether the inputs to those valuation techniques are observable or unobservable. Observable inputs reflect market data obtained from independent sources; unobservable inputs reflect the Bank's market assumptions. These two types of inputs have created the following fair value hierarchy:

Level 1 – Quoted (unadjusted) market prices in active markets for identical assets or liabilities.

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NOTE 3 – RISK MANAGEMENT...continued

Fair value of financial assets and liabilities...continued

Fair value hierarchy...continued

Level 2 – Inputs other than quoted prices included in Level 1 for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.

Level 3 – Inputs for the asset or liability for which the lowest level input that is significant to the fair value measurement is unobservable.

Financial assets and liabilities measured at fair value:

	2016			
December 31	**Quoted prices in active markets (Level 1)**	**Significant observable inputs (Level 2)**	**Significant unobservable inputs (Level 3)**	**Total**
Financial assets at fair value through profit or loss				
Derivative financial instruments	$-	$58,663	$-	$58,663
Financial assets designated at fair value through profit or loss				
Debt securities	-	340,318	-	340,318
	$-	$398,981	$-	$398,981
Financial liabilities at fair value through profit or loss				
Derivative financial instruments	$-	$22,039	$-	$22,039
	$-	$22,039	$-	$22,039

There were no transfers between Level 2 and Level 3 during the year.

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NOTE 3 – RISK MANAGEMENT…continued

Fair value of financial assets and liabilities…continued

Financial assets and liabilities measured at fair value…continued

	2015			
December 31	**Quoted prices in active markets (Level 1)**	**Significant observable inputs (Level 2)**	**Significant unobservable inputs (Level 3)**	**Total**
Financial assets at fair value through profit or loss				
Derivative financial instruments	$-	$56,251	$-	$56,251
Financial assets designated at fair value through profit or loss				
Debt securities	-	213,765	-	213,765
	$-	**$270,016**	**$-**	**$270,016**

Financial instruments not measured at fair value

The fair value measurement using valuation techniques for the Bank's assets and liabilities which are not measured at fair value but for which fair value is disclosed are as follows:

	Carrying value		Fair value	
	2016	**2015**	**2016**	**2015**
Financial assets – loans and receivables				
Loans outstanding	**$1,016,926**	$992,530	**$801,295**	$749,368
Financial liabilities – amortised cost				
Borrowings	**$654,530**	$502,752	**$775,351**	$558,179

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NOTE 3 – RISK MANAGEMENT…continued

Financial instruments not measured at fair value…continued

The fair value of both the loans outstanding and borrowings disclosed above is ranked as Level 2 in the fair value hierarchy. There is no active market for loans made to CDB's BMCs and therefore there are no quoted market prices which can be used to value such assets. The discounted cash flow method which is used to derive the fair value of the loans contains inputs in the form of a series of interest rates which reflect the tenor and the credit risk associated with the cash flows arising from the loans. Yield curves which are derived from observable market trades of US-dollar denominated bonds, issued by US-based financial institutions with credit-ratings similar to those assigned to CDB's BMCs, are deemed to be acceptable proxies for the yield curves required by the discounted cash flow valuation process. The credit ratings for BMCs which have been assigned ratings by international credit rating agencies are used in the cashflow analysis. Those BMCs without ratings from international agencies are assigned a default rating of "CCC".

Capital Management

CDB’s objectives when managing capital, which is a broader concept than “equity” on the face of the statement of financial position, are to:

(i) Safeguard the Bank’s ability to continue as a going concern; and
(ii) Maintain a strong capital base to support its development activities.

The Bank’s capital adequacy framework which is consistent with the guidelines developed by the Basel Committee takes into account the Bank’s total equity, which is defined as paid-up capital, retained earnings and reserves, less receivables from members, the effects of derivative adjustments and the General Banking Reserve. The goals of the Bank’s capital adequacy are to:

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

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NOTE 3 – RISK MANAGEMENT...continued

Capital Management...continued

The Bank's enhanced capital adequacy framework is supported by an income targeting policy that would enable the Bank not only to safeguard, but also to strengthen its level of capitalisation and to meet its commitments. The new policy requires the Bank to maintain available capital (as defined in the Bank's Board approved policy) at a minimum level of 150% of baseline economic capital (comprising a methodology for calculating capital requirements based on the types and levels of risks, such as borrower defaults, operational losses, or market changes).

As at December 31, 2016 the Bank's available capital was 209.8% (2015: 216.5%) of its economic capital.

No changes were made to the objectives, policies or processes for managing capital during the year ended December 31, 2016.

NOTE 4 – SEGMENT ANALYSIS & REPORTING

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker which is the person or group that allocates resources to and assesses the performance of the operating segments of an entity. Under Article 33.4 of the Bank's Charter, the President is the Chief Executive Officer (CEO) and is required to conduct, under the direction of the Board of Directors (BOD) the business of the Bank.

In accordance with IFRS 8 the Bank has one reportable segment, its OCR, since its operations are managed as a single business unit and it does not have multiple components for which discrete financial information is produced and reviewed by the chief operating decision maker for performance assessment and resource allocation.

The following table presents CDB's outstanding loan balances inclusive of accrued interest and net of impairment provisions as of December 31, 2016 and 2015, and associated interest income by countries which generated in excess of 10% of the loan interest income for the years ended December 31, 2016 and 2015:

	Interest income		Loans outstanding	
Country	**2016**	**2015**	**2016**	**2015**
Jamaica	**$6,464**	$8,487	**$212,454**	$227,535
Barbados	**4,271**	5,631	**112,514**	128,496
St. Vincent and the Grenadines	**2,936**	3,732	**92,994**	98,323
Others	**18,456**	19,880	**598,964**	538,176
	$32,127	**$37,730**	**$1,016,926**	**$992,530**

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NOTE 5 – FINANCIAL ASSETS

In accordance with IAS 39, the Bank categorizes its assets as follows: financial assets at fair value through profit or loss, or loans and receivables. Financial assets are recognised on the statement of financial position when the Bank assumes related contractual rights. Management determines the classification of its financial instruments at initial recognition.

Regular way purchases and sales of financial assets are recognised on the settlement date which is the date the Bank becomes a party to the contractual provisions of the instrument.

Initial recognition and measurement of financial assets
All financial assets are recognised initially at fair value plus, in the case of loans and receivables, directly attributable transaction costs which are related to the acquisition of the financial asset.

Subsequent measurement

<u>Financial assets at fair value through profit or loss</u>
This category has two sub-categories: financial assets held for trading and those designated at fair value through profit or loss at inception.

A financial asset is classified as held for trading if it is acquired principally for the purpose of selling in the near term or if it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking. Derivatives are categorised as held for trading unless they are designated as hedging instruments. For more information on 'Derivatives' refer to Note 14.

Financial assets designated at fair value through profit or loss upon initial recognition are managed, evaluated and reported to management on a fair value basis. Once the asset has been so classified, it cannot be changed. Financial instruments in this category are included in the statement of financial position as 'Debt securities at fair value through profit or loss' representing all of the Bank's investments. For more information on 'Debt securities at fair value through profit or loss' refer to Note 7.

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value presented as 'Derivative fair value adjustments' in the statement of comprehensive income in the period during which they arise. Income and expenditures related to derivative financial instruments are shown as 'Net interest income from derivatives' in Note 24(b) and are included in 'Interest expense and similar charges' in the statement of comprehensive income.

<u>Loans and receivables</u>
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortised cost using the effective interest rate (EIR) method, less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in 'Interest and similar income' in the statement of comprehensive income. The losses arising from impairment are recognised in the statement of comprehensive income in 'Operating expenses' for loans and other receivables.

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NOTE 5 – FINANCIAL ASSETS…continued

Loans and receivables…continued
This category applies to 'Loans outstanding' and 'Receivables from members' and generally applies to receivables. More detailed information in relation to these balances are disclosed in Notes 8 to 13.

Fair Value Measurement
The Bank measures financial instruments such as those designated at fair value through profit and loss and derivatives at fair value at each reporting date. Fair value related disclosures for financial instruments and non-financial assets that are measured at fair value or those for which only fair values are disclosed, are itemised in Note 3 – *Risk Management – "Fair value of financial assets and liabilities*".

For financial instruments traded in active markets, the determination of fair value is the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset takes place either in the principal market for the asset or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or most advantageous market must be accessible to the Bank.

The fair value of an asset is measured using the assumptions that market participants would use when pricing the asset assuming that the market participants are acting in their economic best interest.

The Bank uses widely recognised valuation models for determining fair values of non-standardised financial instruments for which the inputs into models are generally market-observable. Models are also used to determine the fair value of financial instruments that are not quoted in active markets. All models are calibrated to ensure that outputs reflect actual data and comparative market prices. To the extent practical, models use only observable data; however, consideration of inputs such as credit risks, liquidity risks, volatilities and correlations require management to make estimates. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

Financial assets are allocated within the fair value hierarchy based on the lowest level input that is significant to the fair value measurement as a whole.

For assets that are recognised in the financial statements on a recurring basis, the Bank determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Renegotiated loans
It is not the Bank's policy to renegotiate sovereign loans. In respect of its non-sovereign portfolio the Bank seeks to restructure loans in preference to taking possession of collateral. This may involve extending the payment arrangements and the agreement of new loan conditions. Once terms have been renegotiated any impairment is measured using the original effective interest rate as calculated before the modification of terms and the loan is no longer considered past due. Management continuously reviews renegotiated loans (if any), to ensure that all criteria are met and that future payments are likely to occur.

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NOTE 5 – FINANCIAL ASSETS…continued

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

(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 re-organisation;
(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:

    (a) adverse changes in the payment status of borrowers; or
    (b) national or local economic conditions that correlate with defaults on the assets in the portfolio.

Management first assesses whether impairment exists for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Bank determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

The methodology used for assessing collective impairment takes into account the Bank's preferred creditor treatment afforded by its borrowing members. This provision is calculated on a methodology which combines the external credit ratings of the borrowers, the probability of default related to those ratings, the loss given default based on CDB's historical loss experience and the exposure at default. The methodology is applied to both sovereign and non-sovereign loans.

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 "incurred loss" basis).

The amount of the provision is the difference between the assets' carrying value and the present value of expected cash flows including amounts recoverable from guarantees and collateral, discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the statement of comprehensive income.

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NOTE 5 – FINANCIAL ASSETS…continued

*Provision for loan impairment…*continued
When a loan is deemed uncollectible, it is written off against the related impairment provisions. If, in a subsequent period, the amount of the impairment loss decreases, and the decrease can be related objectively to an event after the impairment was recognised, the previously recognised impairment loss is reversed by adjusting the provision amount and the amount of the reversal is recognised in the statement of comprehensive income.

Because of the nature of its borrowers and guarantors, Management expects that all of its sovereign and sovereign guaranteed loans will be repaid in full. The OCR has had a fully performing sovereign and sovereign guaranteed loan portfolio since its inception in 1970.

Once a financial asset or a group of financial assets has been written down as a result of an impairment loss, interest income is recognised using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The estimated future cash flows projected in the effective interest rate method consider all contractual terms but do not consider future credit losses that have not yet been incurred.

De-recognition
A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily de-recognised (i.e., removed from the statement of financial position) when:

(i) The rights to receive cash flows from the asset have expired; or
(ii) The Bank has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either:

  (a) the Bank has transferred substantially all the risks and rewards of the asset; or
  (b) the Bank has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Bank has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Bank continues to recognise the transferred asset to the extent of the Bank's continuing involvement. In that case, the Bank also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Bank has retained. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Bank could be required to repay.

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NOTE 6 – CASH AND CASH EQUIVALENTS

For the purposes of the statement of cash flows, cash and cash equivalents comprise balances with maturities of three months or less from the date of acquisition which are subject to an insignificant risk of changes in value. Cash and cash equivalents include cash, treasury bills and other eligible bills, amounts due from other banks and short-term government securities.

Cash and cash equivalents comprise the following balances:

	2016	2015
Due from banks	**$60,239**	$19,829
Time deposits	**33,968**	45,583
	$94,207	**$65,412**

Due from banks includes cash and inter-bank placements. Time deposits included here have a maturity date of 90 days or less from the date of purchase. The estimated fair value of floating rate placements and overnight deposits is their carrying value.

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NOTE 7 – DEBT SECURITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

The accounting policy is as defined in Note 5.

(a) A summary of the Bank's debt securities at fair value through profit or loss is as follows:

	2016				
December 31	**USD**	**EUR**	**CAD**	**Other**	**Total**
Obligations guaranteed by Governments[1]	**$218,095**	**$1,056**	**$5,121**	**$-**	**$224,272**
Multilateral organisations	**76,746**	**3,177**	**1,036**	**-**	**80,959**
Time deposits	**28,811**	**-**	**-**	**6,276**	**35,087**
	$323,652	**$4,233**	**$6,157**	**$6,276**	**$340,318**

	2015				
December 31	**USD**	**EUR**	**CAD**	**Other**	**Total**
Obligations guaranteed by Governments[1]	$128,851	$1,091	5,013	$-	$134,955
Multilateral organisations	44,459	5,567	1,008	-	51,034
Time deposits	21,478	-	-	6,298	27,776
	$194,788	**$6,658**	**$6,021**	**$6,298**	**$213,765**

(b) A maturity analysis of debt securities at fair value through profit and loss is as follows:

	2016	**2015**
Current	**$100,231**	$66,473
Non-current	**240,087**	147,292
	$340,318	**$213,765**

[1] Freely convertible currencies in Government and Government-guaranteed obligations which are members of the G7 or EU and its agencies.

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NOTE 8 – RECEIVABLES AND PREPAID ASSETS

The accounting policy for receivables is as defined at Note 5.

Prepaid assets are not financial assets. These are recorded as assets on the statement of financial position when cash is paid and expensed to profit and loss over the relevant contract term.

Due to the short-term nature of receivables and prepaid assets, fair value is assumed to be equal to carrying value.

Receivables and prepaid assets comprise the following:

	2016	2015
Inter-fund receivable – Note 28	**$4,472**	$8,759
Staff loans and other receivables	**508**	752
Value added tax receivable	**817**	1,373
Institutional receivables	**287**	246
Prepaid assets	**258**	266
	$6,342	**$11,396**

During the year, no provision for impairment (2015: nil) was recorded as none of the above receivables was deemed to be impaired.

NOTE 9 – CASH COLLATERAL ON DERIVATIVES

The Bank attempts to reduce counterparty credit exposure in derivative transactions through bilateral collateral requirements. Under these arrangements collateral is not required to be posted until an agreed threshold is reached. When the threshold is reached collateral is required only for the exposure in excess of the threshold. When the Bank's derivative is in a liability position, it posts collateral to the counterparty and records the collateral posted as an asset receivable. When the Bank's derivative is in a receivable position, it receives collateral from the counterparty and records the collateral received as a liability.

During the year, the Bank undertook a currency swap with Credit Suisse International AG to convert $145 million CHF to USD at a fixed exchange rate on a fixed date and to exchange a fixed interest rate of 0.297% for a floating rate at USD Libor. As at December 31, 2016, the Bank had to post collateral of $11,655 to Credit Suisse International in respect of this cross currency interest rate swap. Interest on this account is calculated at the daily US Federal Funds rate. Interest accrued for the year was $5.

These arrangements form part of the Credit Support Annex ("CSA") to the ISDA Agreement and is an integral part of the valuation of the fair value of the underlying derivatives as disclosed Note 3 – *Risk Management* and Note 14 – *Derivative financial instruments*.

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NOTE 10 – LOANS OUTSTANDING

Loans outstanding are financial assets as defined in Note 5.

The Bank's loan portfolio comprises loans granted to, or guaranteed by, it's Borrowing Member Countries and are disbursed and repaid in US Dollars. The amount repayable in each of these currencies shall be equal to the amount disbursed in the original currency. Loans are granted for a maximum period of twenty-two years, including a grace period, which is typically the period of the project implementation. Loans are for the purpose of financing development projects and programmes and are not intended for sale. Interest rates are reset semi-annually. The interest rate prevailing as at December 31, 2016 was 2.97% (2015: 3.43%).

For 2016 and 2015, the estimated fair values are based on discounted cash flow models using an estimated yield curve appropriate for the remaining term to maturity. The loans are evaluated based on parameters such as interest rates, specific country risk factors and individual credit worthiness.

Collateral
CDB does not take collateral on its sovereign loans. The Loans (CDB) Acts or other applicable legislation are enacted in the various BMCs and authorise the governments to raise loans from CDB or guarantee loans provided by CDB to statutory authorities. They also provide for repayment of any loan made by CDB to the Government or to any statutory corporation, to be charged upon and paid out of the consolidated fund. CDB also derives comfort from the negative pledge condition included in its loan agreements which prohibits, except with CDB's written consent, the charging of Government assets to secure external indebtedness unless CDB is equally and ratably secured. Furthermore, CDB continues to be accorded preferred creditor treatment (PCT) by its BMCs by which, in applicable circumstances, the Bank's loans are not included in any debt rescheduling arrangements of its BMCs and the Bank is also given preferential access to foreign currency.

With respect to non-sovereign loans, CDB requires its commitments to be secured, the nature and extent of which will be determined on a case-by-case basis. In addition to security pledged by the borrower, the security against the non-sovereign loans, where applicable, also comprises that pledged against sub-loans (comprising loans on-lent by the borrower in accordance with terms of the original loan agreement) assigned to trusts that are managed by the borrower at no cost to CDB. The fair value of the security pool is the future expected cash flows of the sub-loans discounted by a current market interest rate reflective of the risk of the borrowers. Marketable assets secure direct loans to the non-sovereign, while the fair value is the observable market price of the asset.

The fair value of the collateral held (off-balance sheet) for the impaired non-sovereign loans was estimated at approximately $1,000 (2014: $7,200). This is comprised of the fair value of sub-loans and the Bank's portion of the estimated realisable value of a property.

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NOTE 10 – LOANS OUTSTANDING…continued

(a) The following tables disclose the Bank's credit exposures at their carrying amounts, as categorised by Borrowing Member Countries, regional institutions and non-sovereign entities as at December 31.

	2016			
Borrowers	**Loans not yet effective**	**Undisbursed**	**Outstanding**	**% of Loans outstanding**
Anguilla	$-	$3,033	$78,236	7.7
Antigua and Barbuda	5,981	32,556	88,274	8.7
Bahamas	7,633	29,606	8,305	0.8
Barbados	14,627	104,543	111,717	11.0
Belize	21,500	63,991	88,831	8.8
British Virgin Islands	-	9,177	14,977	1.5
Cayman Islands	-	-	1,781	0.2
Dominica	-	5,749	16,776	1.6
Grenada	-	20,318	41,445	4.1
Guyana	-	6,236	30,354	3.0
Jamaica	-	18,323	210,823	20.8
St. Kitts and Nevis	5,792	1,735	35,078	3.5
St. Lucia	33,176	34,185	66,613	6.5
St. Vincent and the Grenadines	-	8,529	92,215	9.1
Suriname	58,157	18,196	50,374	5.0
Trinidad and Tobago	-	10,000	37,252	3.7
Turks and Caicos Islands	-	-	4,656	0.4
Regional	-	6,530	7,139	0.7
Non-sovereign	-	9,227	29,866	2.9
Sub-total	146,866	381,934	1,014,712	100.0
Provision for impairment			(6,309)	
Accrued interest and other charges			8,523	
	$146,866	$381,934	$1,016,926	

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NOTE 10 – LOANS OUTSTANDING…continued

(a) Credit exposures…continued

	2015			
Borrowers	**Loans not yet effective**	**Undisbursed**	**Outstanding**	**% of Loans outstanding**
Anguilla	$2,341	$3,161	$59,439	6.0
Antigua and Barbuda	-	33,217	93,198	9.4
Bahamas	33,069	19,866	6,423	0.6
Barbados	56,518	66,085	127,488	12.9
Belize	-	79,725	80,600	8.1
British Virgin Islands	-	13,129	13,478	1.4
Cayman Islands	-	-	2,156	0.2
Dominica	-	6,488	19,022	1.9
Grenada	12,000	10,910	36,256	3.7
Guyana	-	9,406	29,512	3.0
Jamaica	-	22,284	225,477	22.8
St. Kitts and Nevis	-	1,972	38,932	3.9
St. Lucia	27,176	9,005	72,853	7.4
St. Vincent and the Grenadines	-	12,689	97,453	9.8
Suriname	-	18,493	77	0.0
Trinidad and Tobago	-	10,000	40,201	4.1
Turks and Caicos Islands	5,000	-	3,706	0.4
Regional	-	6,535	7,821	0.8
Non-sovereign	-	14,097	35,436	3.6
Sub-total	**136,104**	**337,062**	**989,528**	**100.0**
Provision for impairment	-	-	(6,309)	
Accrued interest and other charges	-	-	9,311	
	$136,104	**$337,062**	**$992,530**	

	2016	2015
Current	**$106,596**	$109,354
Non-current	**910,330**	883,176
	$1,016,926	**$992,530**

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NOTE 10 – LOANS OUTSTANDING...continued

(b) An analysis of the composition of outstanding loans was as follows:

	2016						
Currencies receivable	**Loans outstanding 2015**	**Net interest**	**Disbursements**	**Sub-Total**	**Repayments**	**Provision for impairment**	**Loans outstanding 2016**
United States dollars	$989,528	$-	$126,345	$1,115,873	$(101,161)	$-	$1,014,712
Sub-total	989,528	-	126,345	1,115,873	(101,161)	-	1,014,712
Provision for impairment	(6,309)	-	-	(6,309)	-	-	(6,309)
Accrued interest	9,311	(788)	-	8,523	-	-	8,523
Total – December 31	$992,530	$(788)	$126,345	$1,118,087	$(101,161)	$-	$1,016,926

	2015						
Currencies receivable	**Loans outstanding 2014**	**Net interest**	**Disbursements**	**Sub-Total**	**Repayments**	**Provision for impairment**	**Loans outstanding 2015**
United States dollars	$978,699	$-	$95,082	$1,073,781	$(84,253)	$-	$989,528
Sub-total	978,699	-	95,082	1,073,781	(84,253)	-	989,528
Provision for impairment	(6,309)	-	-	(6,309)	-		(6,309)
Accrued interest	10,281	(970)	-	9,311	-	-	9,311
Total – December 31	$982,671	$(970)	$95,082	$1,076,783	$(84,253)	$-	$992,530

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NOTE 10 – LOANS OUTSTANDING...continued

(c) As at December 31, 2016, two loans relating to one borrower in the non-sovereign loan portfolio were assessed as impaired (2015: two). A specific provision for impairment has been made representing the full amounts outstanding. Based on the collective assessment and methodology as applied to the sovereign and non-sovereign loan portfolio, no additional collective provision for impairment was required (December 2015: $ Nil).

Reconciliation of the allowance account for impairment on loans is as follows:

	2016	2015
Balance at January 1 and December 31	**$6,309**	**$6,309**
Individual impairment	**$5,459**	$5,459
Collective impairment	**850**	850
Balance at December 31	**$6,309**	**$6,309**

(d) The Bank also maintains a General banking reserve of $7,006 (2015: $7,006) classified in equity – Refer to Note 23(f).

NOTE 11 – NON-NEGOTIABLE DEMAND NOTES

Policy

Non-negotiable demand notes are financial assets as defined in Note 5.

Under the Charter provisions the Bank shall accept, in place of any part of the members' currency paid or to be paid with respect to capital subscriptions, promissory notes issued by the Government of the member or by the depository designated by the member, subject to such currency not being required by the Bank for the conduct of its operations. These notes are non-negotiable, non-interest bearing and payable at their par value on demand and are thus classified as current assets. Their fair value is therefore estimated to be their carrying value.

As at December 31, 2016 the non-negotiable demand notes amounted to $45,682 (2015: $45,746).

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NOTE 12 – MAINTENANCE OF VALUE (MOV) ON CURRENCY HOLDINGS

MOV receivables are financial assets as defined in Note 5.

In order to ensure that receipts for capital subscriptions originally paid in currencies other than US dollars retain at a minimum their value as determined in accordance with Article 24 of the Charter, each member is required to maintain the value of its currency held by the Bank. If in the opinion of the Bank, the value of a Member's currency depreciates or appreciates to a significant extent, the Bank or Member may be required to repay an amount of currency equal to the increase or decrease in the value of its currency which is held by the Bank in respect of capital subscriptions. For the purposes of effecting settlement, MOV obligations are established at December 31 in each year.

The Board of Directors has agreed that MOV obligations on any part of a member's paid-up capital which is represented by loans outstanding be postponed and become payable on each portion of the principal of such loans when such portion is repaid to the Bank. MOV obligations that are not so deferred are due for settlement within 12 months of the date established. The regime approved by the Board with respect to MOV payments does not allow for the making of MOV payments by the Bank where circumstances are unfavorable to the Bank. In particular it permits the offsetting of Notes and will allow the encashment of Notes only with the prior and specific approval of the Board.

Member countries, whose currencies do not have a fixed relationship with the US dollar but for which there have been adjustments to the exchange rate, are obliged to maintain the value of their currencies in respect of capital contributions if such currencies depreciate. These adjustments are made to maintain the value of the member's subscriptions received by the Bank and is based on the prevailing exchange rates at the end of each reporting period, therefore reflecting fair value and can constitute a liability of the member or the Bank.

As at December 31, 2016, the amount of $5,769 was due by certain members (2015: $4,606) and at the reporting date, no amounts were due by the Bank (2015: Nil).

NOTE 13 – SUBSCRIPTIONS IN ARREARS

Subscriptions in arrears are financial assets as defined in Note 5.

Member countries are required to meet their obligations for paid-in shares over a period determined in advance and in the case of the last approved General Capital Increase in 2010 comprises six instalments. The amount of $6,866 (2015: $5,590) represents amounts that are due and not yet paid by certain members.

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NOTE 14 – DERIVATIVE FINANCIAL INSTRUMENTS

The accounting policy is as defined at Note 5.

The Bank is party to three cross currency interest rate swaps. Two swaps were used to transform underlying fixed rate borrowings in Japanese Yen to floating rate obligations in United States dollars. One of these swaps has subsequently been modified to reinstate fixed rate exposure, at a rate lower than that of the original underlying note. The two fixed rate Japanese Yen notes which mature in 2022 and 2030 carry interest rates of 2.75% and 4.35%, respectively. The principal amounts due on maturity are in Japanese Yen, while the interest payments are due in United States dollars.

Two interest rate swaps were executed in August 2013 and September 2014, which transformed the fixed-rate borrowing in US dollars into obligations with LIBOR based floating rates of interest. Both swaps mature in November 2027.

A cross currency interest rate swap was also executed in July 2016 related to a bond issue of 145 million Swiss Francs. The swap was used to transform the underlying 0.297% fixed rate borrowing in Swiss Francs to LIBOR based floating rate obligations in United States Dollars. The swap matures concurrently with the borrowing in 2028.

Counterparties to derivative contracts are selected in accordance with the Bank's approved policy. In accordance with this policy, engaging in speculative activities are prohibited and all derivative financial instruments are held to maturity but may be terminated in those instances where the contract no longer satisfies the purpose for which is was intended, or is detrimental to the Bank's profitability in any way.

Derivatives are recorded at fair value and carried as assets when their fair value is positive and as liabilities when it is negative. The fair values of derivative financial instruments held at December 31, were as follows:

		2016	**2015**
		Fair values	
	Notional Amount		
Derivative financial asset			
Cross currency interest rate swaps	$163,220	**$48,685**	$41,058
Interest rate swaps	$300,000	**$9,184**	$13,791
Bilateral non-performance risk adjustment		**794**	1,402
		$58,663	$56,251
Derivative financial liability			
Cross currency interest rate swap	$151,341	**$23,429**	$-
Bilateral non-performance risk adjustment		**(1,390)**	-
		$22,039	$-

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NOTE 15 – NON-CURRENT ASSETS HELD FOR SALE

Non-current assets classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell. Non-current assets are classified as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset is available for immediate sale in its present condition, management has committed to the sale, and the sale is expected to have been completed within one year from the date of classification.

Property and equipment once classified as held for sale are not depreciated.

Non-current assets held for sale are recorded at their carrying amount of $572 and represent property comprising a building and land for which buyers were solicited on the open market during the year. The estimated fair value of the property as at December 31, 2016 was $860. It is expected that a sale will be concluded during 2017.

NOTE 16 – PROPERTY AND EQUIPMENT

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

Land totaling 2.2 hectares and the associated buildings were conveyed to the Bank by the Government of Barbados in 1983. These assets are not accounted for by the Bank and therefore do not form part of the Bank's financial records. Management does not consider the historical cost to be material.

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

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

Depreciation of other assets is computed on the straight-line basis at rates considered adequate to write-off the cost of these assets over their useful lives as follows:

	Years
Buildings and ancillary works	15-25
Furniture and equipment	4-8
Computers	4
Motor vehicles	4

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

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NOTE 16 – PROPERTY AND EQUIPMENT…continued

Gains or losses on disposals are determined by comparing proceeds with the carrying amount and costs to sell. These are included in the statement of comprehensive income.

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

The carrying values of property and equipment were as follows:

	2016					
	Projects in Progress	Land, Buildings and Ancillary Works	Computers	Furniture and Equipment	Motor Vehicles	Total
Opening net book value	$3,716	$5,613	$793	$1,499	$146	$11,767
Additions	1,943	-	202	87	-	2,232
Transfers from projects in progress	(2,435)	605	1,864	(34)	-	-
Net book value of assets transferred to held for sale	-	(572)	-	-	-	(572)
Disposals - cost	-	-	-	-	(89)	(89)
Disposals - accumulated depreciation	-	-	-	-	89	89
Depreciation expense	-	(334)	(576)	(297)	(43)	(1,250)
Closing net book value	$3,224	$5,312	$2,283	$1,255	$103	$12,177
At December 31						
Cost	$3,224	$12,051	$11,577	$6,538	$75	$33,465
Accumulated depreciation	-	(6,739)	(9,294)	(5,283)	28	(21,288)
Closing net book value	$3,224	$5,312	$2,283	$1,255	$103	$12,177

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NOTE 16 – PROPERTY AND EQUIPMENT…continued

	2015					
	Projects in Progress	Land, Buildings and Ancillary Works	Computers	Furniture and Equipment	Motor Vehicles	Total
Opening net book value	**$2,615**	**$4,254**	**$786**	**$1,198**	**$26**	**$8,879**
Additions	3,335	225	182	144	141	4,027
Transfers from projects in progress	(2,234)	1,443	212	579	-	-
Disposals - cost	-	-	-	-	(152)	(152)
Disposals - accumulated depreciation	-	-	-	-	152	152
Depreciation expense	-	(309)	(387)	(422)	(21)	(1,139)
Closing net book value	$3,716	$5,613	$793	$1,499	$146	$11,767
At December 31						
Cost	$3,716	$13,202	$9,511	$6,485	$164	$33,078
Accumulated depreciation	-	(7,589)	(8,718)	(4,986)	(18)	(21,311)
Closing net book value	**$3,716**	**$5,613**	**$793**	**$1,499**	**$146**	**$11,767**

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NOTE 17 – FINANCIAL LIABILITIES

Financial liabilities are recognised on the statement of financial position when the Bank becomes a party to the contractual provisions of an instrument. Management determines the classification of its financial instruments at initial recognition.

The Bank's financial liabilities include accounts payable, subscriptions received in advance and borrowings. Further information is included at Notes 18, 19 and 22 respectively. All financial liabilities are recognised initially at fair value and, in the case of borrowings and payables, net of directly attributable transaction costs. After initial recognition, the fair value option is not applied and interest-bearing borrowings are subsequently measured at amortised cost using the effective interest rate (EIR) method. Gains and losses are recognised in profit and loss when the liabilities are de-recognised. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as a borrowing expense in the statement of comprehensive income. This category generally applies to interest-bearing borrowings.

Fair value measurement

Fair value disclosures for financial liabilities are contained in Note 3 – Risk Management - "Fair value of financial assets and liabilities". Fair value is determined using valuation techniques in which fair values are estimated from observable data in respect of similar financial instruments, using models to estimate the present value of future cash flows, or other valuation techniques using inputs.

The Bank uses valuation techniques that are appropriate in the circumstances and for which sufficient data is available to measure fair value, maximizing the use of relevant observable inputs and minimising the use of unobservable inputs.

De-recognition

A financial liability is de-recognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the de-recognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of comprehensive income.

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NOTE 18 – ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

The accounting policy for accounts payable is as defined at Note 17.

Accrued liabilities are not financial liabilities. These are recorded as liabilities on the statement of financial position when the OCR has a present obligation (legal or constructive) as a result of a past event; it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and a reliable estimate can be made of the amount of the obligation.

Due to the short-term nature of these liabilities with no stated maturity, fair value is assumed to be equal to carrying value which is the amount payable on demand.

The carrying values of accounts payable and accrued liabilities is as follows:

	2016	2015
Accounts payable	**$228**	$3,312
Accrued liabilities	**2,793**	4,191
	$3,021	**$7,503**

NOTE 19 – SUBSCRIPTIONS IN ADVANCE

The accounting policy for subscriptions in advance is as defined at Note 17.

Payment of the amount due in respect of paid-up shares initially subscribed by a state or territory which is a member of the Bank is required to be made in six instalments. Amounts paid in advance of the due dates by certain members was fully extinguished in 2016 (2015: $4,326).

NOTE 20 – DEFERRED INCOME

Deferred income comprises freehold land donated to the Bank as a Government grant and is stated at historical value of $875 (2015: $875). The grant was recorded using the income approach and will be recognised in profit and loss in line with the useful life of the assets scheduled for construction on the property.

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NOTE 21 – POST-EMPLOYMENT OBLIGATIONS

Pension obligations
CDB has both a contributory defined benefit New Pension Plan ("the Plan" or "NPP") and a hybrid Old Pension Scheme ("the Scheme" or "OPS") to secure pensions for eligible employees of the Bank. Both the Plan and the Scheme are final salary defined benefit and are managed by independent Trustees who are appointed by representatives from the management and staff respectively, of the Bank and operated under the rules of respective Trust Deeds.

A defined benefit plan is a pension plan having terms that specify the amount of pension benefits to be provided at a future date or after a certain period of time. The amount specified usually is a function of one or more factors such as age, years of service, and compensation prior to retirement.

The cost of providing benefits under the defined benefit plan is determined using the projected unit credit method. Current service costs, past service costs and gain or loss on settlement and net interest expense or income on the net defined liability are recognised immediately in profit and loss under "Operating expenses". Net interest is calculated by applying the discount rate to the net defined liability or asset.

Re-measurements of the net defined liability/(asset) comprising actuarial gains and losses, return on plan assets excluding amounts included in net interest on the net defined liability/(asset) and any change in the effect of the asset ceiling (if applicable) excluding amounts included in net interest on the net defined liability (asset), are recognised immediately in the statement of financial position with a corresponding debit or credit to retained earnings through other comprehensive income ("OCI") in the period in which they occur. Re-measurements are not reclassified to profit or loss in subsequent periods.

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. The present value of the post-retirement obligation is determined by discounting the estimated future cash outflows (relating to service accrued to the reporting date) using the yields available on high-quality corporate bonds.

Description of the plans
The plans require contributions to be made to independent investment managers under respective management agreements and who are authorised to exercise complete discretion over the investment and reinvestment of the plans' assets and the reinvestment of the proceeds of sale and the variation of investments made.

The solvency of the plans is assessed by independent actuaries every three years to determine the funding requirements for the plans. The next actuarial valuation will be performed as at January 1, 2017. The financial statements of the plans are audited annually by independent external auditors. The level of contributions necessary to meet future obligations is approved by the Trustees acting on professional advice.

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NOTE 21 – POST-EMPLOYMENT OBLIGATIONS...continued

Description of the plans...continued
With respect to the hybrid pension scheme, members other than those of the NPP or those who have completed 33 1/3 years of pensionable service, pay regular contributions of 5% of salaries. The Bank meets the balance of the cost of funding the defined benefits and must pay contributions at least equal to 15.4% of contributing members' salaries and fund any deficit over a maximum period of 40 years.

In accordance with the rules of the NPP, members contribute 7% of their annual salary and the Bank contributes such sums as are certified by the Actuary to be sufficient together with the existing assets of the plan to provide the benefits payable and preserve the solvency of the plan. The current contribution rate certified by the Actuary and applied by the Bank is 22.8% of the aggregate amount of the annual salaries of eligible employees. All contributions (initially determined in Barbados dollars) are immediately converted to United States dollars and held or invested in that currency.

In 2014 The Board of Directors approved certain changes to the plan. These included:

- Allowing members who leave the Bank's services and are re-employed within a stipulated period to be eligible to re-join the plan with the earlier service to count as pensionable service subject to certain conditions being met;
- The increase in the normal retirement age from 62 years to 67 years subject to the consent of the Bank for those employees joining prior to August 1, 2014;
- A normal retirement age of 67 years for all members joining after August 1, 2014;
- A decrease in the qualifying period for attainment of benefits (vesting period) from 10 years to 5 years.

The post-retirement medical benefit is provided through a group insurance contract which is available to all defined benefit pension plan and hybrid pension scheme retirees (including those who took their hybrid pension scheme entitlement as a lump sum) provided they retired from the service of the Bank after completing at least 10 years' service. It is not available to persons who leave the service of the Bank before retirement. The Bank and the retirees share the burden of the medical premiums using a predetermined ratio of 65% and 35% respectively.

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NOTE 21 – POST-EMPLOYMENT OBLIGATIONS…continued

Key assumptions and quantitative sensitivity analyses

The cost of the defined benefit pension plan and other post-employment medical benefits and the present value of the pension obligation are determined using actuarial valuations. An actuarial valuation involves making various assumptions that may differ from actual developments in the future. These include the determination of the discount rate, future salary increases, mortality rates and future pension increases. Due to the complexities involved in the valuation and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed and approved by management at each reporting date.

The parameter most subject to change is the discount rate. In determining the appropriate discount rate, Management considers the interest rates of corporate bonds in currencies consistent with the currencies of the post-employment benefit obligation with at least an 'AA' rating or above, as set by an internationally acknowledged rating agency, and extrapolated as needed along the yield curve to correspond with the expected term of the defined benefit obligation. The underlying bonds are further reviewed for quality.

With respect to the Post-Retirement Medical Plan, the appropriate discount rate has been determined to be based on the yield on Government of Barbados long term Bonds since there is no deep market in Barbados Dollar denominated long term Corporate Bonds. Barbados Dollar Bonds are used as the liability is denominated in that currency.

The mortality rate is based on publicly available mortality tables for the specific countries. Those mortality tables tend to change only at intervals in response to demographic changes.

Future salary increases and pension increases are based on expected future inflation rates for the respective countries. The key assumptions and their sensitivity analyses are discussed further below.

Risks factors that may impact the Bank

The defined benefit new pension plan exposes the Bank to:

- longevity risk,
- inflation risk since although pension increases are capped, the benefits to current employees are based on final average salaries,
- interest rate risk due to the liabilities being of longer duration than the dated securities;
- investment risk in order to counter the inflation risk and improve the investment return. As at the reporting date 41.8% (2015: 55.2%) of the plan assets were invested in equities.

The hybrid pension scheme also exposes the Bank to the same longevity, inflation and interest rate risks. The investment risk inherent in the cash balance option has been managed by concentrating on short term high quality dated securities (as all the Government and Government-guaranteed securities and two-thirds of the others had terms of five years or less), leaving the Bank exposed to the inflation and interest rate risks in the pension option.

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NOTE 21 – POST-EMPLOYMENT OBLIGATIONS...continued

Net post-employment obligations

	2016	2015
Defined benefit pension liability	**$14,317**	$9,510
Hybrid pension liability	**5,885**	5,373
Post-retirement medical obligations	**2,008**	2,772
	$22,210	$17,655

Net pension costs recognised in profit or loss

	2016	2015
Defined benefit pension liability	**$4,367**	$3,964
Hybrid pension liability	**401**	409
Post-retirement medical obligation	**334**	320
	$5,102	$4,693

Net re-measurements recognised in other comprehensive income

	2016	2015
Defined benefit obligation	**$3,131**	$1,367
Hybrid pension liability	**824**	282
Post-retirement medical obligation	**(1,016)**	(152)
	$2,939	$1,497

The amounts recognised in the statement of financial position for the individual plans are determined as follows:

	Defined Benefit Pension Plan		Hybrid Pension Scheme	
	2016	2015	2016	2015
Present value of funded obligations	**$63,743**	$55,710	**$25,207**	$25,278
Fair value of plan assets	**(49,426)**	(46,200)	**(19,322)**	(19,905)
Net defined benefit liability	**$14,317**	$9,510	**$5,885**	$5,373

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NOTE 21 – POST-EMPLOYMENT OBLIGATIONS...continued

The amounts recognised in profit or loss are as follows:

	Pensions			
	Defined Benefit Pension Plan		Hybrid Pension Scheme	
	2016	2015	2016	2015
Current service costs	**$3,858**	$3,734	**$155**	$191
Net interest on net defined benefit liability	**350**	230	**218**	218
Past service cost	**159**	-	**28**	-
Net pension cost	**$4,367**	**$3,964**	**$401**	**$409**

Re-measurements recognised in other comprehensive income are as follows:

	Pensions			
	Defined Benefit Pension Plan		Hybrid Pension Scheme	
	2016	2015	2016	2015
Experience losses	**$3,131**	$1,367	**$824**	$282
Total amount recognised in other comprehensive income	**$3,131**	**$1,367**	**$824**	**$282**

Movement in the liability recognised in the statement of financial position was as follows:

	Pensions			
	Defined Benefit Pension Plan		Hybrid Pension Scheme	
	2016	2015	2016	2015
Opening defined benefit liability	**$9,510**	$6,773	**$5,373**	$5,406
Net pension cost	**4,367**	3,964	**401**	409
Re-measurements recognised in other comprehensive income	**3,131**	1,367	**824**	282
Bank contribution paid	**(2,691)**	(2,594)	**(713)**	(724)
Balance as at December 31	**$14,317**	**$9,510**	**$5,885**	**$5,373**

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NOTE 21 – POST-EMPLOYMENT OBLIGATIONS…continued

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

	Pensions			
	Defined Benefit Pension Plan		Hybrid Pension Scheme	
	2016	2015	2016	2015
Balance at January 1	**$55,710**	$51,466	**$25,278**	$25,444
Current service costs	**3,858**	3,734	**155**	191
Interest costs	**2,474**	2,278	**1,085**	1,113
Members' contributions	**811**	797	**367**	365
Past service cost	**159**	-	**28**	-
Re-measurements				
Experience adjustments	**(75)**	423	**(68)**	(423)
Actuarial losses/ (gains) from changes in financial assumptions	**2,267**	(1,273)	**746**	-
Benefits paid	**(1,461)**	(1,715)	**(2,384)**	(1,412)
Balance as at December 31	**$63,743**	**$55,710**	**$25,207**	**$25,278**

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

	Pensions			
	Defined Benefit Pension Plan		Hybrid Pension Scheme	
	2016	2015	2016	2015
Balance at January 1	**$46,200**	$44,693	**$19,905**	$20,038
Interest income	**2,124**	2,048	**867**	895
Return on plan assets, excluding interest	**(939)**	(2,217)	**(146)**	(705)
Bank contributions	**2,691**	2,594	**713**	724
Members' contributions	**811**	797	**367**	365
Benefits paid	**(1,461)**	(1,715)	**(2,384)**	(1,412)
Balance as at December 31	**$49,426**	**$46,200**	**$19,322**	**$19,905**

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NOTE 21 – POST-EMPLOYMENT OBLIGATIONS…continued

The asset allocation as at December 31 for the Defined benefit pension plan is as follows:

	2016	2015
Quoted in active markets		
Equity securities	**$20,637**	$25,523
	$20,637	$25,523
Unquoted investments		
Cash and cash equivalents	**11,590**	2,470
Debt securities	**17,802**	19,040
	$29,392	$21,510
Net accruals	**(603)**	(833)
Total	**$49,426**	**$46,200**

The asset allocation as at December 31 for the Hybrid pension scheme is as follows:

	2016	2015
Unquoted investments		
Government and Government guaranteed bonds	**$14,470**	$15,078
Supranational bonds	**4,411**	4,845
Cash and cash equivalents	**377**	(96)
	19,258	19,827
Net accruals	**64**	78
Total	**$19,322**	**$19,905**

The principal actuarial assumptions used for accounting purposes for both the defined benefit pension plan and the hybrid pension scheme are:

	Pensions	
	2016 %	2015 %
Discount rate	**4.25**	4.50
Future salary increases	**4.00**	4.00
Future pension increases – Defined benefit pension plan	**2.00**	2.00

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NOTE 21 – POST-EMPLOYMENT OBLIGATIONS...continued

It was assumed that there would be no future pension increases for the hybrid pension scheme.

The proportion of the defined benefit pension plan preserved members opting for pension was assumed to be 100% (2015: 100%). The proportion of other members opting for pension was assumed to be 100% (2015: 100%).

Mortality rate

Assumptions regarding future mortality experience are set based on actuarial advice, based on published statistics and experience.

The average life expectancy in years of a pensioner retiring at age 60 for current pensioners (in years), as at the reporting date is as follows:

	2016	2015
Male	**21.0**	21.0
Female	**25.1**	25.1

The average life expectancy at age 60 for current members age 40 (in years), as at the reporting date is as follows:

	2016	2015
Male	**21.4**	21.4
Female	**25.4**	25.4

Sensitivity analysis and liability profile

(a) Defined Benefit Pension Plan

A quantitative sensitivity analysis for significant assumptions as at December 31, 2016 is as shown below:

	Discount rate		Future salary increases		Pension increases	
	1% p.a. increase	1% p.a. decrease	1% p.a. increase	1% p.a. decrease	1% p.a. increase	1% p.a. decrease
Impact on the defined benefit obligation	**$(8,335)**	**$10,469**	**$2,633**	**$(2,315)**	**$6,212**	**$(5,256)**

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NOTE 21 – POST-EMPLOYMENT OBLIGATIONS…continued

Sensitivity analysis and liability profile…continued

(a) Defined Benefit Pension Plan…continued

	Life expectancy of male pensioners		Life expectancy of female pensioners	
	Increase by 1 year	Decrease by 1 year	Increase by 1 year	Decrease by 1 year
Impact on the defined benefit obligation	$591	$(567)	$1,108	$(1,094)

The sensitivity analyses disclosed have been determined based on a method which extrapolates the impact on the net defined benefit obligation as a result of reasonable changes in key assumptions occurring at the end of the reporting period.

The following payments are expected contributions to be made in the future years to the defined benefit obligation:

	2016	2015
Within the next 12 months (annual reporting period)	$2,931	$2,736
Between 1 year and 2 years	$3,048	$2,818

The defined benefit obligation is allocated among the plan members as follows:

Active members……………….60% (2015: 60%)
Pensioners……………………..40% (2015: 40%)

The weighted average duration of the defined benefit obligation was 15.6 years (2015: 15.5) years.
94% (2015: 94%) of the benefits for active members were vested, 22% (2015: 22%) of the defined benefit obligation for active members was conditional on future salary increases.

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NOTE 21 – POST-EMPLOYMENT OBLIGATIONS…continued

Sensitivity analysis and liability profile…continued

(b) *Hybrid Pension Scheme*

A quantitative sensitivity analysis for significant assumptions as at December 31, 2016 is as shown below:

	Discount rate		Future salary increases	
	1% p.a. increase	1% p.a. decrease	1% p.a. increase	1% p.a. decrease
Impact on defined benefit obligation	**$(2,699)**	**$3,301**	**$369**	**$(446)**

	Life expectancy of male pensioners		Life expectancy of female pensioners	
	Increase by 1 year	Decrease by 1 year	Increase by 1 year	Decrease by 1 year
Impact on the defined benefit obligation	**$277**	**$(258)**	**$312**	**$(316)**

The sensitivity analyses disclosed have been determined based on a method which extrapolates the impact on the net defined benefit obligation as a result of reasonable changes in key assumptions occurring at the end of the reporting period.

The following payments are expected contributions to be made in the future years to the defined benefit obligation:

	2016	2015
Within the next 12 months	**$674**	$725
Between 1 year and 2 years	**$679**	$730

The defined benefit obligation is allocated among the plan members as follows:

Active members………………………. 65% (2015: 68%)
Pensioners……………………………. 35% (2015: 32%)

The weighted average duration of the defined benefit obligation was 12 years (2015:12 years).
100% (2015: 100%) of the benefits for active members were vested, 7 % (2015: 7%) of the defined benefit obligation for active members is conditional on future salary increases.

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NOTE 21 – POST-EMPLOYMENT OBLIGATIONS…continued

Post-Retirement Medical Plan

Changes to the medical obligation are determined as follows:

		Pension charge to profit & loss			Remeasurement (gains)/losses in OCI				
	1-Jan-16	Current Service Cost	Net interest cost	Sub-total included in profit or loss (Note 25)	Experience adjustments	(Gain)/loss from change in financial assumptions	Sub-total included in OCI	Premiums paid by the bank	31-Dec-16
Medical obligation	**$2,772**	122	212	**334**	(263)	(753)	**(1,016)**	(82)	**$2,008**

		Pension charge to profit & loss			Remeasurement (gains)/losses in OCI				
	1-Jan-15	Current Service Cost	Net interest cost	Sub-total included in profit or loss (Note 25)	Experience adjustments	(Gain)/loss from change in financial assumptions	Sub-total included in OCI	Premiums paid by the bank	31-Dec-15
Medical obligation	**$2,677**	116	204	**320**	(152)	-	**(152)**	**(73)**	**$2,772**

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NOTE 21 – POST-EMPLOYMENT OBLIGATIONS...continued

Post-Retirement Medical Plan...continued

Principal actuarial assumptions

The principal actuarial assumptions used for accounting purposes are:

	Post-employment medical obligation	
	2016 %	2015 %
Discount rate	**7.75**	*7.75*
Medical cost increase	**5.00**	*7.25*

Mortality Rate

Assumptions regarding future mortality experience are set based on actuarial advice, based on published statistics and experience. The same assumptions used for the pension plans regarding mortality rates were used for the medical plan.

An increase of 1 year in the assumed life expectancies would increase the medical obligation at the reporting date by $69 (2015: $111).

Sensitivity analysis

A quantitative sensitivity analysis for significant assumptions as at December 31, 2016 is as shown below:

	Discount rate		Medical cost increases	
	1% p.a. increase	1% p.a. decrease	1% p.a. increase	1% p.a. decrease
Impact on medical obligation	**$(236)**	**$290**	**$294**	**$(243)**

The expected contributions to be made to the post-retirement medical obligation within the next twelve months is $86 (2015: $78).

Liability profile

The post-retirement medical obligation is allocated among the plan members as follows:

Active members.................... 49% (2015: 54%)
Pensioners.......................... 51% (2015: 46%)

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NOTE 21 – PENSIONS AND POST-EMPLOYMENT OBLIGATIONS…continued

Post-Retirement Medical Plan…continued

Liability profile…continued

The weighted average duration of the post-retirement medical obligation was 15 years (2015: 17 years). 51% (2015: 46%) of the benefits of active members were vested.

NOTE 22 – BORROWINGS

The accounting policy for borrowings is as defined at Note 17.

It is the Bank's policy to limit borrowing and guarantees chargeable to the Bank's Ordinary Capital Resources to 100% of the callable capital of its investment grade non-borrowing members plus the paid in capital and retained earnings less receivables from members (cash reserves). As of December 31, 2016, total borrowings amounted to $654,530 (2015: $502,752).

The aggregate fair values are based on discounted cash flow models using a current yield curve appropriate for the remaining term to maturity, similar terms and credit risk.

In July 2016 the Bank successfully completed a market borrowing for CHF 145 million at a fixed rate of 0.297% which will be fully amortised in 2028. Concurrently with the completion of this transaction a cross currency interest rate swap was concluded to convert the borrowing currency to US Dollars and the interest rate from a fixed to a floating rate.

As of December 31, 2016, the ratio of total outstanding borrowings and undrawn commitments of $821,691 (2015: $575,386) to the borrowing limit of $1,405,510 (2015: $1,264,600) was 58.5% (2014: 45.5%).

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NOTE 22 – BORROWINGS...continued

(a) A summary of the borrowings was as follows:

	2016						
	Original amounts[1/]	Translation adjustments & other	Repayments to date	Currency swap[2/]	Undrawn	Outstanding	Due dates
Short term Borrowing							
Line of credit	$50,000	$-	$-	$-	$(50,000)	$-	2017
	$50,000	$-	$-	$-	$(50,000)	$-	
CDB Market Borrowings							
4.35% Notes – Yen	60,000	(4,681)	-	-	-	55,319	2030
2.75% Notes – Yen	100,000	6,810	-	-	-	106,810	2022
4.375% Bonds – US$	300,000	-	-	-	-	300,000	2027
0.297% Bonds - CHF	151,341	(8,989)	-	-	-	142,352	2028
Unamortised transaction costs	(2,511)	44	-	-	-	(2,467)	
Unamortised currency swap	-	-	-	5,063	-	5,063	
	608,830	(6,816)	-	5,063	-	607,077	
European Investment Bank							
Global Loan 111 – US$	34,857	-	(11,619)	-	-	23,238	2023
Climate Action Credit – US$	65,320	-	-	-	(58,162)	7,158	2031
	100,177	-	(11,619)	-	(58,162)	30,396	
Inter-American Development Bank							
Loan 926/OC-RG-US$	19,347	-	(14,340)	-	-	5,007	2021
Loan 2798/BL-RG	14,000	-	-	-	(5,999)	8,001	2043
Loan 3561/OC - RG	20,000	-	-	-	(20,000)	-	2037
	53,347	-	(14,340)	-	(25,999)	13,008	
Agence Francaise de Developpement	33,000	-	-	-	(33,000)	-	2028
	33,000	-	-	-	(33,000)	-	
Sub-total	845,354	$(6,816)	$(25,959)	5,063	$(167,161)	$650,481	
Accrued interest	4,049	-	-	-	-	4,049	
Total – December 31	$849,403	$(6,816)	$(25,959)	$5,063	$(167,161)	$654,530	

[1/] Net of cancellations and borrowings fully paid.
[2/] Unwinding of terminated fair value hedge.

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NOTE 22 – BORROWINGS...continued

(a) A summary of the borrowings was as follows:

	2015						
	Original amounts[1/]	**Translation adjustments**	**Repayments to date**	**Currency swap[2/]**	**Undrawn**	**Outstanding**	**Due dates**
Short term Borrowing							
Line of credit	$30,000	$-	$(30,000)	$-	$-	$-	
	$30,000	$-	$(30,000)	$-	$-	$-	
CDB Market Borrowings							
4.35% Notes – Yen	60,000	(6,238)	-	-	-	53,762	2030
2.75% Notes – Yen	100,000	3,803	-	-	-	103,803	2022
4.375% Bonds – US$	300,000	-	-	-	-	300,000	2027
Unamortised transaction costs	(1,759)	-	-	-	-	(1,759)	
Unamortised currency costs	-	-	-	6,032	-	6,032	
	458,241	(2,435)	-	6,032	-	461,838	
European Investment Bank							
Global Loan 111 - US$	34,857	-	(8,299)	-	-	26,558	2023
Climate Action Credit – US$	65,320	-	-	-	(65,320)	-	
	100,177	-	(8,299)	-	(65,320)	26,558	
Inter-American Development Bank							
Loan 926/OC-RG-US$	19,347	-	(13,227)	-	-	6,120	2021
Loan 2798/BL-RG	14,000	-	-	-	(7,314)	6,686	2043
	33,347	-	(13,227)	-	(7,314)	12,806	
Sub-total	**621,765**	**(2,435)**	**(51,526)**	**6,032**	**(72,634)**	**501,202**	
Accrued interest	1,550	-	-	-	-	1,550	
Total – December 31	**$623,315**	**$(2,435)**	**$(51,526)**	**$6,032**	**$(72,634)**	**$502,752**	

[1/] Net of cancellations and borrowings fully paid.
[2/] Unwinding of terminated fair value hedge.

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NOTE 22 – BORROWINGS…continued

(b) Currencies repayable on outstanding borrowings were as follows:

2016							
Currencies Repayable	**Outstanding at December 2015**	**Translation adjustment**	**Net interest expense/ paid**	**Draw-downs**	**Currency swap amortisation[1/]**	**Repayments**	**Outstanding at December 2016**
United States Dollars	**$339,364**	**$-**	**$-**	**$68,472**	**$-**	**$(64,433)**	**$343,403**
Swiss Francs	**-**	**(8,989)**	**-**	**151,341**	**-**	**-**	**$142,352**
Japanese Yen	**163,597**	**4,564**	**-**	**-**	**(968)**	**-**	**167,193**
Sub-total	**502,961**	**(4,425)**	**-**	**219,813**	**(968)**	**(64,433)**	**652,948**
Amortised borrowing costs	**(1,759)**	**44**	**-**	**(901)**	**149**	**-**	**(2,467)**
Accrued interest	**1,550**	**-**	**2,499**	**-**	**-**	**-**	**4,049**
Total – December 31	**$502,752**	**$(4,381)**	**$2,499**	**$218,912**	**$(819)**	**$(64,433)**	**$654,530**

2015							
Currencies Repayable	**Outstanding at December 2014**	**Translation adjustment**	**Net interest expense/ paid**	**Draw-downs**	**Currency swap amortisation[1/]**	**Repayments**	**Outstanding at December 2015**
United States Dollars	$372,457	$-	$-	$1,339	$-	$(34,432)	$339,364
Japanese Yen	158,500	6,065	-	-	(968)	-	163,597
Sub-total	**530,957**	**6,065**	**-**	**1,339**	**(968)**	**(34,432)**	**502,961**
Amortised borrowing costs	(1,908)	-			149	-	(1,759)
Accrued interest	1,252	-	298	-	-	-	1,550
Total – December 31	**$530,301**	**$6,065**	**$298**	**$1,339**	**$(819)**	**$(34,432)**	**$502,752**

[1/] Unwinding of terminated fair value hedge.

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NOTE 22 – BORROWINGS…continued

A maturity analysis of borrowings as at December 31 is as follows:

	2016	2015
Current	**$7,453**	$5,982
Non-current	**647,077**	496,770
	$654,530	$502,752

On May 4, 2016 Standard & Poor's reaffirmed its 'AA' long-term issuer credit rating and 'A-1+' short-term credit rating with a Stable outlook.

On September 30, 2016 Moody's Investors Service reaffirmed the Bank's long term issuer rating at Aa1 and maintained the Stable outlook.

(Also refer to Note 30 – *Subsequent events*).

NOTE 23 – EQUITY

Equity is comprised of capital stock, retained earnings and reserves.

The capital stock of the Bank was initially 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 Charter 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 Charter, 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.

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NOTE 23 – EQUITY…continued

The Bank's capital stock is divided into paid-in shares and callable shares. Payment of the amount subscribed to the callable capital is subject to call by the Bank to meet its obligations as and when required by the Bank subject to certain conditions. Payment for paid-in shares subscribed by its members is made over 6 annual instalments. Of each installment, up to 50 percent is payable in non-negotiable, non-interest bearing promissory notes or other obligations issued by the subscribing member and payable at their par value upon demand. Subscriptions that are not yet payable are presented as subscriptions not yet matured. The Charter states that payment of the amount subscribed to the callable capital is subject to call by the Bank to meet its obligations incurred pursuant to Article 7, paragraph 6 taking into account paragraphs (b) and (d) of Article 13 on borrowings of funds or on guarantees, only as and when required by the Bank.

The Charter also allows for a member country to withdraw from the Bank, at which time the Bank is required to arrange for the repurchase of the former member's shares. There has been only one occurrence of membership withdrawal in the Bank's existence which occurred in 2000, and no other member has indicated to the Bank that it intends to withdraw its membership. The stability in the membership reflects the fact that the purpose of the Bank is to contribute to the harmonious economic growth and development of its BMCs individually and jointly. Moreover, there is a significant financial disincentive to withdrawing membership. The repurchase price of the shares is the value shown on the books of the Bank on the date a country ceases to be a member. However, the former member shall remain liable for direct obligations and contingent liabilities to the Bank for so long as any part of the loans or guarantees contracted before the date of withdrawal are outstanding. The Bank may partially or fully offset amounts due for shares purchased against the member's liabilities on loans and guarantees due to the Bank. Were a member to withdraw, the Bank may set the dates in respect of payments for shares repurchased. In the instance where paying a former member would have adverse consequences for the Bank's financial position, the Bank can exercise its option to defer payment until the risk has passed, and indefinitely if appropriate.

If the Bank were to terminate its operations, within six months of the termination date all liabilities of the Bank would first be settled out of the assets of the Bank and then, if necessary, out of members' callable capital, before any distribution could be made to any member country, including the withdrawing member. Management has therefore determined that members' shares are deemed to be a permanent investment in the Bank and are appropriately classified as equity.

(a) At the fortieth meeting of the Board of Governors in May 2010, a general capital increase of 150% was approved. The Bank's capital as at December 31 was as follows:

			2016	2015
Authorised capital:	312,971 shares	(2015: 312,971) shares		
Subscribed capital:	279,399 shares	(2015: 279,399) shares	**$1,763,656**	$1,763,656
Less callable capital:	218,050 shares	(2015: 218,050) shares	**(1,375,135)**	(1,375,135)
Paid-up capital:	61,349 shares	(2015: 61,349) shares	**$388,521**	$388,521
Less: Subscriptions not yet matured			**(6,941)**	(45,197)
			$381,580	$343,324

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NOTE 23 – EQUITY…continued

(b) The movement in the Bank's paid-up capital during the year was as follows:

	2016	2015
	No. of shares	No. of shares
Balance at January 1	**61,349**	**59,349**
Regional States and Territories		
Subscribed capital	-	9,107
Callable capital		(7,107)
	-	
	-	2,000
Non-Regional States and Territories		
Subscribed capital	-	-
Callable capital		-
	-	
	-	-
Balance at December 31	**61,349**	**61,349**

The movement in subscriptions matured during the year was as follows:

		2016	2015
Balance at January 1		**$343,324**	$299,468
Regional States and Territories			
Subscriptions maturing during the year		**25,307**	30,849
Non-Regional States and Territories			
Subscriptions maturing during the year		**13,107**	13,104
		38,414	43,953
Sub Total		**381,738**	343,421
Less: Prepayment discounts	**23(d)**	**(158)**	(97)
Balance at December 31		**$381,580**	$343,324

The determination of the par value of the Bank's shares is disclosed hereto.

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NOTE 23 – EQUITY…continued

(c) The subscriptions by member countries and their voting power at December 31 were as follows:

2016									
							Voting Power		
Member	No. of Shares	% of Total	Total subscribed capital	Callable capital	Paid-up capital	Subscriptions Matured	No. of votes	% of total votes	Receivable from members non-negotiable demand notes
Regional States and Territories:									
Jamaica	48,354	17.31	$291,659	$227,614	$64,045	$64,045	48,504	17.14	$12,800
Trinidad and Tobago	48,354	17.31	291,659	227,614	64,045	64,045	48,504	17.14	10,636
Bahamas	14,258	5.10	86,001	67,115	18,886	18,885	14,408	5.09	1,612
Guyana	10,417	3.72	62,833	49,038	13,795	13,795	10,567	3.73	3,120
Colombia	7,795	2.79	47,017	36,691	10,326	10,326	7,945	2.81	627
Mexico	7,795	2.79	47,017	36,691	10,326	10,326	7,945	2.81	-
Venezuela	7,795	2.79	47,017	36,691	10,326	10,326	7,945	2.81	3,203
Barbados	9,074	3.24	54,732	42,717	12,015	12,015	9,224	3.26	1,070
Suriname	4,166	1.49	25,128	19,627	5,501	3,740	4,316	1.55	2,805
Belize	2,148	0.77	12,956	10,109	2,847	2,847	2,298	0.81	-
Dominica	2,148	0.77	12,956	10,109	2,847	2,847	2,298	0.81	286
Grenada	1,839	0.66	11,093	8,661	2,432	2,431	1,989	0.70	213
St. Lucia	2,148	0.77	12,956	10,109	2,847	2,847	2,298	0.81	360
St. Vincent and the Grenadines	2,148	0.77	12,956	10,109	2,847	2,847	2,298	0.81	97
Antigua and Barbuda	2,148	0.77	12,956	10,109	2,847	2,847	2,298	0.81	296
St. Kitts and Nevis	2,148	0.77	12,956	10,109	2,847	2,847	2,298	0.81	255
Anguilla /1	455	0.16	2,744	2,141	603	603			15
Montserrat /1	533	0.19	3,215	2,509	706	706			-
British Virgin Islands /1	533	0.19	3,215	2,509	706	706	2,737	0.97	-
Cayman Islands /1	533	0.19	3,215	2,509	706	706			8
Turks and Caicos Islands /1	533	0.19	3,215	2,509	706	706			-
Haiti	2,187	0.78	13,191	10,296	2,895	2,895	2,337	0.82	-
Brazil	3,118	1.12	18,807	14,687	4,120	1,483	3,268	1.15	-
	180,627	64.64	1,089,494	850,273	239,221	234,821	183,477	64.84	37,403

[1/] In accordance with Article 3 of the Charter 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 Charter.

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NOTE 23 – EQUITY...continued

(c) The subscriptions by member countries and their voting power at December 31 were as follows:

2016							Voting Power		
Member	No. of Shares	% of Total	Total subscribed capital	Callable capital	Paid-up capital	Subscriptions Matured	No. of votes	% of total votes	Receivable from members non-negotiable demand notes
Non-Regional States:									
Canada	26,004	9.31	156,849	122,408	34,441	34,441	26,154	9.24	-
United Kingdom	26,004	9.31	156,849	122,408	34,441	34,441	26,154	9.24	2,150
Italy	15,588	5.58	94,023	73,376	20,647	20,647	15,738	5.56	580
Germany	15,588	5.58	94,023	73,376	20,647	20,647	15,738	5.56	5,549
China	15,588	5.58	94,023	73,376	20,647	20,647	15,738	5.56	-
	98,772	**35.36**	**595,767**	**464,944**	**130,823**	**130,823**	**99,522**	**35.16**	**8,279**
Sub-total	**279,399**	**100.0**	**1,685,261**	**1,315,217**	**370,044**	**365,644**	**282,999**	**100.0**	**45,682**
Additional subscriptions									
China			18,804	14,688	4,116	4,116			
Colombia			1,810	905	905	905			
Germany			12,546	9,681	2,865	2,865			
Italy			12,546	9,681	2,865	2,865			
Mexico			6,273	4,841	1,432	1,431			
Venezuela			1,810	905	905	905			
Haiti			2,639	2,060	579	579			
Suriname			12,564	9,814	2,750	1,870			
Brazil			9,403	7,343	2,060	741			
Sub-total	**-**	**-**	**78,395**	**59,918**	**18,477**	**16,277**	**-**	**-**	**-**
Prepayment discount						(341)			
Total - December 31	**279,399**	**100.0**	**$1,763,656**	**$1,375,135**	**$388,521**	**$381,580**	**282,999**	**100.0**	**$45,682**

(EXPRESSED IN THOUSANDS OF UNITED STATES DOLLARS, UNLESS OTHERWISE STATED)

NOTE 23 – EQUITY…continued

2015							Voting Power		
Member	No. of Shares	% of Total	Total subscribed capital	Callable capital	Paid-up capital	Subscriptions Matured	No. of votes	% of total votes	Receivable from members non-negotiable demand notes
Regional States and Territories:									
Jamaica	48,354	17.31	$291,659	$227,614	$64,045	$57,629	48,504	17.14	$13,257
Trinidad and Tobago	48,354	17.31	291,659	227,614	64,045	57,629	48,504	17.14	10,885
Bahamas	14,258	5.10	86,001	67,115	18,886	16,994	14,408	5.09	1,612
Guyana	10,417	3.72	62,833	49,038	13,795	12,412	10,567	3.73	3,120
Colombia	7,795	2.79	47,017	36,691	10,326	9,292	7,945	2.81	627
Mexico	7,795	2.79	47,017	36,691	10,326	9,292	7,945	2.81	-
Venezuela	7,795	2.79	47,017	36,691	10,326	9,292	7,945	2.81	3,203
Barbados	9,074	3.24	54,732	42,717	12,015	10,815	9,224	3.26	1,070
Suriname	4,166	1.49	25,128	19,627	5,501	2,861	4,316	1.55	2,145
Belize	2,148	0.77	12,956	10,109	2,847	2,561	2,298	0.81	-
Dominica	2,148	0.77	12,956	10,109	2,847	2,561	2,298	0.81	286
Grenada	1,839	0.66	11,093	8,661	2,432	2,187	1,989	0.70	213
St. Lucia	2,148	0.77	12,956	10,109	2,847	2,561	2,298	0.81	360
St. Vincent and the Grenadines	2,148	0.77	12,956	10,109	2,847	2,561	2,298	0.81	97
Antigua and Barbuda	2,148	0.77	12,956	10,109	2,847	2,561	2,298	0.81	296
St. Kitts and Nevis	2,148	0.77	12,956	10,109	2,847	2,561	2,298	0.81	256
Anguilla /1	455	0.16	2,744	2,141	603	543			14
Montserrat /1	533	0.19	3,215	2,509	706	635			-
British Virgin Islands /1	533	0.19	3,215	2,509	706	635	2,737	0.97	-
Cayman Islands /1	533	0.19	3,215	2,509	706	635			8
Turks and Caicos Islands /1	533	0.19	3,215	2,509	706	635			-
Haiti	2,187	0.78	13,191	10,296	2,895	2,606	2,337	0.82	-
Brazil	3,118	1.12	18,807	14,687	4,120	823	3,268	1.15	-
	180,627	64.64	1,089,494	850,273	239,221	210,281	183,477	64.84	37,449

[1/] In accordance with Article 3 of the Charter 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 Charter.

CARIBBEAN DEVELOPMENT BANK

ORDINARY CAPITAL RESOURCES

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2016
(EXPRESSED IN THOUSANDS OF UNITED STATES DOLLARS, UNLESS OTHERWISE STATED)

NOTE 23 – EQUITY...continued

2015									
							Voting Power		
Member	No. of Shares	% of Total	Total subscribed capital	Callable capital	Paid-up capital	Subscriptions Matured	No. of votes	% of total votes	Receivable from members non-negotiable demand notes
Non-Regional States:									
Canada	26,004	9.31	156,849	122,408	34,441	30,991	26,154	9.24	-
United Kingdom	26,004	9.31	156,849	122,408	34,441	30,991	26,154	9.24	-
Italy	15,588	5.58	94,023	73,376	20,647	18,578	15,738	5.56	2,150
Germany	15,588	5.58	94,023	73,376	20,647	18,578	15,738	5.56	598
China	15,588	5.58	94,023	73,376	20,647	18,578	15,738	5.56	5,549
	98,772	35.36	595,767	464,944	130,823	117,716	99,522	35.16	8,297
Sub-total	**279,399**	**100.0**	**1,685,261**	**1,315,217**	**370,044**	**327,997**	**282,999**	**100.0**	**45,746**
Additional subscriptions									
China	-	-	18,804	14,688	4,116	4,116	-	-	$-
Colombia	-	-	1,810	905	905	905	-	-	-
Germany	-	-	12,546	9,681	2,865	2,865	-	-	-
Italy	-	-	12,546	9,681	2,865	2,865	-	-	-
Mexico	-	-	6,273	4,841	1,432	1,432	-	-	-
Venezuela	-	-	1,810	905	905	905	-	-	-
Haiti	-	-	2,639	2,060	579	579	-	-	-
Suriname	-	-	12,564	9,814	2,750	1,430	-	-	-
Brazil	-	-	9,403	7,343	2,060	412	-	-	-
Sub-total	**-**	**-**	**$78,395**	**$59,918**	**$18,477**	**$15,509**	**-**	**-**	**$-**
Prepayment discount						(182)			
Total - December 31	**279,399**	**100.0**	**$1,763,656**	**$1,375,135**	**$388,521**	**$343,324**	**282,999**	**100.0**	**$45,746**

CARIBBEAN DEVELOPMENT BANK
ORDINARY CAPITAL RESOURCES
NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2016
(EXPRESSED IN THOUSANDS OF UNITED STATES DOLLARS, UNLESS OTHERWISE STATED)

NOTE 23 – EQUITY…continued

(d) Prepayment discounts

The Board of Governors of the Bank approved a "Variation of conditions of subscription of shares to permit a discount for prepayment" policy. The provision of this policy is that members are entitled to a discount from the Bank for prepayment of an instalment or part thereof (including those members which have already made prepayments) only if the prepayment is received more than three months prior to the date of the scheduled General Capital Increase (GCI) payments. The discount is computed based on a present value methodology and is disclosed as a charge against equity. During the year, discounts amounting to $158 (2015: $97) were provided to members who had made prepayments.

(e) Retained earnings and reserves

Retained earnings and reserves is comprised of:

	2016	2015
Retained earnings	**$517,875**	$530,642
Post-employment obligation reserve	**(16,213)**	(13,274)
Other reserves	**13,260**	13,260
	$514,922	**$530,628**

(f) Other reserves

Special reserve
In accordance with Article 18 of the Charter, commissions and guarantee fees received on loans made out of OCR 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 BOD 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 (2015: $6,254).

General banking reserve
The General banking reserve has been deemed a reserve for asset impairments. During the year no reserves (2015: Nil) were transferred to retained earnings. As at December 31, 2016, the amount of the general banking reserve was $7,006 (2015: $7,006).

CARIBBEAN DEVELOPMENT BANK
ORDINARY CAPITAL RESOURCES
NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2016
(EXPRESSED IN THOUSANDS OF UNITED STATES DOLLARS, UNLESS OTHERWISE STATED)

NOTE 23 – EQUITY…continued

(f) Other reserves…continued

Post-employment obligations reserve
Post-employment obligations reserve comprise various gains/ losses arising from the actuarial valuation where actual performance results differ from projected results due to changes in assumptions and in differences between actual investment returns and assumed returns from the previous year's calculations. These differences are classified as experience gains/ losses.

	2016	2015
Cumulative experience losses	**$(16,213)**	$(13,274)
	$(16,213)	**$(13,274)**

NOTE 24 – INTEREST INCOME/EXPENSE AND SIMILAR INCOME/CHARGES

Interest income and expense
For instruments carried at amortised cost, interest income and expense are recognised in the statement of comprehensive income using the EIR method. Interest income and expense are recognised on a level yield basis for items classified as fair value through profit or loss.

Other fees and charges
Fees and other income are recognised on an accrual basis when the service has been provided.

(a) Interest and similar income

Interest income earned from loans outstanding and debt securities at fair value through profit or loss was as follows:

	2016	2015
Interest income	**$28,777**	$34,570
Other fees and charges	**3,350**	3,160
Income from loans and receivables	**$32,127**	$37,730
Bonds	**$3,109**	$2,289
US Treasuries	**6**	23
Time deposits	**540**	131
Cash balances	**-**	6
Interest and similar income	**$35,782**	**$40,179**

CARIBBEAN DEVELOPMENT BANK

ORDINARY CAPITAL RESOURCES

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2016
(EXPRESSED IN THOUSANDS OF UNITED STATES DOLLARS, UNLESS OTHERWISE STATED)

NOTE 24 – INTEREST INCOME/EXPENSE AND SIMILAR INCOME/CHARGES…continued

(b) Interest (income)/expense and similar charges

Interest expense and other charges from borrowings and interest income and expense from derivative financial instrument swaps were as follows:

	2016	2015
Financial liabilities carried at amortised cost (borrowings)		
Gross interest expense	**$20,235**	$19,848
Other finance charges	**527**	170
Borrowings	**20,762**	20,018
Financial assets at fair value through profit and loss (derivatives)		
Interest income from derivative financial instruments	(18,753)	(18,484)
Interest expense from derivative financial instruments	11,768	7,202
Net interest income from derivatives	**(6,985)**	(11,282)
Interest expense and similar charges	**$13,777**	**$8,736**

CARIBBEAN DEVELOPMENT BANK

ORDINARY CAPITAL RESOURCES

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2016
(EXPRESSED IN THOUSANDS OF UNITED STATES DOLLARS, UNLESS OTHERWISE STATED)

NOTE 25 – OPERATING EXPENSE

Restructuring costs
Termination benefits are payable when employment is terminated by the Bank before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Bank recognises termination benefits when it is demonstrably committed to either terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal or providing termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than twelve months after the reporting date are discounted to their present value.

Administrative expenses
Administrative expenses incurred by the Bank are allocated to the OCR and the SFR in accordance with a methodology approved by the Board of Directors.

Other operating expenses
Other operating expenses result from realised and unrealised fair value losses/gains on debt securities at fair value through profit and loss and foreign exchange losses/gains as a result of daily transactions.

Operating expenses are broken down as follows:

	2016	2015
Realised and unrealised fair value losses/(gains)	**$2,757**	$(194)
Foreign exchange translation	**(183)**	870
Administrative expenses:		
Employee related	**$9,304**	$9,366
Restructuring costs	**(241)**	672
Professional fees and consultancies	**795**	738
Travel	**831**	848
Depreciation	**535**	488
Other expenses	**371**	387
Utilities and maintenance	**390**	418
Training and seminars	**207**	194
Supplies and printing	**79**	96
Board of Governors and Directors	**257**	180
Computer services	**504**	454
Communications	**265**	292
Bank charges	**113**	72
Insurance	**31**	29
	$16,015	**$14,910**

CARIBBEAN DEVELOPMENT BANK

ORDINARY CAPITAL RESOURCES

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2016
(EXPRESSED IN THOUSANDS OF UNITED STATES DOLLARS, UNLESS OTHERWISE STATED)

NOTE 25 – OPERATING EXPENSE…continued

Employee costs charged to the OCR were as follows:

	2016	2015
Salaries and allowances	**$6,363**	$6,380
Restructuring costs	**(241)**	672
Pension costs – hybrid scheme[1/]	**163**	177
Pension costs – defined benefit plan[1/]	**1,962**	1,710
Medical costs	**292**	297
Other benefits	**525**	802
	$9,064	**$10,038**

[1/]This represents the allocation of the net pension costs to the OCR. The full pension expense for the hybrid scheme amounted to $401 (2015: $409), for the defined benefit new pension plan it amounted to $4,367 (2015: $3,964) and for the medical plan it was $334 (2015: $320).

NOTE 26 – ALLOCATION FROM NET INCOME

In accordance with Article 39 of the Charter, the Board of Governors shall determine at least annually the disposition of the net income of the Bank arising from its OCR ("operating income"). The OCR net income is typically allocated to the Ordinary Reserves. These reserves are available to meet possible future losses on loans and guarantees made by the Bank in its Ordinary operations and possible future losses from currency devaluations.

Management recommended for the approval of the Board of Governors acting in accordance with Article 39 of the Bank's Charter, an allocation of $6,000 (2015: $6,000) from the net income (operating income) of the OCR to the SDF (U).

CARIBBEAN DEVELOPMENT BANK

ORDINARY CAPITAL RESOURCES

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2016
(EXPRESSED IN THOUSANDS OF UNITED STATES DOLLARS, UNLESS OTHERWISE STATED)

NOTE 27 – DERIVATIVE FAIR VALUE ADJUSTMENT

The derivative fair value adjustment of $(18,659) (2015: $4,817) included in the statement of comprehensive income is derived as a result of the revaluation of the derivative financial instruments comprising cross currency interest rate swaps and interest rate swaps.

NOTE 28 – RELATED PARTY TRANSACTIONS

(a) The movement in the net inter-fund receivable or payable during the year was as follows:

	2016	2015
Balance at January 1	**$8,759**	$4,778
Advances	**25,136**	39,215
Allocation of administrative expenses	**18,064**	18,952
Repayments	**(47,487)**	(54,186)
Inter-fund receivable December 31	**$4,472**	**$8,759**

The receivable account represents net amounts due from/ (payable to) the SDF and OSF as a result of payments by OCR on their behalf as well as the allocation of administrative expenditure in accordance with Bank policy. Inter-fund balances are settled in cash on a quarterly basis.

The composition of the balances as at December 31, 2016 and 2015 was as follows:

Included in "Receivables and prepaid assets":

	2016	2015
Due from SDF	**$3,840**	$5,341
Due from OSF	**$792**	$3,411
Due (to)/from Pension schemes	**$(101)**	$6
Due (to)/from Others	**$(59)**	$1
	$4,472	**$8,759**

CARIBBEAN DEVELOPMENT BANK

ORDINARY CAPITAL RESOURCES

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2016
(EXPRESSED IN THOUSANDS OF UNITED STATES DOLLARS, UNLESS OTHERWISE STATED)

NOTE 28 – RELATED PARTY TRANSACTIONS…continued

(b) Key management compensation for the year ended December 31 was as follows:

	2016	2015
Salaries and allowances	**$1,934**	$2,510
Post-employment benefits	**993**	721
	$2,927	**$3,231**

(c) Interest subsidy fund

In 2008, the interest subsidy fund was established by the Board of Directors of the Bank to subsidise part of the interest payments for which certain borrowers are liable on loans from the OCR. During the reporting period, $479 (2015: $513) was received from the OSF in interest on behalf of the borrowers. The fund balance is included in Receivable and prepaid assets in the statement of financial position.

NOTE 29 – COMMITMENTS AND GUARANTEES

Legal claims are recognised when the Bank has a present legal or constructive obligation as a result of past events and it is more likely than not that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated. The Bank recognises no provisions for future operating expenses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to settle the obligation using the rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

Commitments

The Bank's commitments are represented by loan disbursement obligations to its borrowers up to the approved amount of these loans (Refer to Note 10 – *Loans outstanding*) and OCR commitments to the operations of the SDF(U) (Refer to Note 3: *Risk Management – Commitments, Guarantees and Contingent liabilities).*

CARIBBEAN DEVELOPMENT BANK

ORDINARY CAPITAL RESOURCES

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2016
(EXPRESSED IN THOUSANDS OF UNITED STATES DOLLARS, UNLESS OTHERWISE STATED)

NOTE 29 – COMMITMENTS AND GUARANTEES...continued

Guarantees

Financial guarantee contracts are contracts that require the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due, in accordance with the terms of a debt instrument.

Financial guarantees are initially recognised as a liability in the financial statements at fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee, on the date the guarantee was given. Subsequently, the liability is measured at the higher of the best estimate of the expenditure required to settle the present obligation at the reporting date and the amount initially recognised less cumulative amortisation.

At its two hundred and forty-ninth meeting held on December 8, 2011, the Bank issued a guarantee in an amount not exceeding the equivalent of $12 million with respect to Bonds issued by the Government of St. Kitts and Nevis (GOSKN) on a rolling, re-instatable and non-accelerable basis.

The guarantee contains a Counter Guarantee and Indemnity clause whereby the GOSKN undertakes irrevocably and unconditionally agrees to reimburse the Bank for any amount paid under the guarantee together with interest and other charges at a rate specified by the Bank. Where reimbursement to the Bank is not made (in whole or in part) within a period of 90 days of such amounts being paid the Bank such unreimbursed amounts shall be converted to a loan due by the GOSKN to the Bank's OCR.

NOTE 30 – SUBSEQUENT EVENTS

On March 9, 2017 Fitch Ratings Limited assigned to the Bank a Long-Term Issuer Default Rating of 'AA+' with a Stable Outlook and a Short-Term Issuer Default Rating of 'F1'.

Subsequent to the reporting date the credit rating of one BMC was downgraded.

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INDEPENDENT AUDITOR'S REPORT

TO THE BOARD OF GOVERNORS OF CARIBBEAN DEVELOPMENT BANK

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of **Special Development Fund** ("the Fund") of the **Caribbean Development Bank** ("the Bank"), which comprise the statement of financial position as of December 31, 2016, and the statement of comprehensive income and accumulated net income and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Fund as of December 31, 2016 and its financial performance and its cash flows for the year then ended in accordance with the basis of accounting described in Note 2.

Basis for Opinion

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

Emphasis of Matter

We draw attention to Note 2 of the financial statements which describes the basis of accounting. The financial statements are prepared for the specific purpose of reflecting the sources and applications of member subscriptions and contributions and other development resources and as a result, may not be suitable for any other purpose. Our opinion is not modified in respect of this matter.

Other information included in the Bank's 2016 Annual Report

Management is responsible for the other information. Other information consists of the information included in the Bank's 2016 Annual Report, other than the financial statements and our auditor's report thereon. The Bank's 2016 Annual Report is expected to be made available to us after the date of this auditor's report.

Our opinion on the financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

When we read the Annual Report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to the Oversight and Assurance Committee

INDEPENDENT AUDITOR'S REPORT (Continued)

TO THE BOARD OF GOVERNORS OF CARIBBEAN DEVELOPMENT BANK

Report on the Audit of the Financial Statements (continued)

Responsibilities of Management and the Oversight and Assurance Committee for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with select accounting policies as described in Note 2, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

The Oversight and Assurance Committee is responsible for overseeing the Fund's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

INDEPENDENT AUDITOR'S REPORT (Continued)

TO THE BOARD OF GOVERNORS OF CARIBBEAN DEVELOPMENT BANK

Report on the Audit of the Financial Statements (continued)

Auditor's Responsibilities for the Audit of the Financial Statements (continued)

- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the 's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Fund to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Fund to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the Fund's audit. We remain solely responsible for our audit opinion.

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

Other Matters

This report is made solely to the Fund's contributors, as a body, in accordance with Article 38, sub-section 2 of the Agreement establishing the Caribbean Development Bank entered into force on January 26, 1970. Our audit work has been undertaken so that we might state to the Fund's contributors those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Fund and the Fund's members as a body, for our audit work, for this report, or for the opinion we have formed.

Ernst & Young Ltd
Chartered Accountants
BARBADOS
March 16, 2017

CARIBBEAN DEVELOPMENT BANK

SPECIAL FUNDS RESOURCES – SPECIAL DEVELOPMENT FUND

STATEMENT OF FINANCIAL POSITION

AS OF DECEMBER 31, 2016
(EXPRESSED IN THOUSANDS OF UNITED STATES DOLLARS, UNLESS OTHERWISE STATED)

	2016			2015		
	Unified	**Other**	**Total**	Unified	Other	Total
Assets						
Cash and cash equivalents – Note 3	**$38,840**	**$3,371**	**$42,211**	$31,548	$12,129	$43,677
Debt securities at fair value through profit or loss (Schedule 1)	**280,937**	**51,711**	**332,648**	262,464	43,509	305,973
Loans outstanding (Schedule 2)	**543,145**	**14,560**	**557,705**	543,427	15,756	559,183
Receivables						
Accounts receivable	**-**	**-**	**-**	1	-	1
	$862,922	**69,642**	**932,564**	$837,440	$71,394	$908,834
Receivable from contributors						
Non-negotiable demand notes (Schedule 3)	**67,100**	**-**	**67,100**	$73,176	$-	$73,176
Contribution in arrears	**5,485**	**-**	**5,485**	12,124	-	12,124
	72,585	**-**	**72,585**	85,300	$-	85,300
Total assets	**$935,507**	**$69,642**	**$1,005,149**	$922,740	$71,394	$994,134
Liabilities and Funds						
Liabilities						
Accounts payable – Note 9	**$38,162**	**$1,118**	**$39,280**	$60,375	$1,498	$61,873
Subscriptions in advance	**-**	**-**	**-**	2,350	-	2,350
	38,162	**1,118**	**39,280**	62,725	1,498	64,223

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

CARIBBEAN DEVELOPMENT BANK

SPECIAL FUNDS RESOURCES – SPECIAL DEVELOPMENT FUND

STATEMENT OF FINANCIAL POSITION CONT'D

AS OF DECEMBER 31, 2016
(EXPRESSED IN THOUSANDS OF UNITED STATES DOLLARS, UNLESS OTHERWISE STATED)

	2016			2015		
	Unified	**Other**	**Total**	Unified	Other	Total
Funds – Note 5						
Contributed resources (Schedule 3)						
Contributions	**$1,167,876**	**$40,695**	**$1,208,571**	$1,201,875	$40,905	$1,242,780
Less amounts not yet made available	**-**	**-**	**-**	(81,827)	-	(81,827)
Amounts made available	**1,167,876**	**40,695**	**1,208,571**	1,120,048	40,905	1,160,953
Allocation to technical assistance and grant resources	**(455,600)**	**(2,285)**	**(457,885)**	(430,600)	(2,285)	(432,885)
	712,276	**38,410**	**750,686**	689,448	38,620	728,068
Accumulated net income (Schedule 4)	**51,477**	**29,189**	**80,666**	52,513	30,351	82,864
Technical assistance and grant resources – Note 7	**133,592**	**925**	**134,517**	118,054	925	118,979
	$897,345	**$68,524**	**$965,869**	$860,015	$69,896	$929,911
Total liabilities and funds	**$935,507**	**$69,642**	**$1,005,149**	$922,740	$71,394	$994,134

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

CARIBBEAN DEVELOPMENT BANK

SPECIAL FUNDS RESOURCES – SPECIAL DEVELOPMENT FUND

STATEMENT OF COMPREHENSIVE INCOME AND ACCUMULATED NET INCOME

FOR THE YEAR ENDED DECEMBER 31, 2016
(EXPRESSED IN THOUSANDS OF UNITED STATES DOLLARS, UNLESS OTHERWISE STATED)

	2016			2015		
	Unified	Other	Total	Unified	Other	Total
Interest and similar income						
Loans	$12,361	$349	$12,710	$12,110	$378	$12,488
Investments and cash balances	2,281	496	2,777	1,076	308	1,384
	14,642	845	15,487	13,186	686	13,872
Expenses						
Administrative expenses	15,895	1,025	16,920	16,804	1,050	17,854
Foreign exchange translation	(217)	(52)	(269)	(757)	89	(668)
	15,678	973	16,651	16,047	1,139	17,186
Total comprehensive loss for the year	$(1,036)	$(128)	$(1,164)	$(2,861)	$(453)	$(3,314)

	2016			2015		
	Unified	Other	Total	Unified	Other	Total
Accumulated net income						
Accumulated net income – beginning of year	$52,513	$30,351	$82,864	$61,374	$31,838	$93,212
Appropriations for technical assistance	-	(1,034)	(1,034)	-	(1,034)	(1,034)
Total comprehensive loss for the year	(1,036)	(128)	(1,164)	(2,861)	(453)	(3,314)
Transfer of donation from OCR to technical assistance	-	-	-	(6,000)	-	(6,000)
Accumulated net income – end of year	$51,477	$29,189	$80,666	$52,513	$30,351	$82,864

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

CARIBBEAN DEVELOPMENT BANK
SPECIAL FUNDS RESOURCES – SPECIAL DEVELOPMENT FUND (UNIFIED)
STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2016
(EXPRESSED IN THOUSANDS OF UNITED STATES DOLLARS, UNLESS OTHERWISE STATED)

	2016			2015
Operating activities				
Total comprehensive loss for the year		**$(1,036)**		$(2,861)
Adjustments for non-cash items				
Unrealised loss on debt securities at fair value through profit or loss	1,594		1,649	
Interest income	(16,193)		(14,661)	
Transfer to technical assistance	-		(6,000)	
Unrealised net foreign exchange gain	(1,209)		(1,968)	
Total cash flows used in operating activities before changes in operating assets and liabilities		**(16,844)**		(23,841)
Changes in operating assets and liabilities				
Decrease in accounts receivable	1		5,040	
(Decrease)/ increase in accounts payable	(22,213)		15	
Cash used in operating activities		**(39,056)**		(18,786)
Disbursements on loans		**(28,187)**		(39,080)
Principal repayments to the Bank on loans		**28,547**		25,613
Interest received		**15,837**		14,369
Net increase in debt securities at fair value through profit or loss		**(19,789)**		(3,325)
Technical assistance disbursements		**(12,962)**		(14,442)
Net cash used in operating activities		**(55,610)**		(35,651)
Financing activities				
Increase in contributions to be on-lent to BMCs	24,037		33,252	
Decrease/ (increase) in receivables from contributors	12,715		(14,876)	
(Decrease)/ increase in subscriptions in advance	(2,350)		588	
Technical assistance allocation	28,500		35,535	
Net cash provided by financing activities		**62,902**		54,499
Net increase in cash and cash equivalents		**7,292**		18,848
Cash and cash equivalents - beginning of year		**31,548**		$12,700
Cash and cash equivalents - end of year		**$38,840**		$31,548

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

CARIBBEAN DEVELOPMENT BANK

SPECIAL FUNDS RESOURCES – SPECIAL DEVELOPMENT FUND (OTHER)

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2016
(EXPRESSED IN THOUSANDS OF UNITED STATES DOLLARS, UNLESS OTHERWISE STATED)

		2016	2015
Operating activities			
Total comprehensive loss for the year		**$(128)**	$(453)
Adjustments for non-cash items			
Unrealised loss on debt securities at fair value through profit or loss	86		171
Interest income	(924)		(841)
Unrealised net foreign exchange gains	(210)		(288)
Total cash flows used in operating activities before changes in operating assets and liabilities		**(1,176)**	(1,411)
Changes in operating assets and liabilities			
Decrease in accounts payable		**(380)**	(3,010)
Cash used in operating activities		**(1,556)**	(4,421)
Principal repayments to the Bank on loans		**1,191**	1,192
Interest received		**903**	864
Net increase/ (decrease) in debt securities at fair value through profit or loss		**(8,262)**	6,452
Net cash (used in)/ provided by operating activities		**(7,724)**	4,087
Financing activities:			
Appropriations of accumulated net income		**(1,034)**	(1,034)
Net cash used in financing activities		**(1,034)**	(1,034)
Net (decrease)/increase in cash and cash equivalents		**(8,758)**	3,053
Cash and cash equivalents – beginning of year		**12,129**	9,076
Cash and cash equivalents - end of year		**$3,371**	$12,129

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

CARIBBEAN DEVELOPMENT BANK

SPECIAL FUNDS RESOURCES – SPECIAL DEVELOPMENT FUND

SUMMARY STATEMENT OF INVESTMENTS

AS OF DECEMBER 31, 2016
(EXPRESSED IN THOUSANDS OF UNITED STATES DOLLARS, UNLESS OTHERWISE STATED)

SCHEDULE 1

	2016 Market value			2015 Market value		
Debt securities at fair value through profit or loss – Note 4	**Unified**	**Other**	**Total**	Unified	Other	Total
Government and Agency Obligations	**$171,974**	**$31,749**	**$203,723**	$170,186	$24,273	$194,459
Supranationals	**85,520**	**14,589**	**100,109**	71,304	17,205	88,509
Time Deposits	**22,341**	**5,206**	**27,547**	20,150	1,891	22,041
Sub-total	**279,835**	**51,544**	**331,379**	261,640	43,369	305,009
Accrued interest	**1,102**	**167**	**1,269**	824	140	964
Total – December 31	**$280,937**	**$51,711**	**$332,648**	$262,464	$43,509	$305,973

Residual term to contractual maturity	**2016**	**2015**
One month to three months	**$37,775**	$26,006
Over three months to one year	**21,748**	57,717
From one year to five years	**228,959**	189,403
From five years to ten years	**44,166**	32,847
Total – December 31	**$332,648**	$305,973

CARIBBEAN DEVELOPMENT BANK

SPECIAL FUNDS RESOURCES – SPECIAL DEVELOPMENT FUND (UNIFIED)

SUMMARY STATEMENT OF LOANS

AS OF DECEMBER 31, 2016
(EXPRESSED IN THOUSANDS OF UNITED STATES DOLLARS, UNLESS OTHERWISE STATED)

SCHEDULE 2

	2016			
Member countries in which loans have been made	Loans approved but not yet effective	Undisbursed	Outstanding[1/]	% of Total Loans Outstanding
Anguilla	$425	$-	$2,211	0.4
Antigua and Barbuda	-	-	1,743	0.3
Bahamas	750	-	557	0.1
Barbados	-	-	219	0.0
Belize	9,346	26,995	44,881	8.3
British Virgin Islands	-	277	1,143	0.2
Dominica	3,012	44,600	54,045	10.0
Grenada	500	23,248	79,606	14.8
Guyana	11,700	38,177	113,466	21.0
Jamaica	-	9,620	115,364	21.4
Montserrat	-	1,257	3,191	0.6
St. Kitts and Nevis	-	8,048	42,272	7.8
St. Lucia	14,925	29,329	46,959	8.7
St. Vincent and the Grenadines	-	38,852	28,968	5.4
Suriname	7,342	3,364	6	0.0
Trinidad and Tobago	1,000	-	-	0.0
Turks and Caicos Islands	-	-	2,427	0.4
Regional	-	6,375	3,028	0.6
Sub-total	49,000	230,142	540,086	100.0
Accrued interest	-	-	3,059	
Total – December 31	$49,000	$230,142	$543,145	

1/ There are no overdue installments of principal (2015 - nil).

CARIBBEAN DEVELOPMENT BANK

SPECIAL FUNDS RESOURCES – SPECIAL DEVELOPMENT FUND (UNIFIED)

SUMMARY STATEMENT OF LOANS CONT'D

AS OF DECEMBER 31, 2016
(EXPRESSED IN THOUSANDS OF UNITED STATES DOLLARS, UNLESS OTHERWISE STATED)

SCHEDULE 2

2015				
Member countries in which loans have been made	**Loans approved but not yet effective**	**Undisbursed**	**Outstanding[1/]**	**% of Total Loans Outstanding**
Anguilla	$425	$-	$2,444	0.5
Antigua and Barbuda	-	-	2,008	0.4
Bahamas	-	-	639	0.1
Barbados	-	-	281	0.1
Belize	-	31,259	42,449	7.9
British Virgin Islands	-	277	1,249	0.2
Dominica	32,977	13,658	55,387	10.2
Grenada	3,000	21,256	77,704	14.4
Guyana	-	44,946	110,924	20.5
Jamaica	-	10,800	119,253	22.0
Montserrat	-	1,286	3,348	0.6
St. Kitts and Nevis	8,000	259	44,865	8.3
St. Lucia	6,000	28,958	44,153	8.2
St. Vincent and the Grenadines	-	23,013	28,519	5.3
Suriname	-	3,370	-	0.0
Trinidad and Tobago	1,000	-	-	0.0
Turks and Caicos Islands	-	-	4,016	0.7
Regional	-	6,375	3,207	0.6
Sub-total	**$51,402**	**$185,457**	**$540,446**	**100.0**
Accrued interest	-	-	2,981	
Total – December 31	**$51,402**	**$185,457**	**$543,427**	

1/ There are no overdue installments of principal (2014 - nil).

CARIBBEAN DEVELOPMENT BANK

SPECIAL FUNDS RESOURCES – SPECIAL DEVELOPMENT FUND (OTHER)

SUMMARY STATEMENT OF LOANS CONT'D

AS OF DECEMBER 31, 2016
(EXPRESSED IN THOUSANDS OF UNITED STATES DOLLARS, UNLESS OTHERWISE STATED)

SCHEDULE 2

2016

Member countries in which loans have been made	Outstanding[1/]	% of Total Loans Outstanding
Antigua and Barbuda	**$353**	**2.4**
Belize	**5,758**	**39.8**
Dominica	**1,654**	**11.4**
Grenada	**141**	**1.0**
Jamaica	**1,098**	**7.6**
St. Kitts and Nevis	**4,154**	**28.7**
St. Lucia	**357**	**2.5**
St. Vincent and the Grenadines	**961**	**6.6**
Sub-total	**$14,476**	**100.0**
Accrued interest	**84**	
Total	**$14,560**	

1/ There were no overdue installments of principal (2015 - nil). There were also no amounts undisbursed at December 31, 2016.

2015

Member countries in which loans have been made	Outstanding[1/]	% of Total Loans Outstanding
Antigua and Barbuda	$381	2.4
Belize	6,232	39.8
Dominica	1,760	11.2
Grenada	149	1.0
Jamaica	1,249	8.0
St. Kitts and Nevis	4,462	28.4
St. Lucia	401	2.6
St. Vincent and the Grenadines	1,033	6.6
Sub-total	$15,667	100.0
Accrued interest	89	
Total	**$15,756**	

1/ There were no overdue installments of principal (2014 - nil). There were also no amounts undisbursed at December 31, 2015.

CARIBBEAN DEVELOPMENT BANK

SPECIAL FUNDS RESOURCES – SPECIAL DEVELOPMENT FUND

SUMMARY STATEMENT OF LOANS CONT'D

AS OF DECEMBER 31, 2016
(EXPRESSED IN THOUSANDS OF UNITED STATES DOLLARS, UNLESS OTHERWISE STATED)

SCHEDULE 2

	2016			
Analysis by Contributor	**Loans approved but not yet effective**	**Undisbursed**	**Outstanding[1/]**	**% of Total Loans Outstanding**
Special Development Fund (Unified)				
Members/Contributors	$49,000	$230,142	$540,086	100.0
Accrued interest	-	-	3,059	
Total – Special Development Fund (Unified)	49,000	230,142	543,145	
Special Development Fund (Other)				
Members				
Colombia	-	-	79	0.5
Germany	-	-	108	0.7
Mexico	-	-	1,599	11.0
Venezuela	-	-	12,662	87.6
	-	-	14,448	
Other contributors				
Sweden	-	-	28	0.2
	-	-	28	100.0
Sub-total – SDF (Other)	-	-	14,476	
Accrued interest	-	-	84	
Total – Special Development Fund (Other)	$-	$-	$14,560	
Total Special Development Fund	$49,000	$230,142	$557,705	

1/There were no overdue installments of principal (2015- nil).

CARIBBEAN DEVELOPMENT BANK

SPECIAL FUNDS RESOURCES – SPECIAL DEVELOPMENT FUND

SUMMARY STATEMENT OF LOANS CONT'D

AS OF DECEMBER 31, 2016
(EXPRESSED IN THOUSANDS OF UNITED STATES DOLLARS, UNLESS OTHERWISE STATED)

SCHEDULE 2

	2015			
Analysis by Contributor	**Loans approved but not yet effective**	**Undisbursed**	**Outstanding[1/]**	**% of Total Loans Outstanding**
Special Development Fund (Unified)				
Members/Contributors	$51,402	$185,457	$540,446	100.0
Accrued interest	-	-	2,981	
Total – Special Development Fund (Unified)	**$51,402**	**$185,457**	**$543,427**	
Special Development Fund (Other)				
Members				
Colombia	-	-	97	0.6
Germany	-	-	115	0.7
Mexico	-	-	1,729	11.0
Venezuela	-	-	13,697	87.5
	-	-	15,638	
Other contributors				
Sweden	-	-	29	0.2
	-	-	29	100.0
Sub-total – SDF (Other)	**-**	**-**	**15,667**	
Accrued interest	-	-	89	
Total – Special Development Fund (Other)	**$-**	**$-**	**$15,756**	
Total Special Development Fund	**$51,402**	**$185,457**	**$559,183**	

1/There were no overdue installments of principal (2014- nil).

CARIBBEAN DEVELOPMENT BANK

SPECIAL FUNDS RESOURCES – SPECIAL DEVELOPMENT FUND

SUMMARY STATEMENT OF LOANS CONT'D

AS OF DECEMBER 31, 2016
(EXPRESSED IN THOUSANDS OF UNITED STATES DOLLARS, UNLESS OTHERWISE STATED)

SCHEDULE 2

	2016					
Currencies Receivable	Loans outstanding 2015	Net interest earned	Disbursements	Sub-total	Repayments	Loans outstanding 2016
(a) Special Development Fund (Unified)						
United States dollars	$540,446	$-	$28,187	$568,633	$(28,547)	$540,086
Accrued interest	2,981	78	-	3,059	-	3,059
Total – December 31	$543,427	$78	$28,187	$571,692	$(28,547)	$543,145
(b) Special Development Fund (Other)						
United States dollars	$15,667	$-	$-	$15,667	$(1,191)	$14,476
Accrued interest[1]	89	(5)	-	84	-	84
Total – December 31	$15,756	$(5)	$-	$15,751	$(1,191)	$14,560

Maturity structure of loans outstanding	
January 1, 2017 to December 31, 2017	$33,378
January 1, 2018 to December 31, 2018	30,356
January 1, 2019 to December 31, 2019	30,389
January 1, 2020 to December 31, 2020	32,086
January 1, 2021 to December 31, 2025	155,145
January 1, 2026 to December 31, 2030	137,711
January 1, 2031 to December 31, 2035	87,738
January 1, 2036 to December 31, 2040	44,238
January 1, 2041 to December 31, 2045	6,464
January 1, 2046 to December 31, 2046	200
Total – December 31	$557,705

1/Relates to amounts disbursed and outstanding.

CARIBBEAN DEVELOPMENT BANK

SPECIAL FUNDS RESOURCES – SPECIAL DEVELOPMENT FUND

SUMMARY STATEMENT OF LOANS CONT'D

AS OF DECEMBER 31, 2016
(EXPRESSED IN THOUSANDS OF UNITED STATES DOLLARS, UNLESS OTHERWISE STATED)

SCHEDULE 2

2015						
Currencies Receivable	Loans outstanding 2014	Net interest earned	Disbursements	Sub-total	Repayments	Loans outstanding 2015
(a) Special Development Fund (Unified)						
United States dollars	$526,979	$-	$39,080	$566,059	$(25,613)	$540,446
Accrued interest	2,896	85	-	2,981	-	2,981
Total – December 31	**$529,875**	**$85**	**$39,080**	**$569,040**	**$(25,613)**	**$543,427**
(b) Special Development Fund (Other)						
United States dollars	$16,860	$-	$-	$16,860	$(1,193)	$15,667
Accrued interest[1]	99	(10)	-	89	-	89
Total – December 31	**$16,959**	**$(10)**	**$-**	**$16,949**	**$(1,193)**	**$15,756**

Maturity structure of loans outstanding	
January 1, 2016 to December 31, 2016	$31,682
January 1, 2017 to December 31, 2017	30,072
January 1, 2018 to December 31, 2018	30,082
January 1, 2019 to December 31, 2019	30,085
January 1, 2020 to December 31, 2020	31,714
January 1, 2021 to December 31, 2025	150,470
January 1, 2026 to December 31, 2030	131,337
January 1, 2031 to December 31, 2035	81,475
January 1, 2036 to December 31, 2040	38,212
January 1, 2041 to December 31, 2045	4,054
Total – December 31	**$559,183**

1/Relates to amounts disbursed and outstanding

CARIBBEAN DEVELOPMENT BANK

SPECIAL FUNDS RESOURCES – SPECIAL DEVELOPMENT FUND

STATEMENT OF CONTRIBUTED RESOURCES

AS OF DECEMBER 31, 2016
(EXPRESSED IN THOUSANDS OF UNITED STATES DOLLARS, UNLESS OTHERWISE STATED)

SCHEDULE 3

2016					
Contributors	Total approved 1/	Approved but not yet effective 2/	Total contribution agreed	Amounts made available	Receivable from members non-negotiable demand notes
Special Development Fund (Unified) Members					
Trinidad and Tobago	$45,935	$-	$45,935	$45,935	$7,783
Bahamas	25,685	-	25,685	25,685	12,595
Barbados	25,681	-	25,681	25,681	2,832
Brazil	5,000	-	5,000	5,000	-
Jamaica	43,755	-	43,755	43,755	15,551
Guyana	25,686	-	25,686	25,686	2,124
Antigua and Barbuda	2,889	-	2,889	2,889	777
Belize	6,575	-	6,575	6,575	2,252
Dominica	6,315	-	6,315	6,315	3,281
St. Kitts and Nevis	6,575	1,441	5,134	5,134	2,494
St. Lucia	6,575	-	6,575	6,575	2,487
St. Vincent and the Grenadines	6,588	-	6,588	6,588	1,754
Grenada	3,977	-	3,977	3,977	2,891
Montserrat	2,677	-	2,677	2,677	-
British Virgin Islands	2,677	-	2,677	2,677	-
Turks and Caicos Islands	2,677	632	2,045	2,045	-
Cayman Islands	2,577	1,237	1,340	1,340	-
Anguilla	2,677	632	2,045	2,045	571
Colombia	30,657	-	30,657	30,657	-
Venezuela	25,506	3,524	21,982	21,982	-
Canada	321,844	-	321,844	321,844	-
United Kingdom	259,682	-	259,682	259,682	8,628
Germany	96,420	-	96,420	96,420	-
Italy	64,528	-	64,528	64,528	-
China	48,298	-	48,298	48,298	-
Haiti	2,505	945	1,560	1,560	-
Suriname	2,160	-	2,160	2,160	1,080
Mexico	20,524	3,524	17,000	17,000	-
	$1,096,645	$11,935	$1,084,710	$1,084,710	$67,100
Other contributors					
France	58,254	-	58,254	58,254	$-
Chile	10	-	10	10	-
Netherlands	24,902	-	24,902	24,902	-
	$1,179,811	$11,935	$1,167,876	$1,167,876	$67,100
Technical assistance allocation	(455,600)	-	(455,600)	(455,600)	-
	$724,211	$11,935	$712,276	$712,276	$67,100

CARIBBEAN DEVELOPMENT BANK

SPECIAL FUNDS RESOURCES – SPECIAL DEVELOPMENT FUND

STATEMENT OF CONTRIBUTED RESOURCES CONT'D

AS OF DECEMBER 31, 2016
(EXPRESSED IN THOUSANDS OF UNITED STATES DOLLARS, UNLESS OTHERWISE STATED)

SCHEDULE 3

2016					
Contributors	Total approved 1/	Approved but not yet effective 2/	Total contribution agreed	Amounts made available 4/	Receivable from members non-negotiable demand notes
Sub-total b/fwd – SDF (Unified)	$724,211	$11,935	$712,276	$712,276	$67,100
Special Development Fund – Other					
Members					
Colombia	5,000	-	5,000	5,000	-
Mexico 3/	13,067	-	13,067	13,067	-
Venezuela	17,473	-	17,473	17,473	-
	35,540	-	35,540	35,540	-
Other contributors					
Sweden	2,870	-	2,870	2,870	-
Sub-total – SDF Other	38,410	-	38,410	38,410	-
Total SDF	$762,621	$11,935	$750,686	$750,686	$67,100
Summary					
Members	$701,487	$11,935	$689,552	$689,552	$67,100
Other contributors	61,134	-	61,134	61,134	-
Total SDF	$762,621	$11,935	$750,686	$750,686	$67,100

1/Net of repayments

2/Contributions not yet firmly pledged by Governments

3/ Net of appropriation for Technical Assistance of $2,266,000

4/ There were no amounts not yet made available

CARIBBEAN DEVELOPMENT BANK

SPECIAL FUNDS RESOURCES – SPECIAL DEVELOPMENT FUND

STATEMENT OF CONTRIBUTED RESOURCES CONT'D

AS OF DECEMBER 31, 2016
(EXPRESSED IN THOUSANDS OF UNITED STATES DOLLARS, UNLESS OTHERWISE STATED)

SCHEDULE 3

2015						
Contributors	**Total approved** 1/	**Approved but not yet effective** 2/	**Total contribution agreed**	**Amounts not yet made available**	**Amounts made available**	**Receivable from members non-negotiable demand notes**
Special Development Fund (Unified)						
Members						
Trinidad and Tobago	$45,935	$-	$45,935	$2,638	$43,297	$7,784
Bahamas	25,685	-	25,685	1,469	24,216	11,126
Barbados	25,681	-	25,681	1,469	24,212	2,832
Jamaica	43,755	-	43,755	2,638	41,117	13,573
Guyana	25,686	-	25,686	1,469	24,217	4,407
Antigua and Barbuda	2,889	632	2,257	-	2,257	777
Belize	6,575	-	6,575	360	6,215	2,252
Dominica	6,315	-	6,315	360	5,955	2,549
St. Kitts and Nevis	6,575	1,441	5,134	-	5,134	2,494
St. Lucia	6,575	-	6,575	360	6,215	2,612
St. Vincent and the Grenadines	6,587	-	6,587	360	6,227	2,029
Grenada	3,977	-	3,977	152	3,825	2,990
Montserrat	2,677	632	2,045	-	2,045	-
British Virgin Islands	2,677	-	2,677	158	2,519	-
Turks and Caicos Islands	2,677	632	2,045	-	2,045	-
Cayman Islands	2,577	1,237	1,340	-	1,340	-
Anguilla	2,677	632	2,045	-	2,045	736
Colombia	30,657	-	30,657	881	29,776	-
Venezuela	25,506	3,524	21,982	-	21,982	-
Canada	342,182	-	342,182	33,217	308,965	-
United Kingdom	277,331	-	277,331	26,026	251,305	14,820
Germany	101,173	-	101,173	7,980	93,193	1,115
Italy	65,296	3,244	62,052	-	62,052	-
China	48,298	-	48,298	1,750	46,548	-
Haiti	2,505	945	1,560	-	1,560	-
Suriname	2,160	-	2,160	540	1,620	1,080
Mexico	20,524	3,524	17,000	-	17,000	-
	$1,135,152	$16,443	$1,118,709	$81,827	$1,036,882	$73,176
Other contributors						
France	$58,254	$-	$58,254	$-	$58,254	$-
Chile	10	-	10	-	10	-
Netherlands	24,902	-	24,902	-	24,902	-
	$1,218,318	$16,443	$1,201,875	$81,827	$1,120,048	$73,176
Technical assistance allocation	$(430,600)	$-	$(430,600)	$-	$(430,600)	$-
	$787,718	$16,443	$771,275	$81,827	$689,448	$73,176

CARIBBEAN DEVELOPMENT BANK

SPECIAL FUNDS RESOURCES – SPECIAL DEVELOPMENT FUND

STATEMENT OF CONTRIBUTED RESOURCES CONT'D

AS OF DECEMBER 31, 2016
(EXPRESSED IN THOUSANDS OF UNITED STATES DOLLARS, UNLESS OTHERWISE STATED)

SCHEDULE 3

2015						
Contributors	**Total approved** 1/	**Approved but not yet effective** 2/	**Total contribution agreed**	**Amounts not yet made available**	**Amounts made available**	**Receivable from members non-negotiable demand notes**
Sub-total b/fwd – SDF (Unified)	$787,718	$16,443	$771,275	$81,827	$689,448	$73,176
Special Development Fund – Other						
Members						
Colombia	5,000	-	5,000	-	5,000	-
Mexico 3/	13,067	-	13,067	-	13,067	-
Venezuela	17,473	-	17,473	-	17,473	-
	35,540	-	35,540	-	35,540	-
Other contributors						
Sweden	3,080	-	3,080	-	3,080	-
Sub-total – SDF Other	38,620	-	38,620	-	38,620	-
Total SDF	**$826,338**	**$16,443**	**$809,895**	**$81,827**	**$728,068**	**$73,176**
Summary						
Members	$740,092	$16,443	$723,649	$81,827	$641,822	$73,176
Other contributors	86,246	-	86,246	-	86,246	-
	$826,338	**$16,443**	**$809,895**	**$81,827**	**$728,068**	**$73,176**

1/Net of repayments

2/Contributions not yet firmly pledged by Governments

3/ Net of appropriation for Technical Assistance of $2,266,000

CARIBBEAN DEVELOPMENT BANK

SPECIAL FUNDS RESOURCES – SPECIAL DEVELOPMENT FUND

STATEMENT OF CONTRIBUTED RESOURCES CONT'D

AS OF DECEMBER 31, 2016
(EXPRESSED IN THOUSANDS OF UNITED STATES DOLLARS, UNLESS OTHERWISE STATED)

SCHEDULE 3

2016						
Currencies	Amounts made available 2015	Translation adjustment	Drawdowns/ appropriations from capital 1/	Sub-total	Repayments	Amounts made available 2016
(a) Special Development Fund (Unified)						
Euros	$6,150	$(357)	$1,717	$7,510	$-	$7,510
Pounds sterling	14,819	(852)	(5,341)	8,626	-	8,626
United States dollar	668,479	-	27,661	696,140	-	696,140
	$689,448	$(1,209)	$24,037	$712,276	$-	$712,276
(b) Special Development Fund (Other)						
Swedish kroners	$3,080	$(210)	$-	$2,870	$-	$2,870
United States dollars	35,540	-	-	35,540	-	35,540
	$38,620	$(210)	$-	$38,410	$-	$38,410

1/Net of conversations to United States dollars in accordance with the funding Rules of the Unified Special Development Fund.

CARIBBEAN DEVELOPMENT BANK

SPECIAL FUNDS RESOURCES – SPECIAL DEVELOPMENT FUND

STATEMENT OF CONTRIBUTED RESOURCES CONT'D

AS OF DECEMBER 31, 2016
(EXPRESSED IN THOUSANDS OF UNITED STATES DOLLARS, UNLESS OTHERWISE STATED)

SCHEDULE 3

2015						
Currencies	Amounts made available 2014	Trans-lation adjust-ment	Drawdowns/ appro-priations from capital 1/	Sub-total	Repay-ments	Amounts made available 2015
(a) Special Development Fund (Unified)						
Euros	$8,110	$(993)	$(967)	$6,150	$-	$6,150
Pounds sterling	10,910	(975)	4,884	14,819	-	14,819
United States dollar	639,144	-	29,335	668,479	-	668,479
	$658,164	**$(1,968)**	**$33,252**	**$689,448**	**$-**	**$689,448**
(b) Special Development Fund (Other)						
Swedish kroners	$3,368	$(288)	$-	$3,080	$-	$3,080
United States dollars	35,540	-	-	35,540	-	35,540
	$38,908	**$(288)**	**$-**	**$38,620**	**$-**	**$38,620**

1/Net of conversations to United States dollars in accordance with the funding Rules of the Unified Special Development Fund.

CARIBBEAN DEVELOPMENT BANK

SPECIAL FUNDS RESOURCES – SPECIAL DEVELOPMENT FUND

STATEMENT OF ACCUMULATED NET INCOME

FOR THE YEAR ENDED DECEMBER 31, 2016
(EXPRESSED IN THOUSANDS OF UNITED STATES DOLLARS, UNLESS OTHERWISE STATED)

SCHEDULE 4

	2016			
Contributors	Brought forward 2015	Net income 2016	Appro-priations	Carried forward 2016
Special Development Fund (Unified)	$52,513	$(1,036)	$-	$51,477
Special Development Fund (Other)				
Members				
Colombia	$1,989	$(106)	$-	$1,883
Germany	(1,216)	(131)	-	(1,347)
Mexico	7,137	66	-	7,203
Venezuela	8,894	(56)	(1,034)	7,804
	$16,804	$(227)	$(1,034)	$15,543
Other contributors				
Sweden	$2,248	$(61)	$-	$2,187
United States of America	11,299	160	-	11,459
	$13,547	$99	$-	$13,646
Sub-total – SDF Other	$30,351	$(128)	$(1,034)	$29,189
Total Special Development Fund	$82,864	$(1,164)	$(1,034)	$80,666
Summary				
Members	$69,317	$(1,263)	$(1,034)	$67,020
Other contributors	13,547	99	-	13,646
Total Special Development Fund	$82,864	$(1,164)	$(1,034)	$80,666

CARIBBEAN DEVELOPMENT BANK

SPECIAL FUNDS RESOURCES – SPECIAL DEVELOPMENT FUND

STATEMENT OF ACCUMULATED NET INCOME CONT'D

FOR THE YEAR ENDED DECEMBER 31, 2016
(EXPRESSED IN THOUSANDS OF UNITED STATES DOLLARS, UNLESS OTHERWISE STATED)

SCHEDULE 4

	2015			
Contributors	Brought forward 2014	Net income 2015	Appro-priations	Carried forward 2015
Special Development Fund (Unified)	$61,374	$(2,861)	$(6,000)	$52,513
Special Development Fund (Other)				
Members				
Colombia	$2,125	$(136)	$-	$1,989
Germany	(1,088)	(128)	-	(1,216)
Mexico	7,212	(75)	-	7,137
Venezuela	9,918	10	(1,034)	8,894
	$18,167	$(329)	$(1,034)	$16,804
Other contributors				
Sweden	$2,453	$(205)	$-	$2,248
United States of America	11,218	81	-	11,299
	$13,671	$(124)	$-	$13,547
Sub-total – SDF Other	**$31,838**	**$(453)**	**$(1,034)**	**$30,351**
Total Special Development Fund	**$93,212**	**$(3,314)**	**$(7,034)**	**$82,864**
Summary				
Members	$79,541	$(3,190)	$(7,034)	$69,317
Other contributors	13,671	(124)	-	13,547
Total Special Development Fund	**$93,212**	**$(3,314)**	**$(7,034)**	**$82,864**

CARIBBEAN DEVELOPMENT BANK

SPECIAL FUNDS RESOURCES – SPECIAL DEVELOPMENT FUND

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2016
(EXPRESSED IN THOUSANDS OF UNITED STATES DOLLARS, UNLESS OTHERWISE STATED)

1. NATURE OF OPERATIONS

The Special Development Fund (SDF) was established to carry out the special operations of the Caribbean Development Bank (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.

2. 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 presented in accordance with International Financial Reporting Standards (IFRS) and have been prepared in accordance with the accounting policies outlined below.

Preparation of these 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.

Foreign currency translation

Functional and presentation currency

The functional and presentation currency of the Fund is the United States dollar (USD$) and the Fund's financial statements are rounded to the nearest thousand. Monetary assets and liabilities in currencies other than United States dollars are translated at market rates of exchange prevailing at the reporting date. Non-monetary items measured at historical cost in currencies other than United States dollars are translated using the exchange rates at the dates of the initial transactions.

Foreign currency transactions are initially translated into United States dollars at applicable rates of exchange on the transaction dates. 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 statement of total comprehensive income for the year.

Debt securities at fair value through profit or loss

All debt securities are in a portfolio designated at fair value through the profit or loss and reported at fair market value. Securities are recognised on the statement of financial position when the Fund assumes related contractual rights and de-recognised when the rights to secure cash flows from the financial asset expire or when all risks and rewards of ownership have been substantially transferred.

CARIBBEAN DEVELOPMENT BANK

SPECIAL FUNDS RESOURCES – SPECIAL DEVELOPMENT FUND

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2016
(EXPRESSED IN THOUSANDS OF UNITED STATES DOLLARS, UNLESS OTHERWISE STATED)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES…continued

Debt securities at fair value through profit or loss…continued

Regular way purchases and sales of financial assets are recognised on the settlement date which is the date the Fund becomes a party to the contractual provisions of the instrument.

All securities are initially recognised at fair value, and transaction costs are expensed in the statement of comprehensive income and accumulated net income. Gains and losses arising from changes in the fair value of debt securities through profit or loss are included in the profit for the year in the statement of comprehensive income and accumulated net income in the period in which they arise. Interest income earned whilst holding securities is reported as "Interest and similar income - investments and cash balances" in the statement of comprehensive income and accumulated net income.

Determination of fair value

For securities traded in active markets, the determination of fair values is based on quoted market prices or dealer price quotations. A security is regarded as quoted in an active market if prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. If the above criteria are not met, the market is regarded as being inactive.

For securities in inactive markets, fair values are determined using valuation techniques. In these techniques, fair values are estimated from observable data in respect of similar financial instruments, using models to estimate the present value of expected future cash flows, or other valuation techniques, using inputs (for example, LIBOR yield curves, FX rates, volatilities and counterparty spreads) existing at the reporting date.

The Fund uses widely recognised valuation models for determining fair values of non-standardised financial instruments. For these securities, inputs into models are generally market-observable.

Loans

Loans and receivables are non-derivative financial assets that have fixed or determinable payments that are not quoted in an active market. After initial measurement, loans and receivables are subsequently measured at amortised cost using the effective interest rate method net of impairments if any.

All loans by the Fund are made either from currencies available from members' subscriptions or from currencies borrowed and the principal amounts are repayable to the Fund in the currencies lent. The balances outstanding on loans to members and their agencies are secured by guarantees of the Governments of the member countries in which the loans are made.

CARIBBEAN DEVELOPMENT BANK

SPECIAL FUNDS RESOURCES – SPECIAL DEVELOPMENT FUND

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2016
(EXPRESSED IN THOUSANDS OF UNITED STATES DOLLARS, UNLESS OTHERWISE STATED)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES…continued

Loans…continued

The Fund 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 Fund intend to sell these loans and as a result, the use of market data to arrive at the fair value of loans will not yield any meaningful results.

The Fund does not make provisions for impairment on loans as any loss that may occur is taken in the statement of comprehensive income and accumulated net income for that year.

Cash and cash equivalents

For the purposes of the statement of cash flows, cash and cash equivalents comprise balances with maturities of three months or less 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. The contributions from donors are included in the financial statements from the date of the contribution agreement. Technical assistance is recognised when the project is approved and becomes effective.

Interest income and charges on contributions

For instruments carried at amortised cost, interest income and expense are recognised in the statement of comprehensive income and accumulated net income using the effective interest rate method. Interest income and expense are recognised as earned for items classified as fair value through profit or loss.

The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability.

Administrative expenses

Administrative expenses incurred by the Bank which cannot be directly charged to individual funds are allocated between the Ordinary Capital Resources ("OCR), the Other Special Funds ("OSF") and the SDF in accordance with a method of allocation approved by the Board of Directors.

CARIBBEAN DEVELOPMENT BANK

SPECIAL FUNDS RESOURCES – SPECIAL DEVELOPMENT FUND

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2016
(EXPRESSED IN THOUSANDS OF UNITED STATES DOLLARS, UNLESS OTHERWISE STATED)

3. CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise:

	SDF Unified		SDF Other	
	2016	**2015**	**2016**	**2015**
Due to banks	**$28,621**	$1,351	**$1,465**	$3,325
Time deposits	**10,219**	30,197	**1,906**	8,804
	$38,840	$31,548	**$3,371**	$12,129

4. DEBT SECURITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

As part of its overall portfolio management strategy, the Bank invests in Government, agency, supranational and bank obligations, including time deposits and euro commercial paper. 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 0.79% (2015: 0.41%). Net realised gains on investments traded during 2016 for the Unified and Other funds amounted to $50 (2015: $174) and net unrealised losses were $1,680 (2015: $1,649).

5. FUNDS

In accordance with the Agreement establishing the Bank (the Charter), 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, comprising longer maturities, longer deferred commencement of repayment and lower interest rates than those determined by the Bank in its Ordinary Operations. As a result of Rules adopted by the Bank in May 1983 for the Special Development Fund, contributions to the Special Development Fund currently comprise funds made available to the Bank under the rules applicable to the old Special Development Fund (referred to herein as "Other") and shown separately from funds made available to the Bank from the Unified SDF (referred to herein as "Unified").

CARIBBEAN DEVELOPMENT BANK

SPECIAL FUNDS RESOURCES – SPECIAL DEVELOPMENT FUND

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2016
(EXPRESSED IN THOUSANDS OF UNITED STATES DOLLARS, UNLESS OTHERWISE STATED)

5. FUNDS...continued

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

	2016	2015
Contributions (as per Schedule 3)	**$712,276**	$689,448

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, however under the Rules of the Special Development Fund, its contributions are non-reimbursable.

(ii) Special Development Fund – Other

	2016	2015
Colombia (as per Schedule 3)	**$5,000**	$5,000

The contribution is interest-free and was not repayable before 2000. The agreement with the contributor provides that not less than 5% or more than 10% of the contribution may be used for technical assistance. To date $39 (2015: $39) has been incurred on technical assistance and has been charged against the income from the contribution.

CARIBBEAN DEVELOPMENT BANK

SPECIAL FUNDS RESOURCES – SPECIAL DEVELOPMENT FUND

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2016
(EXPRESSED IN THOUSANDS OF UNITED STATES DOLLARS, UNLESS OTHERWISE STATED)

5. FUNDS…continued

(ii) Special Development Fund – Other…continued

	2016	2015
Mexico		
First contribution	**$7,000**	$7,000
Less technical assistance	**(2,266)**	(2,266)
	4,734	4,734
Second contribution	**5,000**	5,000
Third contribution	**3,333**	3,333
Sub-total (as per Schedule 3)	**$13,067**	$13,067
Technical assistance resources	**$2,285**	$2,285

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

	2016	2015
Venezuela		
First contribution	**$10,000**	$10,000
Less technical assistance	**(177)**	(177)
	9,823	9,823
Second contribution	**7,650**	7,650
Sub-total (as per Schedule 3)	**$17,473**	$17,473

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

CARIBBEAN DEVELOPMENT BANK

SPECIAL FUNDS RESOURCES – SPECIAL DEVELOPMENT FUND

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2016
(EXPRESSED IN THOUSANDS OF UNITED STATES DOLLARS, UNLESS OTHERWISE STATED)

5. FUNDS…continued

(ii) Special Development Fund – Other…continued

	2016	2015
Sweden (as per Schedule 3)	**$2,870**	$3,080

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

	2016	2015
United States of America		
First contribution	**$10,000**	$10,000
Less repayments	**(10,000)**	(10,000)
	$-	$-
Second contribution	**12,000**	12,000
Less repayments	**(12,000)**	(12,000)
	$-	$-
Technical Assistance	**$302**	$302

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 second contribution is repayable over the period 1984 to 2014.

6. ACCUMULATED NET INCOME AND TOTAL COMPREHENSIVE INCOME FOR THE YEAR

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

CARIBBEAN DEVELOPMENT BANK

SPECIAL FUNDS RESOURCES – SPECIAL DEVELOPMENT FUND

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2016
(EXPRESSED IN THOUSANDS OF UNITED STATES DOLLARS, UNLESS OTHERWISE STATED)

7. TECHNICAL ASSISTANCE AND GRANT RESOURCES – UNIFIED AND OTHER

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 opera¬tions. The movements during the years ended December 31, 2016 and 2015 were as follows:

Balance at December 31, 2014	**$97,887**
Allocations for the year	35,534
Expenditure for the year	(14,442)
Balance at December 31, 2015	**$118,979**
Allocations for the year	**28,500**
Expenditure for the year	**(12,962)**
Balance at December 31, 2016	**$134,517**

8. LOANS OUTSTANDING – UNIFIED AND OTHER

The average interest rate earned on loans outstanding was 2.32% (2015: 2.32%). There were no impaired loans at or during the financial years ended December 31, 2016 and 2015.

9. ACCOUNTS PAYABLE – UNIFIED AND OTHER

	2016	2015
Accounts payable – general	**$35,501**	$57,628
Interfund payables	**3,779**	4,245
	$39,280	$61,873

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INDEPENDENT AUDITOR'S REPORT

TO THE BOARD OF GOVERNORS OF CARIBBEAN DEVELOPMENT BANK

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of **Other Special Funds** ("the Funds") of the **Caribbean Development Bank** ("the Bank"), which comprise the statement of financial position as of December 31, 2016, and the statement of comprehensive income and accumulated net income and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Fund as of December 31, 2016 and its financial performance and its cash flows for the year then ended in accordance with the basis of accounting described in Note 2.

Basis for Opinion

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

Emphasis of Matter

We draw attention to Note 2 of the financial statements which describes the basis of accounting. The financial statements are prepared for the specific purpose of reflecting the sources and applications of member subscriptions and contributions and other development resources and as a result, may not be suitable for any other purpose. Our opinion is not modified in respect of this matter.

Other information included in the Bank's 2016 Annual Report

Management is responsible for the other information. Other information consists of the information included in the Bank's 2016 Annual Report, other than the financial statements and our auditor's report thereon. The Bank's 2016 Annual Report is expected to be made available to us after the date of this auditor's report.

Our opinion on the financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

When we read the Annual Report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to the Oversight and Assurance Committee.

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INDEPENDENT AUDITOR'S REPORT (Continued)

TO THE BOARD OF GOVERNORS OF CARIBBEAN DEVELOPMENT BANK

Report on the Audit of the Financial Statements (continued)

Responsibilities of Management and the Oversight and Assurance Committee for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with select accounting policies as described in Note 2, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

The Oversight and Assurance Committee is responsible for overseeing the Funds' financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Funds' internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

INDEPENDENT AUDITOR'S REPORT (Continued)

TO THE BOARD OF GOVERNORS OF CARIBBEAN DEVELOPMENT BANK

Report on the Audit of the Financial Statements (continued)

Auditor's Responsibilities for the Audit of the Financial Statements (continued)

- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the 's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Funds to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Funds to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the Funds' audit. We remain solely responsible for our audit opinion.

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

Other Matters

This report is made solely to the Funds' contributors, as a body, in accordance with Article 38, sub-section 2 of the Agreement establishing the Caribbean Development Bank entered into force on January 26, 1970. Our audit work has been undertaken so that we might state to the Funds' contributors those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Funds and the Funds' members as a body, for our audit work, for this report, or for the opinion we have formed.

Ernst & Young Ltd

Chartered Accountants
BARBADOS
March 16, 2017

CARIBBEAN DEVELOPMENT BANK

SPECIAL FUNDS RESOURCES - OTHER SPECIAL FUNDS

STATEMENT OF FINANCIAL POSITION

AS OF DECEMBER 31, 2016
(EXPRESSED IN THOUSANDS OF UNITED STATES DOLLARS, UNLESS OTHERWISE STATED)

	2016	2015
Assets		
Cash and cash equivalents – Note 3	**$35,921**	$28,810
Investments at fair value through profit or loss (Schedule 1)	**53,389**	69,563
Loans outstanding (Schedule 2)	**103,619**	110,356
Receivable from members		
Non-negotiable demand notes - Note 8	**60,752**	-
Accounts receivable – Note 9	**35,921**	56,377
Total assets	**$289,602**	$265,106
Liabilities and Funds		
Liabilities		
Accounts payable – Note 10	**$853**	$4,907
Accrued charges on contributions repayable	**248**	219
	1,101	5,126
Funds		
Contributed resources - (Schedule 3)	$62,373	$66,600
Accumulated net income - (Schedule 4)	63,732	59,162
	126,105	125,762
Technical assistance and other grant resources - (Schedule 5)	**162,396**	134,218
Total liabilities and funds	**$289,602**	$265,106

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

CARIBBEAN DEVELOPMENT BANK

SPECIAL FUNDS RESOURCES - OTHER SPECIAL FUNDS

STATEMENT OF COMPREHENSIVE INCOME AND ACCUMULATED NET INCOME

FOR THE YEAR ENDED DECEMBER 31, 2016
(EXPRESSED IN THOUSANDS OF UNITED STATES DOLLARS, UNLESS OTHERWISE STATED)

	2016	2015
Interest and similar income		
Loans	**$2,314**	$2,454
Investments and cash balances	**3,485**	3,261
	5,799	5,715
Expenses		
Administrative expenses	**1,419**	1,432
Charges on contributions repayable	**956**	845
Foreign exchange translation	**(1,146)**	(561)
Total expenses	**1,229**	1,716
Total comprehensive income for the year	**$4,570**	$3,999
Accumulated net income		
Accumulated net income– beginning of year	**$59,162**	$55,163
Total comprehensive income for the year	**4,570**	3,999
Accumulated net income– end of year	**$63,732**	59,162

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

CARIBBEAN DEVELOPMENT BANK

SPECIAL FUNDS RESOURCES - OTHER SPECIAL FUNDS

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2016
(EXPRESSED IN THOUSANDS OF UNITED STATES DOLLARS, UNLESS OTHERWISE STATED)

	2016		2015
Operating activities			
Total comprehensive income for the year		**$4,570**	$3,999
Adjustments for non-cash items			
Net unrealised (gains)/ loss on investments	(124)		5,853
Interest income	(3,111)		(3,786)
Interest expense	956		845
Net foreign exchange gains	(4)		(561)
Total cash flow provided by operating activities before changes in operating assets and liabilities		**2,287**	6,350
Changes in operating assets and liabilities			
Decrease in accounts receivable	20,456		3,984
Increase in non-negotiable demand notes	(60,752)		-
Decrease in accounts payable	(4,054)		(2,394)
Cash (used in)/ provided by operating activities		**(42,063)**	7,940
Disbursements on loans		**(277)**	(1,111)
Principal repayment to the Bank on loans		**6,611**	6,421
Technical assistance disbursements		**(29,805)**	(11,849)
Interest received		**3,126**	3,805
Net decrease / (increase) in investments		**16,303**	(3,672)
Net cash provided by/ (used in) financing activities		**(46,105)**	1,534
Financing activities			
Interest paid	(927)		(860)
Contributions:			
Increase in contributions to fund loans	563		699
Reimbursement of repayable contributions	(4,403)		(3,018)
Technical assistance contributions	57,983		(558)
Net cash provided by/ (used in) financing activities		**53,216**	(3,737)
Net increase/ (decrease) in cash and cash equivalents		**7,111**	(2,203)
Cash and cash equivalents at beginning of year		**28,810**	31,013
Cash and cash equivalents at end of year		**$35,921**	$28,810

CARIBBEAN DEVELOPMENT BANK

SPECIAL FUNDS RESOURCES - OTHER SPECIAL FUNDS

SUMMARY STATEMENT OF INVESTMENTS

AS OF DECEMBER 31, 2016
(EXPRESSED IN THOUSANDS OF UNITED STATES DOLLARS, UNLESS OTHERWISE STATED)

SCHEDULE 1

	2016	2015
Investments		
Debt securities at fair value through profit or loss – Note 4		
Government and Agency obligations	**$27,082**	$39,120
Supranationals	**10,310**	6,902
Other securities at fair value through profit or loss		
Time Deposits	**5,521**	3,505
Mutual Funds	**2,716**	8,599
Managed Funds	**5**	3,897
Equity Investments	**7,629**	7,420
Sub-total	**53,263**	69,443
Accrued interest	**126**	120
	$53,389	$69,563

Residual Term to Contractual Maturity

	2016	2015
1 – 3 months	**$15,966**	$23,512
3 months - 1 year	**5,353**	14,647
1 year - 5 years	**27,161**	31,404
5 years – 10 years	**4,909**	-
	$53,389	$69,563

CARIBBEAN DEVELOPMENT BANK

SPECIAL FUNDS RESOURCES - OTHER SPECIAL FUNDS

SUMMARY STATEMENT OF LOANS

AS OF DECEMBER 31, 2016
(EXPRESSED IN THOUSANDS OF UNITED STATES DOLLARS, UNLESS OTHERWISE STATED)

SCHEDULE 2

2016				
Member countries in which loans have been made	Loans approved but not yet effective	Undisbursed	Outstanding[1/]	% of Total Loans Outstanding
Anguilla	$-	$-	$-	0.0
Antigua and Barbuda	-	-	3,516	3.4
Barbados	-	-	5,504	5.3
Belize	-	-	-	0.0
British Virgin Islands	-	-	-	0.0
Cayman Islands	-	-	-	0.0
Dominica	-	1,406	16,458	16.0
Grenada	-	4	21,077	20.5
Guyana	-	-	2,946	2.9
Jamaica	-	-	26,495	25.7
Montserrat	-	-	-	0.0
St. Kitts and Nevis	-	-	2,214	2.2
St. Lucia	-	1,871	16,702	16.2
St. Vincent and the Grenadines	-	-	7,573	7.3
Trinidad and Tobago	-	-	563	0.5
Regional	-	-	-	0.0
Sub-total	-	3,281	103,048	100.0
Accrued interest	-	-	571	
	$-	$3,281	$103,619	

1/There were no overdue installments of principal at December, 2016 (2015 -nil).

CARIBBEAN DEVELOPMENT BANK

SPECIAL FUNDS RESOURCES - OTHER SPECIAL FUNDS

SUMMARY STATEMENT OF LOANS CONT'D

AS OF DECEMBER 31, 2016
(EXPRESSED IN THOUSANDS OF UNITED STATES DOLLARS, UNLESS OTHERWISE STATED)

SCHEDULE 2

2015				
Member countries in which loans have been made	Loans approved but not yet effective	Undisbursed	Outstanding[1/]	% of Total Loans Outstanding
Anguilla	$-	$-	$6	0.0
Antigua and Barbuda	-	-	3,862	3.5
Barbados	-	-	6,020	5.5
Belize	-	-	-	0.0
British Virgin Islands	-	-	-	0.0
Cayman Islands	-	-	-	0.0
Dominica	-	1,420	17,482	15.9
Grenada	-	4	22,078	20.1
Guyana	-	-	3,194	2.9
Jamaica	-	-	28,106	25.6
Montserrat	-	-	-	0.0
St. Kitts and Nevis	-	-	2,500	2.3
St. Lucia	1,297	574	17,974	16.4
St. Vincent and the Grenadines	-	264	7,868	7.2
Trinidad and Tobago	-	-	675	0.6
Regional	-	-	-	0.0
Sub-total	1,297	2,262	109,765	100.0
Accrued interest	-	-	591	
	$1,297	**$2,262**	**$110,356**	

1/There were no overdue installments of principal at December, 2015 (2014 -nil).

CARIBBEAN DEVELOPMENT BANK

SPECIAL FUNDS RESOURCES - OTHER SPECIAL FUNDS

SUMMARY STATEMENT OF LOANS CONT'D

AS OF DECEMBER 31, 2016
(EXPRESSED IN THOUSANDS OF UNITED STATES DOLLARS, UNLESS OTHERWISE STATED)

SCHEDULE 2

2016				
Analysis by Contributor	**Loans approved but not yet effective**	**Undisbursed**	**Outstanding[1/]**	**% of Total Loans Outstanding**
Members				
Trinidad and Tobago	$-	$-	$3	0.0
Other contributors				
Caribbean Development Bank	-	574	50,278	48.8
Nigeria	-	-	3,003	2.9
Inter-American Development Bank	-	2,707	36,001	34.9
European Union	-	-	1,313	1.3
International Development Association	-	-	12,450	12.1
Sub-total	-	3,281	103,048	100.0
Accrued interest		-	571	
	$-	$3,281	$103,619	

1/ There were no overdue installments of principal at December 31, 2016 (2015 – nil).

CARIBBEAN DEVELOPMENT BANK

SPECIAL FUNDS RESOURCES - OTHER SPECIAL FUNDS

SUMMARY STATEMENT OF LOANS CONT'D

AS OF DECEMBER 31, 2016
(EXPRESSED IN THOUSANDS OF UNITED STATES DOLLARS, UNLESS OTHERWISE STATED)

SCHEDULE 2

2015				
Analysis by Contributor	Loans approved but not yet effective	Undisbursed	Outstanding[1/]	% of Total Loans Outstanding
Members				
Trinidad and Tobago	$-	$-	$3	0.0
Other contributors				
Caribbean Development Bank	-	574	53,478	48.8
Nigeria	-	-	3,250	3.0
United States of America	-	-	6	0.0
Inter-American Development Bank	1,297	1,688	37,688	34.3
European Union	-	-	1,573	1.4
International Development Association	-	-	13,767	12.5
Sub-total	1,297	2,262	109,765	100.0
Accrued interest	-	-	591	
	$1,297	**$2,262**	**$110,356**	

1/ There were no overdue installments of principal at December 31, 2015 (2014 – nil).

CARIBBEAN DEVELOPMENT BANK

SPECIAL FUNDS RESOURCES - OTHER SPECIAL FUNDS

SUMMARY STATEMENT OF LOANS CONT'D

AS OF DECEMBER 31, 2016
(EXPRESSED IN THOUSANDS OF UNITED STATES DOLLARS, UNLESS OTHERWISE STATED)

SCHEDULE 2

2016							
Currencies Receivable	Loans outstanding 2015	Translation adjustment	Net interest earned	Disbursements	Sub-total	Repayments	Loans outstanding 2016
Euros	$1,573	$(41)	$-	$-	$1,532	$(219)	$1,313
Special Drawing Rights	11,013	(342)	-	-	10,671	(778)	9,893
United States dollars	97,179	-	-	277	97,456	(5,614)	91,842
Sub-total	109,765	(383)	-	277	109,659	(6,611)	103,048
Accrued interest[1]	591	-	(20)	-	571	-	571
	$110,356	$(383)	$(20)	$277	$110,230	$(6,611)	$103,619

1/ Relates to amounts disbursed and outstanding.

Maturity structure of loans outstanding	
January 1, 2017 to December 31, 2017	$7,381
January 1, 2018 to December 31, 2018	6,812
January 1, 2019 to December 31, 2019	6,815
January 1, 2020 to December 31, 2020	6,817
January 1, 2021 to December 31, 2021	6,819
January 1, 2022 to December 31, 2026	32,117
January 1, 2027 to December 31, 2031	21,613
January 1, 2032 to December 31, 2036	10,439
January 1, 2037 to December 31, 2041	971
January 1, 2042 to December 31, 2046	539
January 1, 2047 to December 31, 2052	3,296
	$103,619

CARIBBEAN DEVELOPMENT BANK

SPECIAL FUNDS RESOURCES - OTHER SPECIAL FUNDS

SUMMARY STATEMENT OF LOANS CONT'D

AS OF DECEMBER 31, 2016
(EXPRESSED IN THOUSANDS OF UNITED STATES DOLLARS, UNLESS OTHERWISE STATED)

SCHEDULE 2

2015							
Currencies Receivable	Loans outstanding 2014	Translation adjustment	Net interest earned	Disbursements	Sub-total	Repayments	Loans outstanding 2015
Euros	$1,997	$(210)	$-	$-	$1,787	$(214)	$1,573
Special Drawing Rights	12,311	(524)	-	-	11,787	(774)	11,013
United States dollars	101,501	-	-	1,111	102,612	(5,433)	97,179
Sub-total	115,809	(734)	-	1,111	116,186	(6,421)	109,765
Accrued interest[1]	640	-	(49)	-	591	-	591
	$116,449	**$(734)**	**$(49)**	**$1,111**	**$116,777**	**$(6,421)**	**$110,356**

1/ Relates to amounts disbursed and outstanding.

Maturity structure of loans outstanding	
January 1, 2016 to December 31, 2016	$7,197
January 1, 2017 to December 31, 2017	6,843
January 1, 2018 to December 31, 2018	6,845
January 1, 2019 to December 31, 2019	6,848
January 1, 2020 to December 31, 2020	6,850
January 1, 2021 to December 31, 2025	33,087
January 1, 2026 to December 31, 2030	23,939
January 1, 2031 to December 31, 2035	13,586
January 1, 2036 to December 31, 2040	1,472
January 1, 2041 to December 31, 2045	654
January 1, 2046 to December 31, 2052	3,035
	$110,356

CARIBBEAN DEVELOPMENT BANK

SPECIAL FUNDS RESOURCES - OTHER SPECIAL FUNDS

SUMMARY STATEMENT OF CONTRIBUTIONS

AS OF DECEMBER 31, 2016
(EXPRESSED IN THOUSANDS OF UNITED STATES DOLLARS, UNLESS OTHERWISE STATED)

SCHEDULE 3

2016		
	Contributions	
Contributors	Total [1/]	Amounts made available
Members		
Canada	$6,486	$6,486
Other contributors		
Inter-American Development Bank	148	148
Contributed resources	6,634	6,634
Other contributors		
Inter-American Development Bank [1/]	38,241	38,241
United States Agency for International Development	1,633	1,633
European Union	1,889	1,889
International Development Association	13,976	13,976
Repayable contributions	55,739	55,739
	$62,373	$62,373

1/Net of cancellations and repayments

Maturity structure of loans outstanding	
January 1, 2017 to December 31, 2017	$3,201
January 1, 2018 to December 31, 2018	3,121
January 1, 2019 to December 31, 2019	2,960
January 1, 2020 to December 31, 2020	2,803
January 1, 2021 to December 31, 2021	2,640
January 1, 2022 to December 31, 2026	11,776
January 1, 2027 to December 31, 2031	10,691
January 1, 2032 to December 31, 2036	8,090
January 1, 2037 to December 31, 2041	5,039
January 1, 2042 to December 31, 2046	1,989
January 1, 2047 to December 31, 2053	3,429
	$55,739

CARIBBEAN DEVELOPMENT BANK

SPECIAL FUNDS RESOURCES - OTHER SPECIAL FUNDS

SUMMARY STATEMENT OF CONTRIBUTIONS CONT'D

AS OF DECEMBER 31, 2016
(EXPRESSED IN THOUSANDS OF UNITED STATES DOLLARS, UNLESS OTHERWISE STATED)

SCHEDULE 3

2015		
	Contributions	
Contributors	**Total [1/]**	**Amounts made available**
Members		
Canada	$6,443	$6,443
Other contributors		
Inter-American Development Bank	148	148
Contributed resources	6,591	6,591
Other contributors		
Inter-American Development Bank [1/]	39,083	39,083
European Investment Bank [1/]	1,088	1,088
United States Agency for International Development	2,263	2,263
European Union	2,279	2,279
International Development Association	15,296	15,296
Repayable contributions	60,009	60,009
	$66,600	**$66,600**

Maturity structure of loans outstanding	
January 1, 2016 to December 31, 2016	$4,299
January 1, 2017 to December 31, 2017	3,310
January 1, 2018 to December 31, 2018	3,156
January 1, 2019 to December 31, 2019	2,995
January 1, 2020 to December 31, 2020	2,839
January 1, 2021 to December 31, 2025	12,252
January 1, 2026 to December 31, 2030	11,301
January 1, 2031 to December 31, 2035	8,569
January 1, 2036 to December 31, 2040	5,444
January 1, 2041 to December 31, 2053	5,844
	$60,009

CARIBBEAN DEVELOPMENT BANK

SPECIAL FUNDS RESOURCES - OTHER SPECIAL FUNDS

SUMMARY STATEMENT OF CONTRIBUTIONS CONT'D

AS OF DECEMBER 31, 2016
(EXPRESSED IN THOUSANDS OF UNITED STATES DOLLARS, UNLESS OTHERWISE STATED)

SCHEDULE 3

2016

Currencies Repayable	Contributions made available 2015	Translation adjustment	Drawdowns/ appropriations from capital	Sub-total	Repayments	Contributions made available 2016
Canadian dollars	**$1,442**	**$44**	**$-**	**$1,486**	**$-**	**$1,486**
Euros	**3,368**	**(33)**	**-**	**3,335**	**(1,445)**	**1,890**
Special Drawing Rights	**12,574**	**(398)**	**-**	**12,176**	**(728)**	**11,448**
United States dollars	**49,216**	**-**	**563**	**49,779**	**(2,230)**	**47,549**
	$66,600	**$(387)**	**$563**	**$66,776**	**$(4,403)**	**$62,373**

2015

Currencies Repayable	Contributions made available 2014	Translation adjustment	Drawdowns/ appropriations from capital	Sub-total	Repayments	Contributions made available 2015
Japanese Yen	$16	$-	$-	$16	$(16)	$-
Canadian dollars	1,748	(287)	-	1,461	(19)	1,442
Euros	4,122	(429)	-	3,693	(325)	3,368
Pounds sterling	25	(1)	-	24	(24)	-
Special Drawing Rights	13,893	(592)	-	13,301	(727)	12,574
Swedish kroners	9	(1)	-	8	(8)	-
United States dollars	50,416	-	699	51,115	(1,899)	49,216
	$70,229	**$(1,310)**	**$699**	**$69,618**	**$(3,018)**	**$66,600**

CARIBBEAN DEVELOPMENT BANK

SPECIAL FUNDS RESOURCES - OTHER SPECIAL FUNDS

STATEMENT OF ACCUMULATED NET INCOME

FOR THE YEAR ENDED DECEMBER 31, 2016
(EXPRESSED IN THOUSANDS OF UNITED STATES DOLLARS, UNLESS OTHERWISE STATED)

SCHEDULE 4

2016			
Contributors	Brought forward 2015	Net Income/(Loss) 2016	Carried forward 2016
General Funds	$49,806	$4,456	$54,262
European Investment Bank	(766)	(29)	(795)
European Union	2,480	(17)	2,463
Inter-American Development Bank	(497)	(513)	(1,010)
International Development Association	346	30	376
Nigeria	5,976	(62)	5,914
United States of America	1,817	25	1,842
United Kingdom	-	628	628
Venezuela	-	11	11
European Commission	-	38	38
BMZ/ The Federal Government of Germany	-	3	3
	$59,162	$4,570	$63,732

2015			
Contributors	Brought forward 2014	Net Income/(Loss) 2015	Carried forward 2015
General Funds	$45,445	$4,361	$49,806
European Investment Bank	(867)	101	(766)
European Union	2,521	(41)	2,480
Inter-American Development Bank	(191)	(306)	(497)
International Development Association	283	63	346
Nigeria	6,032	(56)	5,976
United States of America	1,940	(123)	1,817
	$55,163	$3,999	$59,162

CARIBBEAN DEVELOPMENT BANK

SPECIAL FUNDS RESOURCES - OTHER SPECIAL FUNDS

STATEMENT OF TECHNICAL ASSISTANCE AND OTHER GRANT RESOURCES

AS OF DECEMBER 31, 2016
(EXPRESSED IN THOUSANDS OF UNITED STATES DOLLARS, UNLESS OTHERWISE STATED)

SCHEDULE 5

	2016			
	Contributors			
Contributors	Total [1/]	Amounts made available	Amounts utilised	Net Amounts available
Members				
Canada	$55,022	$55,022	$42,823	$12,199
United Kingdom	82,743	82,743	19,399	63,344
Italy	522	522	252	270
	$138,287	$138,287	$62,474	$75,813
Other contributors				
Caribbean Development Bank	$233,032	$233,032	$160,702	$72,330
United States of America	1,407	1,407	1,407	-
Inter-American Development Bank	3,549	3,549	3,354	195
China	677	677	198	479
Venezuela	586	586	-	586
Nigeria	193	193	147	46
European Commission	17,320	17,320	6,708	10,612
Deutsche Gesellschaft für Internationale BMZ/The Federal Government of Germany	261	261	220	41
European Investment Bank Climate Action Support	2,184	2,184	91	2,093
Improve Public Investment Management through Procurement	201	201	-	201
Sub-total	$259,410	$259,410	$172,827	$86,583
Total – December 31	$397,697	$397,697	$235,301	$162,396
Summary				
Basic Needs Trust Fund	$159,750	$159,750	$126,622	$33,128
Other resources	237,947	237,947	108,679	129,268
	$397,697	$397,697	$235,301	$162,396

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

CARIBBEAN DEVELOPMENT BANK

SPECIAL FUNDS RESOURCES - OTHER SPECIAL FUNDS

STATEMENT OF TECHNICAL ASSISTANCE AND OTHER GRANT RESOURCES CONT'D

AS OF DECEMBER 31, 2016
(EXPRESSED IN THOUSANDS OF UNITED STATES DOLLARS, UNLESS OTHERWISE STATED)

SCHEDULE 5

	2015			
	Contributors			
Contributors	**Total 1/**	**Amounts made available**	**Amounts utilised**	**Net Amounts available**
Members				
Canada	$58,025	$58,025	$41,635	$16,390
United Kingdom	23,887	23,887	19,945	3,942
Italy	522	522	252	270
	$82,434	$82,434	$61,832	$20,602
Other contributors				
Caribbean Development Bank	$230,529	$230,529	$134,217	$96,312
United States of America	1,407	1,407	1,407	-
Inter-American Development Bank	3,549	3,549	3,354	195
China	677	677	198	479
Venezuela	586	586	-	586
Nigeria	193	193	147	46
European Commission	17,859	17,859	4,009	13,850
Deutsche Gesellschaft für Internationale BMZ/ The Federal Government of Germany	298	298	243	55
European Investment Bank Climate Action Support	2,184	2,184	91	2,093
Sub-total	$257,282	$257,282	$143,666	$113,616
Total – December 31	**$339,716**	**$339,716**	**$205,498**	**$134,218**
Summary				
Basic Needs Trust Fund	$157,250	$157,250	$100,616	$56,634
Other resources	182,466	182,466	104,882	77,584
	$339,716	**$339,716**	**$205,498**	**$134,218**

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

CARIBBEAN DEVELOPMENT BANK

SPECIAL FUNDS RESOURCES - OTHER SPECIAL FUNDS

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2016
(EXPRESSED IN THOUSANDS OF UNITED STATES DOLLARS, UNLESS OTHERWISE STATED)

1. NATURE OF OPERATIONS

The Other Special Fund Group ("OSF" or "the Fund") was established to carry out the special operations of the Caribbean Development Bank (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.

2. 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 presented in accordance with International Financial Reporting Standards (IFRS). These financial statements have been prepared in accordance with the accounting policies outlined below.

Preparation of these 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.

Foreign currency translation

Functional and presentation currency

The functional and presentation currency of the Fund is the United States dollar (US$) and the Fund's financial statements are rounded to the nearest thousand. Monetary assets and liabilities in currencies other than United States dollars are translated at market rates of exchange prevailing at the reporting date. Non-monetary items measured at historical cost in currencies other than United States dollars are translated using the exchange rates at the dates of the initial transactions.

Foreign currency transactions are initially translated into United States dollars at applicable rates of exchange on the transaction dates. 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 profit or loss in the statement of comprehensive income and accumulated net income for the year.

Investments

All investment securities with the exception of equities are in a portfolio designated at fair value through profit or loss and reported at fair market value. Securities are recognised on the statement of financial position when the Fund assumes related contractual rights and de-recognised when the rights to secure cash flows from the financial asset expire or when all risks and rewards of ownership have been substantially transferred.

CARIBBEAN DEVELOPMENT BANK

SPECIAL FUNDS RESOURCES - OTHER SPECIAL FUNDS

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2016
(EXPRESSED IN THOUSANDS OF UNITED STATES DOLLARS, UNLESS OTHERWISE STATED)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES…continued

Investments…continued

Equity instruments are carried at cost where they do not have a quoted market price in an active market and their fair value cannot be reliably measured.

Regular way purchases and sales of financial assets are recognised on the settlement date which is the date the Fund becomes a party to the contractual provisions of the instrument.

All securities are initially recognised at fair value, and transaction costs are expensed in the statement of comprehensive income and accumulated net income in the period during which they arise. Gains and losses arising from changes in the fair value of securities designated at fair value through profit or loss are included in technical assistance (TA) contributions/ expenses for the year based on the terms of the specific fund. Interest or dividend income earned whilst holding securities is reported as "Interest and similar income - investments and cash balances" in the statement of comprehensive income and accumulated net income.

Equity investments are assessed for impairment annually. The impairment assessment is based on the net book value of the underlying asset and adjusted if the carrying value is less than the Fund's proportionate share of net assets. Impairment losses are recorded within income from investments and cash balances in the statement of comprehensive income and accumulated net income. Amounts distributed to the Fund are recorded as a return on investment until such investments are written off and are subsequently recorded as income.

Determination of fair value

For securities traded in active markets, the determination of fair values is based on quoted market prices or dealer price quotations. A security is regarded as quoted in an active market if prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. If the above criteria are not met, the market is regarded as being inactive.

For debt securities in inactive markets fair value is determined using valuation techniques. In these techniques, fair values are estimated from observable data in respect of similar financial instruments, using models to estimate the present value of expected future cash flows, or other valuation techniques, using inputs (for example, LIBOR yield curves, FX rates, volatilities and counterparty spreads) existing at the reporting date.

The Fund uses widely recognised valuation models for determining fair values of non-standardised financial instruments. For these securities, inputs into models are generally market-observable.

CARIBBEAN DEVELOPMENT BANK

SPECIAL FUNDS RESOURCES - OTHER SPECIAL FUNDS

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2016
(EXPRESSED IN THOUSANDS OF UNITED STATES DOLLARS, UNLESS OTHERWISE STATED)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES…continued

Loans

Loans and receivables are non-derivative financial assets that have fixed or determinable payments that are not quoted in an active market. After initial measurement, loans and receivables are subsequently measured at amortised cost using the effective interest rate method less any impairment.

All loans by the Fund are made either from currencies available from members' subscriptions or from currencies borrowed and the principal amounts are payable to the Fund in the currencies lent. The balances outstanding on loans to members and their agencies are secured by guarantees of the Governments of the member countries in which the loans are made.

The Fund 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 Fund 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 Fund does not make provisions for impairment on loans as any loss that may occur is taken into the statement of comprehensive income and accumulated net income in the year that the impairment occurred.

Cash and cash equivalents

For the purposes of the statement of cash flows, cash and cash equivalents comprise balances with maturities of three months or less 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. The contributions from donors are included in the financial statements from the date of the contribution agreement. Technical assistance is recognised when the project is approved and becomes effective.

Interest income and charges on contributions

Interest income and charges on contributions are recognised in the statement of comprehensive income and accumulated net income for all interest-bearing instruments carried at amortised cost using the effective interest rate method.

The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability.

CARIBBEAN DEVELOPMENT BANK
SPECIAL FUNDS RESOURCES - OTHER SPECIAL FUNDS
NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2016
(EXPRESSED IN THOUSANDS OF UNITED STATES DOLLARS, UNLESS OTHERWISE STATED)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES...continued

Administrative expenses

Administrative expenses incurred by the Bank which cannot be directly charged to individual funds are allocated between the OCR, the OSF and the SDF in accordance with a method of allocation which is approved by the Board of Directors.

3. CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise:

	2016	2015
Due from banks	**$18,492**	$6,117
Time deposits	**11,171**	22,693
Money Market Instruments	**6,258**	-
	$35,921	$28,810

4. INVESTMENTS AT FAIR VALUE THROUGH PROFIT AND LOSS

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

The annualized rate of return on the average investments held during the year, including realised and unrealised gains and losses was 4.95% (2015: 3.24%). Net realised gains on investments traded during 2016 amounted to $2,564 (2015: $7,779) and net unrealised gains of $124 (2015: Loss of $5,852).

5. FUNDS

In accordance with the Agreement establishing the Bank (the Charter), Special Funds Resources comprise the SDF and OSF 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 OSF have been presented separately from the SDF. The OSF are established in accordance with agreements between the Bank and the contributors and 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.

These financial statements reflect the aggregated position of all the funds that comprise the OSF.

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.

CARIBBEAN DEVELOPMENT BANK

SPECIAL FUNDS RESOURCES - OTHER SPECIAL FUNDS

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2016
(EXPRESSED IN THOUSANDS OF UNITED STATES DOLLARS, UNLESS OTHERWISE STATED)

5. FUNDS…continued

Details of contributions, loans and technical assistance resources of the OSF 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:

	2016	2015
Canada		
Agricultural[2] (Schedule 3)	**$6,486**	$6,443
Technical assistance resources (Schedule 5)	**55,022**	58,025
Italy		
Technical assistance resources (Schedule 5)	**$522**	$522
China		
Technical assistance resources (Schedule 5)	**$677**	$677
Venezuela		
Technical assistance resources (Schedule 5)	**$586**	$586
Nigeria		
Technical assistance resources (Schedule 5)	**$193**	$193
United Kingdom		
Technical assistance resources (Schedule 5)	**$82,743**	$23,887
Inter-American Development Bank		
975/SF-RG	**$14,211**	$14,211
Less repayments	**(6,041)**	(5,622)
	$8,170	$8,589
Second Global Loan	**$4,487**	$4,649
Less repayments	**(4,487)**	(4,649)
	$-	$-
1108/SF-RG Global Credit	**$20,000**	$20,000
Less repayments	**(2,950)**	(2,294)
	$17,050	$17,706

[2] The contributions are interest-free with no date for repayment.

CARIBBEAN DEVELOPMENT BANK

SPECIAL FUNDS RESOURCES - OTHER SPECIAL FUNDS

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2016
(EXPRESSED IN THOUSANDS OF UNITED STATES DOLLARS, UNLESS OTHERWISE STATED)

5. FUNDS...continued

Inter-American Development Bank...continued

	2016	2015
1637/SF-RG Credit	**$9,923**	$9,923
Less repayments	**(331)**	-
	9,592	9,923
2798/BL Regional Global Loan - OECS	**3,429**	2,865
	13,021	12,788
Repayable contributions (Schedule 3)	**$38,241**	$39,083
Technical assistance resources (Schedule 5)	**$3,549**	$3,549

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.

The second global loan was fully repaid in 2015.

Global Credit 1108/SF-RG was 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.

European Investment Bank	2016	2015
Global loan II – B	**$1,054**	$1,088
Less repayments	**(1,054)**	-
	$-	$1,088

Repaid in full in a single installment on September 30, 2016.

CARIBBEAN DEVELOPMENT BANK

SPECIAL FUNDS RESOURCES - OTHER SPECIAL FUNDS

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2016
(EXPRESSED IN THOUSANDS OF UNITED STATES DOLLARS, UNLESS OTHERWISE STATED)

5. FUNDS...continued

	2016		2015		Due Dates
United States of America					
Contributions					
Agricultural	$7,052		$7,052		1988-2018
Less repayments	(6,536)	**516**	(6,204)	848	
Employment Investment Promotion	6,732		6,732		1990-2000
Less repayments	(5,615)	**1,117**	(5,317)	1,415	
Housing	8,400		8,400		1983-2012
Less repayments	(8,400)	**-**	(8,400)	-	
Repayable contributions (Schedule 3)		**1,633**		**2,263**	
Technical Assistance resources (Schedule 5)		**$1,407**		**$1,407**	

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.

	2016		2015	
European Union				
First Contribution				
Less repayments	$6,165		$6,366	
	(5,004)	**1,161**	(4,935)	1,431
Second Contribution				
Less repayments	2,613		2,698	
	(1,885)	**728**	(1,850)	848
Repayable contributions (Schedule 3)				
		$1,889		**$2,279**

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 is repayable over the period 1994 to 2024.

CARIBBEAN DEVELOPMENT BANK

SPECIAL FUNDS RESOURCES - OTHER SPECIAL FUNDS

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2016
(EXPRESSED IN THOUSANDS OF UNITED STATES DOLLARS, UNLESS OTHERWISE STATED)

5. FUNDS...continued

International Development Association

	2016		2015		Due Dates
Credit No. 960/CRG	$6,480		$6,480		1990-2029
Less repayments	(3,953)	**2,527**	(3,758)	2,722	
Credit No. 1364/CRG	7,270		7,523		
Less repayments	(3,671)	**3,599**	(3,573)	3,950	1993-2033
Credit No. 1785/CRG	6,210		6,425		
Less repayments	(2,391)	**3,819**	(2,281)	4,144	1997-2030
Credit No. 2135/CRG	7,465		7,724		
Less repayments	(3,434)	**4,031**	(3,244)	4,480	2000-2030
Repayable contributions (Schedule 3)		**$13,976**		**$15,296**	

The credits are subject to a service charge of 0.75% per annum on amounts outstanding.

	2016	2015
Caribbean Development Bank		
Technical assistance resources (Schedule 5)	**$233,032**	$230,529
BMZ/ The Federal Government of Germany		
Technical assistance resources (Schedule 5)	**$261**	$298
European Investment Bank Climate Action Support		
Technical assistance resources (Schedule 5)	**$2,184**	$2,184
European Commission		
Technical assistance resources (Schedule 5)	**$17,320**	$17,859

CARIBBEAN DEVELOPMENT BANK

SPECIAL FUNDS RESOURCES - OTHER SPECIAL FUNDS

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2016
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5. FUNDS…continued

	2016	2015
Improve Public Investment Management through Procurement		
Technical assistance resources (Schedule 5)	$201	$-

Included in the amounts shown against each contributor in Schedule 5 – "Statement of Technical Assistance & Other Grant Resources" are the following programmes for which specific disclosures are included in these financial statements.

2016	Approved amount	Amounts made available	Amounts utilised	Net Amounts available
European Union				
Sustainable Energy for the Eastern Caribbean (SEEC)	€4,450	$1,222	$23	1,199
United Kingdom				
Increasing Renewable Energy and Energy Efficiency in the Eastern Caribbean	£4,200	$-	$-	$-
Sustainable Energy for the Eastern Caribbean (SEEC)	£2,500	$142	$17	$125
Inter-American Development Bank [Acting as Administrator for the Global Environment Facility (GEF)]				
Sustainable Energy Facility for the Eastern Caribbean (SEF)	$3,014	$-	$-	$-
Inter-American Development Bank [Acting as Implementing entity for the Clean Technology Fund (CTF)]				
Sustainable Energy Facility for the Eastern Caribbean (SEF)	$19,050	$-	$-	$-
Canada				
Canadian Support to the Energy Sector in the Caribbean Fund (CSES-C)	CAD5,000	$631	$248	$383

CARIBBEAN DEVELOPMENT BANK

SPECIAL FUNDS RESOURCES - OTHER SPECIAL FUNDS

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2016
(EXPRESSED IN THOUSANDS OF UNITED STATES DOLLARS, UNLESS OTHERWISE STATED)

5. FUNDS…continued

2015				
	Approved amount	Amounts made available	Amounts utilised	Net Amounts available
European Union				
Sustainable Energy for the Eastern Caribbean (SEEC)	€4,450	$1,262	$-	$1,262
United Kingdom				
Sustainable Energy for the Eastern Caribbean (SEEC)	£2,500	$-	$-	$-
Inter-American Development Bank [Acting as Administrator for the Global Environment Facility (GEF)]				
Sustainable Energy Facility for the Eastern Caribbean (SEF)	$3,014	$-	$-	$-
Inter-American Development Bank [Acting as Implementing entity for the Clean Technology Fund (CTF)]				
Sustainable Energy Facility for the Eastern Caribbean (SEF)	$19,050	$-	$-	$-

6. TOTAL ACCUMULATED INCOME AND TOTAL COMPREHENSIVE INCOME FOR THE YEAR

On an annual basis the Board of Governors 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.

7. LOANS

The average interest rate earned on loans outstanding was 2.19% (2015: 2.20%). There were no impaired loans at December 31, 2016 and 2015.

CARIBBEAN DEVELOPMENT BANK

SPECIAL FUNDS RESOURCES - OTHER SPECIAL FUNDS

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2016
(EXPRESSED IN THOUSANDS OF UNITED STATES DOLLARS, UNLESS OTHERWISE STATED)

8. NON NEGOTIABLE DEMAND NOTES

The non-negotiable demand notes represent the sum of USD$60.7 million (GBP49.3 million) submitted to the Bank by the UK Department for International Development (Dfid) against commitments under the UK Caribbean Infrastructure Partnership Fund (UKCIF). The UK Government has committed to donating GBP300 million over a four year period 2016 - 2020, from which grants are to be provided for economic infrastructure which have been identified by Dfid in countries eligible for overseas development assistance. By agreement of the parties, subsequent to the end of the financial year the duration of the programme was extended to March 31, 2024.

9. ACCOUNTS RECEIVABLE

	2016	2015
Institutional receivables	**$35,515**	$56,377
Accounts receivable	**406**	-
	$35,921	$56,377

10. ACCOUNTS PAYABLE

	2016	2015
Accounts payable - general	**$-**	$435
Interfund payable	**853**	4,472
	$853	$4,907

APPENDICES


EXIT

APPENDICES

Board of Governors and Alternates: 2016-2017

CHAIR AND VICE-CHAIR OF THE BOARD OF GOVERNORS: 2016-2017		
Turks and Caicos Islands	Hon. Sharlene Cartwright-Robinson	Chairman
Colombia	Hon. Mauricio Cardenas Santa Maria	Vice-Chairman
Canada	Hon. Stéphane Dion	Vice-Chairman

Country	Governor	Alternate Governor
Anguilla, British Virgin Islands, Cayman Islands, Montserrat and Turks and Caicos Islands	Hon. Sharlene Cartwright-Robinson Premier and Minister of Finance Government of the Turks and Caicos Islands Office of the Premier The Hon. N.J.S. Francis Building Grand Turk, Turks and Caicos Islands	Hon. Marco S. Archer, JP Minister of Finance and Economic Development Ministry of Finance and Economic Development Grand Cayman, Cayman Islands
Antigua and Barbuda	Hon. Gaston A. Browne Prime Minister and Minister of Finance, the Economy and Public Administration Office of the Prime Minister Government Office Complex Parliament Drive, St. John's, Antigua and Barbuda	Mr. Whitfield Harris, Jr. Financial Secretary Ministry of Finance, the Economy and Public Administration Government Office Complex Parliament Drive, St. John's, Antigua and Barbuda
The Bahamas	Hon. Michael B. Halkitis Minister of State Ministry of Finance 3rd Floor Cecil Wallace Whitfield Centre P.O. Box N-3017, Nassau, The Bahamas	
Barbados	Hon. Christopher P. Sinckler, MP Minister of Finance and Economic Affairs Ministry of Finance and Economic Affairs Government Headquarters, Bay Street St. Michael, Barbados	Dr. Louis Woodroffe Director of Finance and Economic Affairs (Ag.) Ministry of Finance and Economic Affairs Government Headquarters St. Michael, Barbados
Belize	Hon. Dean Barrow Prime Minister and Minister of Finance Office of the Prime Minister New Administration Building Belmopan, Belize	Mr. Joseph Waight Financial Secretary Ministry of Finance New Administration Building Belmopan, Belize

Country	Governor	Alternate Governor
Brazil	Minister Dyogo Henrique de Oliveira Interim Minister of Planning, Development and Management Ministry of Planning, Development and Management Esplanada dos Ministerios Bloco K - 5° Andar, Brasília-DF-CEP:70.040-906	Mr. Jorge Saba Arbache Filho Secretary of International Affairs Ministry of Planning, Budget and Management Esplanada dos Ministerios Bloco K - 5° Andar, sala 544 – Gabinete Brasília-DF-CEP:70.040-906
Canada	Hon. Stéphane Dion Minister of Foreign Affairs Office of the Minister of Foreign Affairs Lester B. Pearson Building 125 Sussex Drive Ottawa, Ontario, Canada	Mr. Robert Stewart Assistant Deputy Minister Int. Trade and Finance Canada 140 O'Connor Street Ottawa, Ontario, Canada
Colombia	Hon. Mauricio Cardenas Santa Maria Minister of Finance and Public Credit Ministry of Finance Carrera 7a Numero 6-64, Bogota, Colombia	Mr. Jose Dario Uribe Governor, Banco de la Republica Carrera 7a, Numero 14-18 Oficina Principal, Bogota, Colombia
Dominica	Hon. Roosevelt Skerrit Prime Minister and Minister for Finance, Foreign Affairs and Information Technology Office of the Prime Minister Financial Centre Kennedy Avenue Roseau, Dominica	Sen. the Hon. Miriam Blanchard Minister of State in the Office of the Prime Minister Financial Centre Kennedy Avenue Roseau, Dominica
Germany	Mr. Hans-Joachim Fuchtel Parliamentary State Secretary Federal Ministry for Economic Cooperation and Development Europahaus, Stresemanstr. 94 10963 Berlin, Germany	Ms. Marianne Kothé Deputy Director General Int. Financial and Monetary Policy Federal Ministry of Finance WilhelmstraBe 97 10117 Berlin, Germany
Grenada	Dr. the Rt. Hon. Keith Mitchell Prime Minister Office of the Prime Minister Financial Complex The Carenage St. George's, Grenada	
Guyana	Hon. Winston DaCosta Jordan Minister of Finance Ministry of Finance 49 Main & Urquhart Street Georgetown, Guyana	Dr. Hector C. Butts Finance Secretary Ministry of Finance 49 Main & Urquhart Street Georgetown, Guyana

Country	Governor	Alternate Governor
Haiti	Hon. Yves Romain Bastien Minister of the Economy and Finance Ministry of the Economy and Finance No. 5 Avenue Charles Summer Port-au-Prince, Haiti	
Italy	Hon. Pier Carlo Padoan Minister of Economy and Finance Ministry of Economy and Finance Via XX Settembre 97 Rome 00187, Italy	Mr. Filippo Giansante Director, International Financial Relations Treasury Department Ministry of Economy and Finance Direzione III Ufficio VIII Via XX Settembre 97 00187 Rome, Italy
Jamaica	Hon. Audley Shaw, CD, MP Minister of Finance Ministry of Finance and the Public Service 30 National Heroes Circle P.O. Box 512 Kingston 4, Jamaica	Mr. Everton McFarlane Financial Secretary (Assigned) Ministry of Finance and the Public Service 30 National Heroes Circle P.O. Box 512 Kingston 4, Jamaica
Mexico	Dr. José Antonio Meade Kuribreña Minister of Finance and Public Credit Ministry of Finance and Public Credit Insurgentes Sur 1971 Torre III, piso 3, Col. Guadalupe Inn Del. Álvaro Obregón C.P. 01020 Mexico City, Mexico	Mrs. Vanessa Rubio Márquez Deputy Minister of Finance and Public Credit Ministry of Finance and Public Credit Insurgentes Sur 1971 Torre III, piso 3, Col. Guadalupe Inn Del. Álvaro Obregón C.P. 01020 Mexico City, Mexico
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Saint Lucia	Hon. Guy Joseph Minister of Economic Development, Housing, Urban Renewal, Transport and Civil Aviation Ministry of Economic Development, Housing, Urban Renewal, Transport and Civil Aviation 3rd Floor Greaham Louisy Administrative Building, Waterfront, Castries, Saint Lucia	Dr. Reginald Darius Permanent Secretary Ministry of Finance, Economic Affairs and Social Security, 3rd Floor Financial Centre Bridge Street, Castries, Saint Lucia

Country	Governor	Alternate Governor
St. Vincent and the Grenadines	Hon. Camillo Gonsalves Minister of Economic Planning, Sustainable Development, Industry, Internal Trade, Information and Labour Ministry of Economic Planning and Sustainable Development 1st Floor Administrative Building Bay Street, Kingstown, St. Vincent and the Grenadines	
Suriname	Hon. Gillmore Hoefdraad Minister of Finance Ministry of Finance Waterkant 16-20 Tamarindelaan #3 Paramaribo, Suriname	
Trinidad and Tobago	Hon. Camille Robinson-Regis Minister of Planning and Development Office of the Minister Ministry of Planning and Development Level 14 Eric Williams Financial Complex Port of Spain, Trinidad and Tobago	Hon. Colm Imbert Minister of Finance Ministry of Finance Eric Williams Financial Complex Port of Spain, Trinidad and Tobago
United Kingdom	Rt. Hon. Priti Patel, MP Secretary of State for International Development Department for International Development 22 Whitehall London SW1A 2EG, United Kingdom	Hon. Rory Stewart Minister of State for International Development Department for International Development 22 Whitehall London SW1A 2EG, United Kingdom
Venezuela	Mr. Simon Zerpa Delgado President Venezuelan Economic and Social Development Bank (BANDES) Avenida Universidad Traposos a Colon, Torre Bandes, Venezuela	Mr. Raul Li Causi Director for Latin America and the Caribbean Ministry of Popular Power for Foreign Affairs Traposos a Colón Torre Bandes Caracas 1010, Venezuela

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Office of the President	
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Chief Risk Officer	Mr. Malcolm Buamah**
Deputy Director, Internal Audit Division	Mr. Denis Bergevin
Head, Office of Integrity, Compliance and Accountability	Dr. Toussant Boyce
Head of Evaluation, Office of Independent Evaluation	Mr. Mark Clayton (Ag.)
Head, Corporate Communications	Ms. Sueann Tannis (Ag.)

Corporate Services	
Vice-President (Corporate Services) and Bank Secretary	Mrs. Yvette Lemonias Seale**
Director, Information and Technology Solutions Department	Mr. Mark Taitt**
Director, Finance and Corporate Planning Department	Mr. Carlyle Assue**
Deputy Director, Corporate Planning Division	Ms. Monica La Bennett
Deputy Director, Finance Division	Mr. Earl Estrado
Director, Human Resources and Administration Department	Mr. Phillip Brown**
Deputy Director, Human Resources Division	Mrs. Fay Alleyne Kirnon
General Counsel	Mrs. Diana Wilson Patrick**
Deputy General Counsel	Mrs. S. Nicole Jordan

Operations	
Vice-President (Operations)	Mrs. Patricia McKenzie**
Director, Economics Department	Dr. Justine Ram**
Deputy Director, Economics Department	Mr. Ian Durant
Director, Projects Department	Mr. Daniel Best**
Division Chief, Social Sector Division	Ms. Deidre Clarendon
Head, Procurement Policy Unit	Mr. Douglas Fraser
Division Chief, Economic Infrastructure Division	Ms. Merlyn Combie (Ag.)
Division Chief, Technical Cooperation Division	Mrs. Darran Newman (Ag.)
Head, Infrastructure Partnerships	Mr. Andrew Dupigny
Head, Renewable Energy / Energy Efficiency	Mrs. Tessa Williams-Robertson

*Chairman, Advisory Management Team
** Member, Advisory Management Team

Advisory Management Team as at December 31, 2016

William Warren Smith, Ph.D., CD
President

Mrs. Yvette Lemonias Seale
Vice-President (Corporate Services) and Bank Secretary

Mrs. Patricia McKenzie
Vice-President (Operations)

Mr. Carlyle Assue
Director, Finance and Corporate Planning Department

Mr. Daniel Best
Director, Projects Department

Mr. Phillip Brown
Director, Human Resources and Administration Department

Mr. Malcolm Buamah
Chief Risk Officer

Dr. Justine Ram
Director, Economics Department

Mr. Mark Taitt
Director, Information and Technology Solutions Department

Mrs. Diana Wilson Patrick
General Counsel

APPENDIX I-A

DISTRIBUTION OF LOANS, SECONDARY MORTGAGE, EQUITY AND GRANTS APPROVED (NET) BY COUNTRY AND BY FUND - 2016 ($'000)

Country	Ordinary Capital Resources	Special Development Fund	Other Special Funds	Total	Percentage of Total
Antigua and Barbuda	5,981	12	18,860	24,853	7.5%
Anguilla	22,000	46	-	22,046	6.7%
Barbados	(1,727)	105	162	(1,460)	-0.4%
Bahamas	(13,103)	1,186	-	(11,917)	-3.6%
Belize	21,461	12,551	1,616	35,628	10.8%
Dominica	(420)	2,754	1,145	3,479	1.1%
Dominican Republic*	-	-	17	17	0.0%
Grenada	5,732	5,879	1,224	12,835	3.9%
Guyana	(154)	12,268	282	12,396	3.7%
Haiti	-	12,419	-	12,419	3.8%
Jamaica	-	964	51	1,015	0.3%
St. Kitts and Nevis	5,792	23	456	6,271	1.9%
Cayman Islands	-	12	-	12	0.0%
St. Lucia	33,176	16,701	125	50,002	15.1%
Montserrat	-	11	-	11	0.0%
Suriname	108,157	7,355	273	115,785	35.0%
Turks and Caicos Islands	-	13	-	13	0.0%
Trinidad and Tobago	-	24	135	159	0.0%
St. Vincent and the Grenadines	-	18,920	15,599	34,519	10.4%
British Virgin Islands	-	13	-	13	0.0%
Regional	-	3,469	9,002	12,471	3.8%
Total	**186,895**	**94,725**	**48,947**	**330,567**	
Percentage of Total	56.5	28.7	14.8		100.0
LDCs	201,879	76,709	39,298	317,886	96.2%
MDCs	(14,984)	14,547	630	193	0.1%
Regional	0	3,469	9,019	12,488	3.8%

*Dominican Republic is a CARIFORUM country accesing EU standby facilities

APPENDIX I-B

DISTRIBUTION OF LOANS, SECONDARY MORTGAGE, EQUITY AND GRANTS APPROVED (NET) BY SECTOR AND BY FUND - 2016 ($'000)

Sector	Ordinary Capital Resources	Special Development Fund	Other Special Funds	Total
Total All Sectors	**186,895**	**94,725**	**48,947**	**330,567**
Agriculture and Rural Development	**(13)**	**8,000**	**-**	**7,987**
Agriculture (excluding Crop Farming)	(13)	-	-	(13)
Feeder Roads and Bridges	-	8,000	-	8,000
Manufacturing and Industry	**(268)**	**138**	**-**	**(130)**
Micro and Small Scale Enterprises	-	138	-	138
Agro-Industries	(268)	-	-	(268)
Tourism	**(1,727)**	**-**	**-**	**(1,727)**
Tourism	(1,727)	-	-	(1,727)
Transportation and Communication	**(574)**	**375**	**21,192**	**20,993**
Transport Policy and Administrative Management	-	509	3,179	3,688
Road Transport	(574)	(134)	18,013	17,305
Power, Energy, Water and Sanitation	**87,696**	**16,290**	**18,894**	**122,880**
Power and Energy	80,533	7,843	16,795	105,171
Electric Power	-	-	-	-
Water and Sanitation	7,163	8,447	2,099	17,709
Social Infrastructure and Services	**1,888**	**51,135**	**6,123**	**59,146**
Education - General	(586)	9,284	-	8,698
Education - Basic	-	2,099	125	2,224
Education - Secondary/Vocational	-	22,147	282	22,429
Education - Post Secondary	(13)	-	-	(13)
Housing	(13)	665	-	652
Other Social Infrastructure and Services	2,500	16,940	5,716	25,156
Environmental Sustainability and Disaster Risk Reduction	**2,893**	**13,105**	**175**	**16,173**
Environmental Sustainability	-	90	-	90
Disaster Prevention and Preparedness	2,893	11,260	175	14,328
Reconstruction Relief and Rehabilitation	-	1,755	-	1,755
Financial, Business and Other Services	**41,000**	**260**	**-**	**41,260**
Financial Policy and Administrative Management	-	75	-	75
Financial Intermediaries	41,000	185	-	41,185
Multi-Sector and Other	**56,000**	**5,422**	**2,563**	**63,985**
Government and Civil Society	-	878	-	878
Urban Development	-	512	-	512
Policy-Based Loans/Structural Adjustment Programme	56,000	4,000	-	60,000
Regional/Multulateral Trade Agreements	-	32	563	595
Other	-	-	2,000	2,000

APPENDIX I-C

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

Country	Agriculture and Rural Development	Manufacturing and Industry	Tourism	Transportation and Communication	Power, Energy, Water and Sanitation	Social Infrastructure and Services	Environmental Sustainability and Disaster Risk Reduction	Financial, Business and Other Services	Multi-Sector and Other	Total
Antigua and Barbuda	-	-	-	17,863	6,978	12	-	-	-	**24,853**
Anguilla	0	-	-	-	-	46	-	22,000	-	**22,046**
Barbados	-	92	(1,727)	-	-	13	-	-	162	**(1,460)**
Bahamas	-	-	-	-	-	(15,760)	3,843	-	-	**(11,917)**
Belize	(13)	-	-	1,666	1,996	12,044	750	19,185	-	**35,628**
Dominica	-	-	-	360	3,012	107	-	-	-	**3,479**
Dominican Republic	-	-	-	-	-	-	-	-	17	**17**
Grenada	-	(268)	-	-	1,011	1,824	55	-	10,213	**12,835**
Guyana	-	-	-	(173)	-	12,353	-	75	141	**12,396**
Haiti	8,000	-	-	-	-	4,419	-	-	-	**12,419**
Jamaica	-	-	-	-	51	564	-	-	400	**1,015**
St. Kitts and Nevis	-	-	-	-	5,792	479	-	-	-	**6,271**
Cayman Islands	-	-	-	-	-	12	-	-	-	**12**
St. Lucia	-	-	-	-	21,831	28,171	-	-	-	**50,002**
Montserrat	-	-	-	-	-	11	-	-	-	**11**
Suriname	-	-	-	-	65,772	13	-	-	50,000	**115,785**
Turks and Caicos Islands	-	-	-	-	-	13	-	-	-	**13**
Trinidad and Tobago	-	-	-	-	-	24	-	-	135	**159**
St. Vincent and the Grenadines	-	-	-	-	15,424	7,660	11,435	-	-	**34,519**
British Virgin Islands	-	-	-	-	-	13	-	-	-	**13**
Regional	-	46	-	1,277	1,013	7,128	90	-	2,917	**12,471**
Total	**7,987**	**(130)**	**(1,727)**	**20,993**	**122,880**	**59,146**	**16,173**	**41,260**	**63,985**	**330,567**

*Dominican Republic is a CARIFORUM country accesing EU standby facilities

APPENDIX I-D

DISTRIBUTION OF LOANS APPROVED (NET) BY COUNTRY AND BY FUND - 2016 ($'000)

Country	Ordinary Capital Resources	Special Development Fund	Other Special Funds	Total	Percentage of Total
Antigua and Barbuda	5,981	-	-	5,981	2.3%
Anguilla	22,000	-	-	22,000	8.5%
Barbados	(1,727)	-	-	(1,727)	-0.7%
Bahamas	(13,103)	750	-	(12,353)	-4.8%
Belize	21,461	11,080	-	32,541	12.6%
Dominica	(420)	2,647	-	2,227	0.9%
Grenada	5,732	4,500	-	10,232	4.0%
Guyana	(154)	11,693	-	11,539	4.5%
St. Kitts and Nevis	5,792	-	-	5,792	2.2%
St. Lucia	33,176	14,925	-	48,101	18.6%
Suriname	108,157	7,342	-	115,499	44.7%
St. Vincent and the Grenadines	-	18,517	-	18,517	7.2%
Total	**186,895**	**71,454**	**-**	**258,349**	
Percentage of Total	72.3	27.7	0.0		100.0
LDCs	201,879	59,011	0	260,890	101.0%
MDCs	-14,984	12,443	0	-2,541	-1.0%

APPENDIX I-E

DISTRIBUTION OF LOANS APPROVED (NET) BY SECTOR AND BY FUND - 2016 ($'000)

Sector	Ordinary Capital Resources	Special Development Fund	Other Special Funds	Total
Total All Sectors	**186,895**	**71,454**	**-**	**258,349**
Agriculture and Rural Development	**(13)**	**-**	**-**	**(13)**
Agriculture (excluding Crop Farming)	(13)	-	-	(13)
Manufacturing and Industry	**(268)**	**-**	**-**	**(268)**
Agro-Industries	(268)	-	-	(268)
Tourism	**(1,727)**	**-**	**-**	**(1,727)**
Tourism	(1,727)	-	-	(1,727)
Transportation and Communication	**(574)**	**(122)**	**-**	**(696)**
Road Transport	(574)	(122)	-	(696)
Power, Energy, Water and Sanitation	**137,696**	**16,015**	**-**	**153,711**
Power and Energy	80,533	7,843	-	88,376
Electric Power	-	-	-	-
Water and Sanitation	7,163	8,172	-	15,335
Social Infrastructure and Services	**1,888**	**38,861**	**-**	**40,749**
Education - General	(586)	8,000	-	7,414
Education - Basic	-	1,484	-	1,484
Education - Secondary/Vocational	-	21,877	-	21,877
Education - Post Secondary	(13)	-	-	(13)
Housing	(13)	-	-	(13)
Other Social Infrastructure and Services	2,500	7,500	-	10,000
Environmental Sustainability and Disaster Risk Reduction	**2,893**	**12,700**	**-**	**15,593**
Disaster Prevention and Preparedness	2,893	11,200	-	14,093
Reconstruction Relief and Rehabilitation	-	1,500	-	1,500
Financial, Business and Other Services	**41,000**	**-**	**-**	**41,000**
Financial Intermediaries	41,000	-	-	41,000
Multi-Sector and Other	**56,000**	**4,000**	**-**	**60,000**
Policy-Based Loans/Structural Adjustment Programme	56,000	4,000	-	60,000

APPENDIX I-F

LOAN APPROVALS - 2016 ($'000)

Country	No. of Loan Projects	CDB	Public	Private
Antigua and Barbuda	1	5,981	5,981	-
Anguilla	1	22,000	22,000	-
Bahamas	2	3,643	3,643	-
Belize	6	32,580	32,580	-
Dominica	1	3,012	3,012	-
Grenada	3	10,500	10,500	-
Guyana	1	11,700	11,700	-
St. Kitts and Nevis	1	5,792	5,792	-
St. Lucia	6	48,101	48,101	-
Suriname	4	115,499	115,499	-
St. Vincent and the Grenadines	2	18,517	18,517	-
Total	**28**	**277,325**	**277,325**	**-**
LDCs	**24**	**261,982**	**261,982**	**-**
MDCs	**3**	**15,343**	**15,343**	**-**

APPENDIX I-G

GROSS LOAN APPROVALS BY PROJECT AND LOAN EQUIVALENT - 2016 ($'000)

			OCR		SDF		OSF		
	Project Name	Country	Amount	Loan Equivalent	Amount	Loan Equivalent	Amount	Loan Equivalent	Total
1	STREET LIGHT RETROFITTING PROJECT	Antigua and Barbuda	5,981	1.00	-	-	-	-	5,981
2	ANGUILLA BANK RESOLUTION - BRIDGE BANK CAPITALISATION	Anguilla	22,000	1.00	-	-	-	-	22,000
3	IMMEDIATE RESPONSE LOAN HURRICANE JOAQUIN	Bahamas	-	-	750	1.00	-	-	750
4	TA - GEOMATICS CAPACITY ENHANCEMENT FOR DISASTER RISK MANAGEMENT	Bahamas	2,893	1.00	-	-	-	-	2,893
5	BELIZE SOCIAL INVESTMENT FUND 111	Belize	2,500	0.25	7,500	0.75	-	-	10,000
6	EIGHT CONSOLIDATED LINE OF CREDIT	Belize	19,000	0.95	1,000	0.05	-	-	20,000
7	NDM - IMMEDIATE RESPONSE HURRICANE EARL	Belize	-	-	750	1.00	-	-	750
8	TA - CROOKED TREE ROAD AND CAUSEWAY UPGRADING	Belize	-	-	250	1.00	-	-	250
9	TA - PLACENCIA PENINSULA WASTEWATER MANAGEMENT PROJECT - NUTRIENT FATE AND TRANSPORT STUDY	Belize	-	-	596	1.00	-	-	596
10	YOUTH RESILIENCE AND INCLUSIVE SOCIAL EMPOWERMENT (RISE) PROJECT	Belize	-	-	984	1.00	-	-	984
11	THIRD WATER SUPPLY PROJECT (WATER AREA-1 NETWORK UPGRADE) ADD. LOAN	Dominica	-	-	3,012	1.00	-	-	3,012
12	AWAKENING SPECIAL POTENTIAL BY INVESTING IN RESTORATION AND EMPOWERMENT (ASPIRE) OF YOUTH PROJECT	Grenada	-	-	500	1.00	-	-	500
13	THIRD GROWTH AND RESILIENCE BUILDING POLICY BASED LOAN	Grenada	6,000	1.00	-	-	-	-	6,000
14	THIRD GROWTH AND RESILIENCE POLICY-BASED LOAN	Grenada	-	-	4,000	1.00	-	-	4,000
15	SKILLS DEVELOPMENT AND EMPLOYABILITY PROJECT	Guyana	-	-	11,700	1.00	-	-	11,700
16	STREET AND FLOOD LIGHT RETROFITTING PROJECT	St. Kitts and Nevis	5,792	1.00	-	-	-	-	5,792
17	EDUCATION QUALITY IMPROVEMENT PROJECT	St. Lucia	15,410	0.66	8,000	0.34	-	-	23,410
18	EIGHTH WATER (DENNERY NORTH WATER SUPPLY REDEVELOPMENT) PROJECT	St. Lucia	-	-	4,065	1.00	-	-	4,065
19	EIGHTH WATER (DENNERY NORTH WATER SUPPLY REDEVELOPMNET) PROJECT	St. Lucia	7,163	1.00	-	-	-	-	7,163
20	STREET LIGHT RETRIFITTING PROJECT	St. Lucia	6,000	1.00	-	-	-	-	6,000
21	STREET LIGHT RETROFITTING PROJECT	St. Lucia	4,603	1.00	-	-	-	-	4,603
22	T.A. - ST. LUCIA YOUTH EMPOWERMENT PROJECT	St. Lucia	-	-	2,860	1.00	-	-	2,860
23	POLICY BASED LOAN	Suriname	50,000	1.00	-	-	-	-	50,000
24	POWER PROJECT (ELECTRICITY SYSTEM UPGRADE AND EXPANSION)	Suriname	58,157	1.00	-	-	-	-	58,157
25	POWER PROJECT (ELECTRICTY SYSTEM UPGRADE AND EXPANSION)	Suriname	-	-	6,843	1.00	-	-	6,843
26	T.A. - FEASIBLITY STUDY TO UPGRADE WATER SUPPLY FACILITIES	Suriname	-	-	499	1.00	-	-	499
27	NDM - DISASTER RISK REDUCTION AND CLIMATE CHANGE ADAPTATION	St. Vincent and the Grenadines	-	-	11,200	1.00	-	-	11,200
28	TECHNICAL AND VOCATIONAL EDUCATION AND TRAINING DEVELOPMENT	St. Vincent and the Grenadines	-	-	7,317	1.00	-	-	7,317
Total			**205,499**		**71,826**		**-**		**277,325**

LDCs	202,606	0.77	59,376	0.23	-	-	261,982
MDCs	2,893	0.19	12,450	0.81	-	-	15,343

LDCs	0.99	0.83	-	0.94			
MDCs	0.01	0.17	-	0.06			
Total		0.74		0.26		-	

APPENDIX II-A

SUMMARY OF TOTAL FINANCING APPROVED (NET) (1970 - 2016)
LOANS, CONTINGENT LOANS, EQUITIES AND GRANTS ($'000)

Financing Type	1970-2015	2016	Total
Loans	4,168,173	258,349	4,426,522
Contingent Loans	5,204	-	5,204
Equity	43,193	-	43,193
Grants	511,097	41,824	552,921
Other	24,359	30,394	54,753
Total	**4,752,026**	**330,567**	**5,082,593**

APPENDIX II-B

SUMMARY OF TOTAL FINANCING APPROVED (NET) BY SECTOR (1970 - 2016)
LOANS, CONTINGENT LOANS, EQUITIES AND GRANTS ($'000)

Sector	1970-2015	2016	Total
Agriculture and Rural Development	379,969	7,987	387,956
Environmental Sustainability and Disaster Risk Reduction	411,248	16,173	427,421
Financial, Business and Other Services	108,783	41,260	150,043
Manufacturing and Industry	350,281	(130)	350,151
Mining and Quarrying	36,143	-	36,143
Multi-Sector and Other	822,204	63,985	886,189
Power, Energy, Water and Sanitation	435,666	122,880	558,546
Social Infrastructure and Services	1,138,652	59,146	1,197,798
Tourism	104,383	(1,727)	102,656
Transportation and Communication	964,697	20,993	985,690
Total	**4,752,026**	**330,567**	**5,082,593**

APPENDIX II-C

DISTRIBUTION OF LOANS, CONTINGENT LOANS, EQUITY AND GRANTS APPROVED (NET) BY SECTOR AND BY FUND (1970 - 2016) ($'000)

Sector	Ordinary Capital Resources	Special Development Fund	Other Special Funds	Total
Total All Sectors	**2,812,964**	**1,727,930**	**541,699**	**5,082,593**
Agriculture and Rural Development	**189,132**	**154,655**	**44,169**	**387,956**
Agriculture (excluding Crop Farming)	127,840	37,724	20,778	186,342
Crop Farming	3,725	6,216	2,919	12,860
Export Crops	39,223	23,389	4,732	67,344
Mixed Farming	207	279	3,070	3,556
Irrigation, Drainage and Land Reclamation	10,999	6,958	565	18,522
Fishing	-	2,478	872	3,350
Land Settlement and Rural Development	3,947	36,960	684	41,591
Feeder Roads and Bridges	3,191	40,651	10,549	54,391
Mining and Quarrying	**31,409**	**3,875**	**859**	**36,143**
Fossil Fuels	30,862	926	853	32,641
Metal Ores	547	190	-	737
Non-Metallic Minerals	-	2,759	6	2,765
Manufacturing and Industry	**192,033**	**92,853**	**65,265**	**350,151**
Industrial Development	185,721	60,508	27,614	273,843
Micro and Small Scale Enterprises	-	22,867	1,992	24,859
Agro-Industries	(175)	6,714	34,714	41,253
Textile, Wearing Apparel and Leather Goods	-	300	311	611
Forest Industries	3,502	348	-	3,850
Chemicals and Chemical Products	-	13	541	554
Non-Metallic Mineral Products	2,985	73	-	3,058
Construction	-	2,030	93	2,123
Tourism	**78,611**	**12,958**	**11,087**	**102,656**
Tourism	78,611	12,958	11,087	102,656
Transportation and Communication	**669,496**	**220,189**	**96,005**	**985,690**
Transport Policy and Administrative Management	9,889	5,318	3,497	18,704
Road Transport	385,266	145,761	49,237	580,264
Water Transport	41,534	41,544	15,579	98,657
Air Transport	224,557	26,913	27,586	279,056
Communication	8,250	518	106	8,874
Storage	-	135	-	135
Power, Energy, Water and Sanitation	**370,264**	**137,753**	**50,529**	**558,546**
Power and Energy	122,724	10,846	19,495	153,065
Electric Power	66,755	32,810	1,860	101,425
Alternative Energy	8,250	-	1,791	10,041
Water and Sanitation	172,535	94,097	27,383	294,015
Social Infrastructure and Services	**488,581**	**554,149**	**155,068**	**1,197,798**
Education - General	137,517	111,837	25,740	275,094
Education - Basic	8,253	44,725	13,173	66,151
Education - Secondary/Vocational	36,332	48,167	6,051	90,550
Education - Post Secondary	171,250	108,900	2,574	282,724
Health	4,091	2,467	2,151	8,709
Housing	94,356	36,840	23,049	154,245
Other Social Infrastructure and Services	36,782	201,213	82,330	320,325
Environmental Sustainability and Disaster Risk Reduction	**125,610**	**285,390**	**16,421**	**427,421**
Environmental Sustainability	-	3,237	708	3,945
Sea Defence/Flood Prevention/Control	6,855	(47)	196	7,004
Disaster Prevention and Preparedness	9,515	53,171	5,382	68,068
Reconstruction Relief and Rehabilitation	109,240	229,029	10,135	348,404
Financial, Business and Other Services	**105,269**	**42,492**	**2,282**	**150,043**
Financial Policy and Administrative Management	32,083	10,537	1,596	44,216
Financial Intermediaries	73,186	31,955	686	105,827
Multi-Sector and Other	**562,559**	**223,616**	**100,014**	**886,189**
Government and Civil Society	101,557	20,373	14,641	136,571
Urban Development	29,912	10,262	156	40,330
Policy-Based Loans/Structural Adjustment Programme	430,000	166,896	38,800	635,696
Regional/Multulateral Trade Agreements	-	2,274	11,695	13,969
Other	1,090	23,811	34,722	59,623

APPENDIX II-D

DISTRIBUTION OF LOANS, CONTINGENT LOANS, EQUITY AND GRANTS APPROVED (NET) BY COUNTRY AND BY SECTOR (1970 - 2016) ($'000)

Country	Agriculture and Rural Development	Mining and Quarrying	Manufacturing and Industry	Tourism	Transportation and Communication	Power, Energy, Water and Sanitation	Social Infrastructure and Services	Environmental Sustainability and Disaster Risk Reduction	Financial, Business and Other Services	Multi-Sector and Other	Total
Antigua and Barbuda	6,638	0	4,075	1,922	67,862	7,250	40,816	191	(615)	83,831	**211,970**
Anguilla	2,871	-	6,589	1,193	20,712	14,625	9,021	4,112	22,404	55,000	**136,527**
Barbados	18,921	100	31,966	40,064	123,357	44,795	130,040	7,647	7,193	75,919	**480,002**
Bahamas	10,086	-	11,488	2,187	24,891	43,818	5,797	4,621	164	311	**103,363**
Belize	29,221	-	15,216	1,259	111,859	68,700	139,012	18,532	38,442	47,422	**469,663**
Dominica	21,952	-	17,892	7,506	36,279	31,264	57,996	84,477	1,446	16,560	**275,372**
Dominican Republic	519	-	-	-	-	-	-	-	-	259	**778**
Grenada	19,227	451	19,649	4,553	68,645	19,958	68,278	44,209	11,034	50,769	**306,773**
Guyana	71,345	-	18,587	128	100,571	12,453	58,884	25,571	75	55,231	**342,845**
Haiti	18,000	-	987	-	-	211	63,615	8,009	-	19,086	**109,908**
Jamaica	80,789	932	105,964	15,646	105,466	16,644	118,025	113,628	56,718	167,693	**781,505**
St. Kitts and Nevis	6,164	123	10,874	1,746	46,817	30,139	75,381	12,705	520	40,206	**224,675**
Cayman Islands	1,308	388	1,705	6,429	23,047	9,775	5,563	-	44	-	**48,259**
St. Lucia	22,558	62	25,242	14,197	76,133	86,329	152,017	44,611	5,625	48,283	**475,057**
Montserrat	1,408	87	1,964	168	6,024	3,495	10,071	-	378	(3)	**23,592**
Suriname	-	-	30	-	-	65,772	22,043	-	-	50,513	**138,358**
Turks and Caicos Islands	1,510	18	1,027	1,302	3,140	240	21,849	619	(326)	5,088	**34,467**
Trinidad and Tobago	42,218	30,875	32,664	4	38,262	43,219	(16,525)	4	8	33,136	**203,865**
St. Vincent and the Grenadines	16,899	2,939	13,198	541	75,396	48,556	77,180	38,554	453	65,492	**339,208**
British Virgin Islands	3,503	-	5,409	403	36,018	4,812	11,677	15,672	1	-	**77,495**
Regional	1,530	0	2,667	1,314	2,289	4,507	50,686	2,306	3,369	26,091	**94,759**
Regional: LDC Focus	1,365	119	605	430	11,059	1,091	12,690	617	491	5,346	**33,813**
Regional: MDC Focus	25	-	-	-	6,313	-	9,602	-	-	3,020	**18,960**
Regional: LDC/MDC Focus	9,899	49	22,353	1,664	1,550	893	74,080	1,336	2,619	36,936	**151,379**
Total	**387,956**	**36,143**	**350,151**	**102,656**	**985,690**	**558,546**	**1,197,798**	**427,421**	**150,043**	**886,189**	**5,082,593**

APPENDIX II-E

APPROVALS OF LOANS, CONTINGENT LOANS, EQUITY AND GRANTS (NET) BY COUNTRY AND BY YEAR (1970 - 2016) ($'000)

Country	1970 - 2010	2011	2012	2013	2014	2015	2016	Total
Antigua and Barbuda	102,467	27	(1,552)	35,607	(42)	50,610	24,853	211,970
Anguilla	108,504	11	269	3,340	-	2,357	22,046	136,527
Barbados	351,476	35,273	17,703	39,922	6,085	31,003	(1,460)	480,002
Bahamas	64,123	-	236	1,022	20,948	28,951	(11,917)	103,363
Belize	314,665	2,112	21,004	11,455	48,040	36,759	35,628	469,663
Dominica	205,368	12,438	16,338	1,822	2,242	33,685	3,479	275,372
Dominican Republic	-	-	527	-	-	234	17	778
Grenada	223,693	10,077	3,145	(93)	21,186	35,930	12,835	306,773
Guyana	255,788	269	40,523	25,013	8,631	225	12,396	342,845
Haiti	48,654	10,721	6,362	13,706	2,743	15,303	12,419	109,908
Jamaica	708,128	(720)	27,806	(145)	48,181	(2,760)	1,015	781,505
St. Kitts and Nevis	198,723	18,557	1,013	42	(8,338)	8,407	6,271	224,675
Cayman Islands	48,140	-	72	35	-	-	12	48,259
St. Lucia	344,546	30,539	12,462	312	21,365	15,831	50,002	475,057
Montserrat	18,662	2,591	1,751	51	485	41	11	23,592
Suriname	-	-	11	-	21,970	592	115,785	138,358
Turks and Caicos Islands	31,078	(99)	(1,880)	85	70	5,200	13	34,467
Trinidad and Tobago	162,363	1,017	43	50	40,000	233	159	203,865
St. Vincent and the Grenadines	250,241	19,412	23,128	417	10,979	512	34,519	339,208
British Virgin Islands	61,689	15,672	48	50	-	23	13	77,495
Regional	21,859	5,139	7,577	24,625	10,255	12,833	12,471	94,759
Regional: LDC Focus	33,813	-	-	-	-	-	-	33,813
Regional: MDC Focus	18,960	-	-	-	-	-	-	18,960
Regional: LDC/MDC Focus	151,379	-	-	-	-	-	-	151,379
Total	**3,724,319**	**163,036**	**176,586**	**157,316**	**254,800**	**275,969**	**330,567**	**5,082,593**

LDCs	1,990,067	122,058	82,171	66,829	120,700	205,250	317,886	2,904,961
MDCs	1,561,014	35,839	86,311	65,862	123,845	57,652	193	1,930,716
Regional	173,238	5,139	8,104	24,625	10,255	13,067	12,488	246,916

Note: Cancellations prior to 2009 are deducted in the year in which approvals were made.

APPENDIX II-F

DISTRIBUTION OF LOANS APPROVED (NET)
BY COUNTRY AND BY FUND (1970 - 2016) ($'000)

Country	Ordinary Capital Resources	Special Development Fund	Other Special Funds	Total	Percentage of Total
Antigua and Barbuda	162,010	14,255	9,346	185,611	4.2%
Anguilla	121,943	11,599	500	134,042	3.0%
Barbados	423,714	6,909	29,779	460,402	10.4%
Bahamas	93,775	3,786	3,240	100,801	2.3%
Belize	271,808	146,544	11,265	429,617	9.7%
Dominica	52,299	150,423	36,322	239,044	5.4%
Grenada	100,255	145,456	32,487	278,198	6.3%
Guyana	71,335	205,277	22,164	298,776	6.7%
Jamaica	493,897	187,478	74,831	756,206	17.1%
St. Kitts and Nevis	102,148	96,151	9,025	207,324	4.7%
Cayman Islands	39,884	4,703	3,313	47,900	1.1%
St. Lucia	253,983	150,131	38,804	442,918	10.0%
Montserrat	485	11,178	1,372	13,035	0.3%
Suriname	126,727	10,712	-	137,439	3.1%
Turks and Caicos Islands	16,285	12,100	-	28,385	0.6%
Trinidad and Tobago	193,808	5,018	2,566	201,392	4.5%
St. Vincent and the Grenadines	159,220	113,924	23,522	296,666	6.7%
British Virgin Islands	59,542	14,791	1,894	76,227	1.7%
Regional	12,668	6,375	-	19,043	0.4%
Regional: LDC Focus	10,000	5,232	2,626	17,858	0.4%
Regional: MDC Focus	7,266	5,544	2,174	14,984	0.3%
Regional: LDC/MDC Focus	39,912	742	-	40,654	0.9%
Total	**2,812,964**	**1,308,328**	**305,230**	**4,426,522**	

Percentage of Total	63.5	29.6	6.9		100.0

LDCs	1,476,589	887,199	170,476	2,534,264	57.3%
MDCs	1,283,795	414,012	134,754	1,832,561	41.4%
Regional	52,580	7,117	0	59,697	1.3%

APPENDIX II-G

DISTRIBUTION OF LOANS APPROVED (NET) BY SECTOR AND BY FUND (1970 - 2016) ($'000)

Sector	Ordinary Capital Resources	Special Development Fund	Other Special Funds	Total
Total All Sectors	**2,812,964**	**1,308,328**	**305,230**	**4,426,522**
Agriculture and Rural Development	**189,132**	**129,780**	**36,835**	**355,747**
Agriculture (excluding Crop Farming)	127,840	35,704	18,865	182,409
Crop Farming	3,725	5,895	2,780	12,400
Export Crops	39,223	23,314	4,674	67,211
Mixed Farming	207	100	1,421	1,728
Irrigation, Drainage and Land Reclamation	10,999	6,803	409	18,211
Fishing	-	2,437	694	3,131
Land Settlement and Rural Development	3,947	25,567	312	29,826
Feeder Roads and Bridges	3,191	29,960	7,680	40,831
Mining and Quarrying	**31,409**	**3,294**	**436**	**35,139**
Fossil Fuels	30,862	535	430	31,827
Metal Ores	547	-	-	547
Non-Metallic Minerals	-	2,759	6	2,765
Manufacturing and Industry	**192,033**	**73,426**	**47,544**	**313,003**
Industrial Development	185,721	59,702	13,383	258,806
Micro and Small Scale Enterprises	-	8,563	1,137	9,700
Agro-Industries	(175)	5,086	32,318	37,229
Textile, Wearing Apparel and Leather Goods	-	2	260	262
Forest Industries	3,502	-	-	3,502
Chemicals and Chemical Products	-	-	446	446
Non-Metallic Mineral Products	2,985	73	-	3,058
Tourism	**78,611**	**10,803**	**6,935**	**96,349**
Tourism	78,611	10,803	6,935	96,349
Transportation and Communication	**669,496**	**213,022**	**70,340**	**952,858**
Transport Policy and Administrative Management	9,889	3,101	-	12,990
Road Transport	385,266	143,648	31,162	560,076
Water Transport	41,534	40,982	15,041	97,557
Air Transport	224,557	25,254	24,137	273,948
Communication	8,250	37	-	8,287
Power, Energy, Water and Sanitation	**370,264**	**129,526**	**25,437**	**525,227**
Power and Energy	122,724	8,363	-	131,087
Electric Power	66,755	32,625	1,577	100,957
Alternative Energy	8,250	-	-	8,250
Water and Sanitation	172,535	88,538	23,860	284,933
Social Infrastructure and Services	**488,581**	**280,524**	**63,002**	**832,107**
Education - General	137,517	61,520	16,400	215,437
Education - Basic	8,253	31,767	12,050	52,070
Education - Secondary/Vocational	36,332	41,919	5,769	84,020
Education - Post Secondary	171,250	98,847	2,174	272,271
Health	4,091	1,157	1,875	7,123
Housing	94,356	35,347	22,884	152,587
Other Social Infrastructure and Services	36,782	9,967	1,850	48,599
Environmental Sustainability and Disaster Risk Reduction	**125,610**	**270,309**	**11,501**	**407,420**
Sea Defence/Flood Prevention/Control	6,855	(67)	(54)	6,734
Disaster Prevention and Preparedness	9,515	44,098	1,495	55,108
Reconstruction Relief and Rehabilitation	109,240	226,278	10,060	345,578
Financial, Business and Other Services	**105,269**	**34,938**	**-**	**140,207**
Financial Policy and Administrative Management	32,083	5,209	-	37,292
Financial Intermediaries	73,186	29,729	-	102,915
Multi-Sector and Other	**562,559**	**162,706**	**43,200**	**768,465**
Government and Civil Society	101,557	3,226	4,400	109,183
Urban Development	29,912	750	-	30,662
Policy-Based Loans/Structural Adjustment Programme	430,000	156,760	38,800	625,560
Other	1,090	1,970	-	3,060

APPENDIX II-H

CONTINGENT LOANS APPROVED (NET) BY COUNTRY AND BY FUND (1970 - 2016) ($'000)

Country	Ordinary Capital Resources	Special Development Fund	Other Special Funds	Total	Percentage of Total
Antigua and Barbuda	-	4	-	4	0.1%
Anguilla	-	-	71	71	1.4%
Barbados	-	384	156	540	10.4%
Belize	-	829	152	981	18.9%
Dominica	-	-	809	809	15.5%
Grenada	-	241	-	241	4.6%
Jamaica	-	286	-	286	5.5%
St. Kitts and Nevis	-	178	56	234	4.5%
St. Lucia	-	145	50	195	3.7%
Montserrat	-	87	-	87	1.7%
Turks and Caicos Islands	-	1,054	-	1,054	20.3%
Trinidad and Tobago	-	200	-	200	3.8%
St. Vincent and the Grenadines	-	217	131	348	6.7%
British Virgin Islands	-	50	104	154	3.0%
Total	**-**	**3,675**	**1,529**	**5,204**	

Percentage of Total	0.0	70.6	29.4		100.0

LDCs	0	2,805	1,373	4,178	80.3%
MDCs	0	870	156	1,026	19.7%

APPENDIX II-I

CONTINGENT LOANS APPROVED (NET) BY SECTOR AND BY FUND (1970 - 2016) ($'000)

Sector	Ordinary Capital Resources	Special Development Fund	Other Special Funds	Total
Total All Sectors	**-**	**3,675**	**1,529**	**5,204**
Agriculture and Rural Development	**-**	**460**	**147**	**607**
Agriculture (excluding Crop Farming)	-	185	96	281
Crop Farming	-	-	51	51
Export Crops	-	75	-	75
Land Settlement and Rural Development	-	200	-	200
Mining and Quarrying	**-**	**391**	**131**	**522**
Fossil Fuels	-	391	131	522
Manufacturing and Industry	**-**	**52**	**-**	**52**
Industrial Development	-	52	-	52
Tourism	**-**	**93**	**-**	**93**
Tourism	-	93	-	93
Transportation and Communication	**-**	**2,096**	**243**	**2,339**
Transport Policy and Administrative Management	-	1,267	104	1,371
Road Transport	-	245	38	283
Air Transport	-	584	101	685
Power, Energy, Water and Sanitation	**-**	**583**	**852**	**1,435**
Power and Energy	-	222	824	1,046
Water and Sanitation	-	361	28	389
Multi-Sector and Other	**-**	**-**	**156**	**156**
Urban Development	-	-	156	156

APPENDIX II-J

GRANTS APPROVED (NET)
BY COUNTRY AND BY FUND (1970 - 2016) ($'000)

Country	Ordinary Capital Resources	Special Development Fund	Other Special Funds	Total	Percentage of Total
Antigua and Barbuda	-	2,327	4,688	7,015	1.3%
Anguilla	-	1,558	856	2,414	0.4%
Barbados	-	1,388	1,403	2,791	0.5%
Bahamas	-	1,718	320	2,038	0.4%
Belize	-	26,876	9,247	36,123	6.5%
Dominica	-	17,520	16,394	33,914	6.1%
Dominican Republic	-	-	519	519	0.1%
Grenada	-	17,498	9,538	27,036	4.9%
Guyana	-	37,170	6,103	43,273	7.8%
Haiti	-	109,908	-	109,908	19.9%
Jamaica	-	21,109	1,663	22,772	4.1%
St. Kitts and Nevis	-	10,681	5,773	16,454	3.0%
Cayman Islands	-	327	32	359	0.1%
St. Lucia	-	22,828	8,608	31,436	5.7%
Montserrat	-	7,639	2,831	10,470	1.9%
Suriname	-	133	273	406	0.1%
Turks and Caicos Islands	-	3,912	1,116	5,028	0.9%
Trinidad and Tobago	-	692	1,197	1,889	0.3%
St. Vincent and the Grenadines	-	17,361	23,819	41,180	7.4%
British Virgin Islands	-	766	348	1,114	0.2%
Regional	-	47,386	8,903	56,289	10.2%
Regional: LDC Focus	-	6,931	5,924	12,855	2.3%
Regional: MDC Focus	-	976	-	976	0.2%
Regional: LDC/MDC Focus	-	58,951	27,774	86,725	15.7%
Total	**-**	**415,655**	**137,329**	**552,984**	

Percentage of Total	0.0	75.2	24.8		100.0

LDCs	0	246,121	89,415	335,536	60.7%
MDCs	0	63,197	10,718	73,915	13.4%
Regional	0	106,337	37,196	143,533	26.0%

APPENDIX II-K

GRANTS APPROVED (NET)
BY SECTOR AND BY FUND (1970 - 2016) ($'000)

Country	Ordinary Capital Resources	Special Development Fund	Other Special Funds	Total
Total All Sectors	**-**	**415,719**	**137,202**	**552,921**
Agriculture and Rural Development	**-**	**24,415**	**5,522**	**29,937**
Agriculture (excluding Crop Farming)	-	1,835	1,594	3,429
Crop Farming	-	321	88	409
Export Crops	-	-	58	58
Mixed Farming	-	179	207	386
Irrigation, Drainage and Land Reclamation	-	155	156	311
Fishing	-	41	178	219
Land Settlement and Rural Development	-	11,193	372	11,565
Feeder Roads and Bridges	-	10,691	2,869	13,560
Mining and Quarrying	**-**	**190**	**292**	**482**
Fossil Fuels	-	-	292	292
Metal Ores	-	190	-	190
Manufacturing and Industry	**-**	**19,186**	**6,983**	**26,169**
Industrial Development	-	754	4,007	4,761
Micro and Small Scale Enterprises	-	14,304	712	15,016
Agro-Industries	-	1,628	2,025	3,653
Textile, Wearing Apparel and Leather Goods	-	109	51	160
Forest Industries	-	348	-	348
Chemicals and Chemical Products	-	13	95	108
Construction	-	2,030	93	2,123
Tourism	**-**	**2,043**	**3,080**	**5,123**
Tourism	-	2,043	3,080	5,123
Transportation and Communication	**-**	**5,071**	**4,380**	**9,451**
Transport Policy and Administrative Management	-	950	214	1,164
Road Transport	-	1,868	174	2,042
Water Transport	-	562	538	1,100
Air Transport	-	1,075	3,348	4,423
Communication	-	481	106	587
Storage	-	135	-	135
Power, Energy, Water and Sanitation	**-**	**7,644**	**20,715**	**28,359**
Power and Energy	-	2,261	16,795	19,056
Electric Power	-	185	283	468
Alternative Energy	-	-	1,791	1,791
Water and Sanitation	-	5,198	1,846	7,044
Social Infrastructure and Services	**-**	**273,625**	**67,550**	**341,175**
Education - General	-	50,317	9,340	59,657
Education - Basic	-	12,958	1,123	14,081
Education - Secondary/Vocational	-	6,248	-	6,248
Education - Post Secondary	-	10,053	400	10,453
Health	-	1,310	276	1,586
Housing	-	1,493	165	1,658
Other Social Infrastructure and Services	-	191,246	56,246	247,492
Environmental Sustainability and Disaster Risk Reduction	**-**	**15,081**	**3,454**	**18,535**
Environmental Sustainability	-	3,237	708	3,945
Sea Defence/Flood Prevention/Control	-	20	250	270
Disaster Prevention and Preparedness	-	9,073	2,421	11,494
Reconstruction Relief and Rehabilitation	-	2,751	75	2,826
Financial, Business and Other Services	**-**	**7,554**	**2,182**	**9,736**
Financial Policy and Administrative Management	-	5,328	1,496	6,824
Financial Intermediaries	-	2,226	686	2,912
Multi-Sector and Other	**-**	**60,910**	**23,044**	**83,954**
Government and Civil Society	-	17,147	10,241	27,388
Urban Development	-	9,512	-	9,512
Policy-Based Loans/Structural Adjustment Programme	-	10,136	-	10,136
Regional/Multulateral Trade Agreements	-	2,274	7,491	9,765
Other	-	21,841	5,312	27,153

APPENDIX II-L

GRANTS APPROVED (NET)
BY COUNTRY AND BY YEAR (1970 - 2016) ($'000)

Country	1970 - 2010	2011	2012	2013	2014	2015	2016	Total
Antigua and Barbuda	6,422	132	37	324	(42)	100	42	7,015
Anguilla	1,947	11	269	125	-	16	46	2,414
Barbados	2,048	23	86	63	-	466	105	2,791
Bahamas	878	-	224	272	28	200	436	2,038
Belize	21,786	1,012	6,295	224	3,442	1,543	1,821	36,123
Dominica	26,804	58	4,970	92	1,011	872	107	33,914
Dominican Republic	-	-	519	-	-	-	-	519
Grenada	20,181	818	3,409	(93)	486	740	1,495	27,036
Guyana	33,667	269	6,858	13	1,756	135	575	43,273
Haiti	48,654	10,721	6,362	13,706	2,743	15,303	12,419	109,908
Jamaica	11,234	321	7,049	181	1,913	1,110	964	22,772
St. Kitts and Nevis	13,584	47	1,895	42	456	407	23	16,454
Cayman Islands	240	-	72	35	-	-	12	359
St. Lucia	20,140	596	5,736	312	2,226	525	1,901	31,436
Montserrat	8,040	91	1,751	51	485	41	11	10,470
Suriname	-	-	-	-	30	90	286	406
Turks and Caicos Islands	3,703	-	957	85	70	200	13	5,028
Trinidad and Tobago	771	1,017	27	50	-	-	24	1,889
St. Vincent and the Grenadines	18,433	440	4,558	22	1,601	299	15,827	41,180
British Virgin Islands	980	-	48	50	-	23	13	1,114
Regional	13,609	5,139	7,183	2,412	10,255	11,924	5,704	56,226
Regional: LDC Focus	12,855	-	-	-	-	-	-	12,855
Regional: MDC Focus	976	-	-	-	-	-	-	976
Regional: LDC/MDC Focus	86,725	-	-	-	-	-	-	86,725
Total	**353,677**	**20,695**	**58,305**	**17,966**	**26,460**	**33,994**	**41,824**	**552,921**
LDCs	203,593	13,926	36,359	14,975	12,508	20,159	34,016	335,536
MDCs	49,750	1,630	14,244	579	3,697	1,911	2,104	73,915
Regional	100,334	5,139	7,702	2,412	10,255	11,924	5,704	143,470

Note: Cancellations prior to 2009 are deducted in the year in which approvals were made.

ABBREVIATIONS AND ACRONYMS

B

BMC	Borrowing Member Country
BNTF	Basic Needs Trust Fund

C

CARICOM	Caribbean Community
CBI	Citizenship by Investment
CBRs	Correspondent Banking Relationships
CDB	Caribbean Development Bank
CALC	Climate Action Line of Credit
CARTAC	Caribbean Regional Technical Assistance Center
CMDG	Caribbean-specific Millennium Development Goal
CRO	Chief Risk Officer
CSME	Caribbean Single Market and Economy
CSPE	Country Strategy Programme Evaluation
CTCS	Caribbean Technological Consultancy Services

D

DEC	Development Effectiveness Committee

E

ECCU	Eastern Caribbean Currency Union
EIB	European Investment Bank
EPA	Economic Partnership Agreement
ERC	Enterprise Risk Committee
ERM	Enterprise Risk Management
ESU	Environmental Sustainability Unit
EU	European Union

G

GCF	Green Climate Fund

H

HRIS	Human Resources Information System

I

IAD	Internal Audit Division
IAs	Implementing Agencies
IIA	Institute of Internal Auditors
ICA	Office of Integrity, Compliance and Accountability
ICTs	Information Communication Technologies
IDB	Inter-American Development Bank
IMF	International Monetary Fund
IT	Information Technology

M

m^3	cubic metres
MDG	Millennium Development Goal
MDB	Multilateral Development Bank
mn	million
MfDR	Managing for Development Results
MSMEs	micro, small and medium enterprises

N

NRW	non-revenue water

O

OAC	Oversight and Assurance Committee
OCR	Ordinary Capital Resources
OECS	Organisation of Eastern Caribbean States
OIE	Office of Independent Evaluation
ORM	Office of Risk Management
OSF	Other Special Funds

P

PBOs	Policy-Based Operations
PCM	Project Cycle Management
PCRs	Project Completion Reports
PCs	Participating Countries
PPAM	Public Policy Analysis and Management
PPP	Public Private Partnership
PV	photovoltaic

R

RAS	Risk Appetite Statements
RBM	Results-Based Management
RCSA	Risk Control Self-Assessment
RMF	Results Monitoring Framework
RSM	Regional Support Facility

S

SBA	Stand-By Arrangement
SDF	Special Development Fund
SDG	Sustainable Development Goal
SISA	Stars Industries S.A.

T

TCI	Turks and Caicos Islands
TVET	Technical and Vocational Education and Training

U

UKCIF	United Kingdom Caribbean Infrastructure Partnership Fund
US	United States

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If you have questions, comments and/or suggestions, please contact us using one of the methods below.

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