



CARIBBEAN DEVELOPMENT BANK  
Annual Report 2008



Wilkey, St. Michael  
Barbados, West Indies

March 5, 2009

My Dear Chairman:

I enclose the Annual Report of the Caribbean Development Bank (CDB) for the year ended December 31, 2008, which the Board of Directors, acting pursuant to Paragraph 2 of Article 38 of the Agreement establishing the Bank and in accordance with Section 18 of the By-Laws of the Bank, has requested me to submit to the Board of Governors.

Yours sincerely,

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

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

The Hon. Michael Foster  
Chairman  
Board of Governors  
Caribbean Development Bank

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The year under review was a very challenging one for Caribbean countries. All countries, except net energy-exporter Trinidad and Tobago, had to contend with steep increases in global energy prices in the first half of the year and with rising costs of imported food and agricultural raw materials. In addition, prices for some major agricultural exports weakened or remained depressed. These trends in global commodity prices accelerated the rate of domestic price inflation and weakened trade balances. In the last quarter of the year, a catastrophic global financial crisis heralded the onset of economic recession in Western industrialised economies and in emerging economies, with adverse implications for the foreign trade performance and international capital market access of CDB's Borrowing Member Countries (BMCs).

Despite these challenges, all the BMCs succeeded in growing their economies, although at slower rates than achieved in 2007.

Within this context of slower economic growth, CDB performed strongly. On the lending side, there was a substantial expansion in the value of loans and grants approved. The Bank made significant contributions to investments in human resource development and training and in community development in Haiti which joined the Bank in 2007. Two countries benefited from policy-based loans. Substantial financial allocations were also made for economic infrastructure and natural disaster relief and rehabilitation.

On the resource mobilisation side, the Bank made a successful bond issue to CARICOM central banks and completed negotiations for replenishment of the Special Development Fund.

The Bank also contributed to policy development on three issues of major importance, namely climate change adaptation, the global food price inflation and the global financial crisis and economic recession by convening and actively participating in regional seminars.

CDB will ensure that it is appropriately positioned to assist its BMCs to cope with the various economic problems emanating from global events, to sustain economic growth and to make substantial progress with poverty reduction.

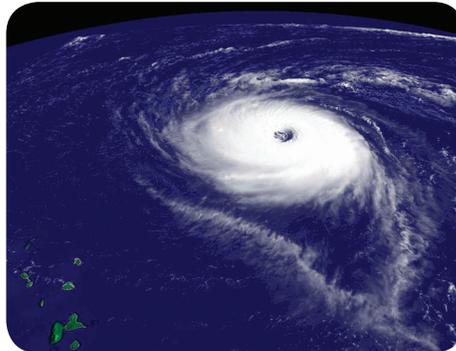
Finally, I take this opportunity to express the Management of the Bank's deep appreciation of the committed efforts of its staff and the unstinting support of its Board of Directors towards the results achieved in 2008.



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







## REGIONAL ECONOMIC DEVELOPMENTS

### Overview

Regional economies grappled with a number of external shocks in 2008. These included the global financial crisis and the subsequent deceleration in economic activity in the Region's main trading partners, the passage of several weather systems, and the rising price of oil and other commodities in the first half of the year. Nevertheless, regional economies were able to post some growth, albeit at a slower pace than in 2007, as the fall-out from the global crisis has not yet been fully realised.

Fiscal performances were mixed in 2008, as in some countries, efforts to cushion the effects of rising oil prices and higher wages and salaries led to deterioration in finances. Some countries did show improvements, benefiting from previous and ongoing fiscal reforms, while others reduced capital expenditures in the face of sluggish real sector activity. Against the backdrop of increasing uncertainty and rising liquidity and inflationary pressures, some central banks changed their policy stance, although the direction and the instruments used varied according to individual country dynamics. Available data on the external sector suggest that there were some reserve losses because of widening current account deficits and falling capital account surpluses. During the year, the current account was affected by slowing tourism activity and disruptions to agricultural exports, while the capital account suffered from declining remittances and Foreign Direct Investment (FDI) flows.

## REGIONAL SECTOR PERFORMANCE

### Tourism

Following a lacklustre performance in 2007, most countries registered either a decline or slower growth in arrivals in 2008. Dominica and St. Lucia were the notable exceptions. Dominica benefited from the staging of a national event which was supported by a large number of Dominicans resident abroad, while St. Lucia partially recovered from the poor performance of the previous year. For most other economies, the decline was particularly noticeable in the long-stay segment of the market. The global economic crisis, and in particular the financial turmoil in the US, the depreciation of the Euro and Pound were the main factors contributing to the decline in international visitors, while intra-regional travel was adversely affected by high airfares. Only the Canadian market showed major improvement during the year, and was likely reflective of the relative strength of that economy and the appreciation of the currency. In response to the decline in arrivals, some hotels engaged in discounting as a means of maintaining occupancy levels, while others were forced to lay off staff or reduce working hours. Cruise tourism also deteriorated during the year, as the global slowdown and high oil prices caused some cruise lines to adjust their schedules.



### Agriculture

Most countries experienced growth in the agriculture sector in 2008, although this was concentrated mainly in secondary export crops, as sugar and banana production declined. Those non-traditional industries that showed some improvement were fisheries, citrus, cocoa, nutmegs, mace, vegetables, root crops, and livestock, mainly on account of favourable weather conditions and higher prices on the world market.

Sugar production is estimated to have declined in Guyana, Barbados, Belize, Jamaica and Trinidad and Tobago. In Barbados, ongoing efforts to restructure the sugar industry led to a reduction in the acreage under cultivation, while output in Belize suffered from adverse weather conditions and insect infestation. Output in Jamaica was affected by the passage of Tropical Storm Gustav, while in Trinidad and Tobago, there was no cultivation following Government's decision to close the sugar cane industry after the 2007 crop. In Guyana, output was constrained mainly by unfavourable weather which affected planting and harvesting.

Banana production fell in Jamaica, Dominica, and St. Vincent and the Grenadines, but rose in Belize and

St. Lucia. The industry in Jamaica was particularly hard hit by Hurricane Dean in 2007, and tropical storm Gustav in 2008. These developments forced the island's largest producer to scale back operations and to focus exclusively on the domestic, rather than the export market. Production in St. Vincent and the Grenadines was also down due to the effects of Moko disease, adverse weather, rising input costs and a reduction in the UK retail price. The favourable performance in Belize and St. Lucia largely reflected a recovery from the previous year's hurricane-induced slump.

### Manufacturing

Following a favourable performance in 2007, manufacturing output declined in most economies in 2008. While the sector is relatively small, accounting for generally less than 10% of gross domestic product (GDP), its contributions to employment and foreign exchange are nevertheless invaluable. Regional production is limited to construction materials, beverages, garments, jams and jellies, pharmaceuticals and detergents. The performance this year was adversely affected by slower global demand and higher input costs, namely fuel and imported raw materials. Several manufacturers were faced with tightening credit conditions imposed by foreign suppliers who were now demanding upfront payment or more stringent settlement terms for raw materials.

### Construction

Activity in the construction sector moderated further, as most countries either registered a slowdown in growth or fall-off in activity. While this may reflect some return to normalcy following the extraordinary expansions associated with Cricket World Cup 2007 and the completion of other mainly public sector projects, the year's performance was also influenced by the global crisis, as the credit crunch led to reduced inflows mainly for hotel and condominium construction. Much of the impetus for the regional performance came from the public sector where activity focused on improvements to roads, hospitals and schools, while in the private sector work continued on residential construction.

### Mining and Quarrying

There was a general increase in mining and quarrying activity in the BMCs in 2008. In Guyana, output expanded due to favourable conditions on the world market, and the reaping of gains from previous years' investments. More specifically, in the bauxite industry, significant investments over the last two years led to higher bauxite production, while the high price of gold on the international market, coupled with favourable weather conditions, led miners to expand operations. Diamond declarations decreased, however, as the high price of gold, as well as the incentives

offered to prospect for other minerals shifted activity away from diamond mining. In Trinidad and Tobago, the energy sector is estimated to have slowed as a decline in oil exploration and production, on account of maturing oil fields, partially offset an increase in refining activity. Conversely, activity contracted in Jamaica as declining export prices in the bauxite and alumina market, coupled with weak global demand, led to an accumulation of inventories.

### Inflation

Inflationary pressures continued to mount during the year as economies grappled with a number of external and domestic shocks. On the external front, countries had to deal with the rising price of oil and other commodities, in particular wheat and corn which are used in the production of flour and cereals. On the domestic side, factors included higher government spending, increased fees for some government services and adverse weather conditions which disrupted agricultural production. Consequently, higher prices were recorded for most categories in the price index, particularly food, beverages, fuel and light, transportation, housing and furniture. To mitigate the impact of the rise in prices, especially on the more vulnerable groups, some governments implemented a number of measures. These included the zero-rating of food items in Antigua and Barbuda, Dominica, and Guyana, while in St. Kitts and Nevis the Government reduced customs service charges on basic food items, instituted a policy of fixing maximum profit margins that wholesalers and retailers could gain from the sale of some food items, granted concessions to bakers to ensure that bread remained affordable, and reduced the duties on imported food barrels. Guyana also lowered tariffs on fuel to combat high prices and maintain competitiveness.

### Financial Sector

Regional monetary policy was conducted in a particularly challenging environment in 2008, characterised by global uncertainty, higher prices and slower economic growth. As such, the policy responses were varied, reflecting the dynamics in the individual BMCs – some central banks opted to tighten monetary policy, while one relaxed its stance, and others opted to leave policy unchanged.

In Jamaica, maintaining exchange rate and price stability was the primary focus of monetary policy. Consequently, the Bank of Jamaica issued a variable rate Certificate of Deposit and injected foreign currency into the system in an attempt to tighten Jamaica dollar liquidity, raised interest rates on a variety of open market instruments, and re-introduced the 365-day tenor. Against this backdrop, growth in the money supply was lower than expected and likely reflected reduced demand in the wake of

rising unemployment and lower real wages. Similarly, the demand for personal loans also waned, due to a reduction in the demand for motor car and home improvement loans.

High levels of liquidity in Trinidad and Tobago's banking system and concerns about high inflation rates saw authorities utilising a wide range of instruments to mop up excess balances. These included: the issue of liquidity absorption bonds; increasing the reserve requirements applicable to commercial banks; the aggressive use of open market operations; raising of the repo rate by 75 basis points; and the rolling over of the commercial banks' compulsory deposit facilities that were due to mature. The rise in commercial bank liquidity was due to two main factors, namely the strong increase in net domestic fiscal injection by 3.8% to \$2,023.5 million (mn), and the amalgamation of RBTT Holdings Ltd. and RBC Holdings (Trinidad and Tobago) which placed \$415.6 mn in the financial system. Barbados' banking system also experienced high levels of liquidity, mainly reflecting relatively slower credit growth in the wake of decelerating economic activity. Consequently, authorities reduced the minimum deposit rate twice, first by 50 and then by 25 basis points, and lowered the discount rate by 125 basis points.



## Fiscal Policy

Fiscal performance was mixed in 2008. Several countries experienced a deterioration in public finances, as expenditures were notably higher on account of payments for salary increases, interest payments on accumulating debt stock, the inflationary impact on the prices of goods and services, larger transfers and subsidies due to efforts to mitigate the effect of rising prices, and in one instance, pre-election spending. Of those countries which registered an improvement in overall deficit positions, some benefited from on-going and previous programmes to improve finances and financial management. This was particularly noticeable in Belize and Dominica which witnessed some increase in revenues, while managing to restrain expenditure growth. In most other countries where a favourable fiscal outturn was recorded, it reflected in large part a reduction in capital spending as revenue growth was relatively slow.

## Prospects

The prospects for regional performance in 2009 are heavily weighted towards the downside, as global growth is projected to decelerate to 0.5%. Indeed, in the US, where the financial crisis originated, the economy is expected to contract by 1.6%. Similarly, the EU, UK and Japan are also expected to fall into recession in 2009. The length and depth of the recession will depend on the extent to which the process of asset deleveraging continues, and the willingness of banks to resume lending to households and businesses. One of the main challenges confronting the intermediation process is the credit-worthiness of borrowers, given the decline in households' net worth and the fall-off in business income. It is likely that developed economies will introduce more measures in 2009 which may take the form of further interest rate reductions, additional capital injections into troubled financial institutions, or an increase in capital projects. On the upside, inflation has moderated in line with the decline in commodity prices (although there may be a risk now of deflation), and some growth may still take place in emerging markets, especially in Asia, as these economies have proven to be more resilient.

The global crisis could impact the Region through the financial and production sectors. Although some spill-over into the financial sector has occurred, the impact on the real sector may be more significant and pervasive. The tourism and construction sectors may be most severely impacted by these developments, as vacationers will become

more averse to travel in the wake of uncertainty about disposable incomes, while the construction sector could be affected by lower FDI flows. Domestic demand is also likely to be affected through reductions in remittances, the impact of which will be felt mostly in poorer households. It is mainly through a reduction in real sector activity and, subsequently, slower deposit growth that the financial sector will experience the second round effects of the global crisis. Should deposit growth decelerate, it is likely that there will be some reduction in credit to households and businesses.

With respect to the external sector, while some savings may be reaped through a reduction in import prices, assuming that oil and other commodity prices remain at current levels, these gains are likely to be offset by greater reductions in tourism revenues and FDI, thereby worsening the overall balance of payments position.

In terms of public finances, 2009 will be a particularly challenging year for regional governments as they try to maintain acceptable levels of service in a situation where revenues are likely to be declining. Some governments have indicated that in an attempt to shore up domestic demand, they will engage in counter-cyclical spending, while others may seek to curtail expenditures to maintain fiscal positions. The Eastern Caribbean Central Bank (ECCB) Monetary Council and the Organisation of Eastern Caribbean States (OECS) Secretariat have indicated that, subject to conditions, member states will provide a package of short-term tax relief to the hotel industry, as the circumstances in each country warrant. Additionally, a number of long-term measures have been enunciated to address challenges and spur growth in the construction, fisheries, and transportation sectors, among others.

The Caribbean response to the crisis will need to be at three levels - the national level, institutional and the personal. Countries will need to assess the possible contagion channels and as a result put contingencies in place to mitigate the possible fallout. At the institutional level, firms may need to be more cautious about expanding at this time and take a defensive stance. Institutional investors are also defensive and are switching to lower-return, and lower-risk options to minimise the impact on net asset values. At the personal level, individuals may need to postpone some consumption and investment expenditures to mitigate the impact of any adverse effects on households.

## Box 1: A Tale of Two Crises

The year 2008 was an extraordinary one in which the world was entangled in two major crises. During the first half of the year, the global economy was grappling with the commodity crisis, which manifested itself in high prices, particularly oil and food. In the second half of 2008, more particularly in the last quarter, the US financial meltdown occurred and rapidly spread to other markets in Europe and Asia. By the end of the year, the crisis had significantly affected many firms globally through reduced consumption and investment, resulting in sharp declines in economic activity. The Caribbean experienced the effects of the crises as tourism, the Region's mainstay sector, started to decline as a result of a reduction in discretionary spending by potential tourists, and a lack of credit. Tourism-related construction also suffered as a result of financing difficulties experienced by investors and potential investors.

The Caribbean appeared to have averted contagion in the banking sector. This was largely as a result of a banking system that is dominated by a combination of Canadian and indigenous (regional and local) banks which are generally well regulated. Moreover, banking practices are very different in the Caribbean and mortgage practices are much more restrictive than in the USA. At the same time, the non-bank financial sector (NBFS), particularly the insurance industry, is under stress and there are indications that reform in the regulatory environment is needed.

There are very important links between the commodity price crisis and the global financial and economic crisis. The financial and economic crisis has had an effect on the real economy by reducing real income and purchasing power. There are also anticipated second round effects on the financial system, such as increasing delinquency on loan payments, due to falling aggregate demand income as unemployment rises. As a result, the reduction in demand for commodities, due to the credit crunch, is reducing the demand for oil, and oil prices have fallen rapidly. The same effect has, however, not been evident with food prices, as there is greater stickiness downward in the price of food which for other reasons, including use of wheat for alternative fuel, has remained high.

One common feature of the two crises lies in the underlying circumstances, namely the lack of fiscal space and the extraordinary vulnerability the Region has to exogenous shocks. Therefore, any measures to address the crises could not be implemented independent of the fiscal and current account realities of the countries of the Region.

The Bank is seeking to put in place a support programme for its BMCs to assist in mitigating the impact of the crises. This programme will focus on three areas:

- Mechanisms to support fiscal and debt sustainability, including support for fiscal reforms that will create the necessary fiscal space;
- Support for sustaining aggregate demand and promoting long-term growth – such as economic infrastructure that would help with employment and improve the environment for private sector investment; and
- Support for deepening and widening the social safety nets.

An underlying principle of any CDB intervention is maintenance of the focus on poverty reduction.

# PROJECT PROFILE

## DOMINICA: TOURISM DEVELOPMENT

The island of Dominica is well known for its natural beauty; in fact, it is often referred to as the nature island of the Caribbean. In recent times though, some man-made structures at a few of the island's places of interest have added to the feel-good experience of both locals and visitors.

These structures provide public toilet facilities, comfortable homes for vendors, offices for on-duty rangers and guides, orientation centres, and snack bars. In addition, visitors can actually get hot meals – a taste of Dominica – at these venues. Rashida Dashette, one of the officers working at the facility at the Emerald Pool, says that all comments from visitors have been positive.

Another of the great things about these facilities is that the people who live in the community get an opportunity to have some say in how they are operated. Indeed, the whole idea for the Dominica Ministry of Tourism is to get communities involved, first and foremost.

“We want to get the people to take ownership in what is happening, the sites themselves, and the centres around them. Because when you can get them to buy into it, they tend to take care of it, they tend to guard it, be the real custodians of it,” tourism official George Maxwell said.

It is not, however, just a case of showing up and being placed in charge of one of the facilities. The Ministry of Tourism wants any prospective proprietor to come with a business plan. Based on this plan, the Ministry then provides either guidance or assistance so as to ensure the best use of the infrastructure.





## INTRODUCTION

CDB's Strategic Plan for the period 2005-2009 is the broad framework for the Bank's operations in 2008, as it has been in previous years. This Plan is defined within the economic and social context and the challenges being faced by Caribbean economies. Poverty, inequality and social exclusion remain defining features of the economic and social realities of the Region and constitute important targets for development intervention. Increasing the rate of economic growth and reducing the volatility of that growth are major economic objectives. The issue of competitiveness underlies growth performance. The Region's vulnerability to economic shocks and natural disasters and the need for adaptation to and mitigation of climate change are also critical issues. The Strategic Plan is thus focused on promoting broad-based economic growth, fostering inclusive social development, promoting good governance and supporting regional cooperation and integration. Environmental sustainability, disaster risk management and reduction and gender equality are cross-cutting themes in the Plan.

### Strategic Plan

Operations in 2008 were significantly impacted by two "event sets":

- An extremely active hurricane season that saw 16 named storms affect 15 of the BMCs;
- A global financial crisis of historic proportions that has resulted in recession in the global economy

The impact of these factors, and the Bank's response to

them, resulted in the highest level of annual approvals in the history of the Bank. Total new financing approved was \$348 million, comprising approximately \$297 mn in loans and \$51 mn in grants. This level of approvals reflects a 66% increase over 2007. Disbursements totalled \$150 mn, with loans accounting for \$135 mn and grants \$15 mn.

2009 will be the final year for implementing the current Strategic Plan which covers the period 2005 to 2009. The primary focus of the Plan is on reducing poverty in the BMCs.

Annual reviews of the implementation of the Strategic Plan have found that although significant progress has been made towards achieving the Plan's objectives, there is still much work to be done, as new challenges have emerged to impact the development process. As a consequence, it is proposed to begin the process of developing the Bank's new Strategic Plan to allow for the early identification and the fullest consideration of the impact of all these factors and for the broadest possible consultation with all stakeholders.

It is clear that the Bank must continue to adjust its activities in several different ways to address the rapidly changing characteristics and needs of the Region. CDB's role is becoming even more critical, with rapidly rising demands for assistance in the areas of macroeconomic management, social and economic infrastructure, knowledge products and services, policy advice, private sector development, environmental management, climate change response and regional cooperation and integration. The crafting of the new Strategic Plan will be influenced by the awareness that the Bank's future performance will be governed both by its ability to adapt its operations and instruments to these rapidly changing BMCs' needs and by the way it enhances its institutional effectiveness in terms of human resources, business procedures, incentive systems, and results orientation.

## PROGRAMMES AND INITIATIVES

### Replenishment of the Special Development Fund

Contributors to CDB's Special Development Fund agreed to a replenishment of \$257.2 mn, an amount 64% greater than the replenishment for the period 2005-2008 [SDF-6]. This level of replenishment allows for a programme size of \$390 mn to be executed during the seventh cycle of the SDF, covering the period 2009-2012.

This record level of resources for the 2009-2012 period will allow for an increase in the volume of concessional assistance that SDF is able to provide to eligible BMCs. The targeting of most of these resources will be done annually and by country, on the basis of both need and performance, consistent with the agreed performance-based allocation system.

Contributors agreed that the objectives and operational priorities for SDF 7 would be consistent with the objectives of the Bank's new strategic framework and its overall poverty reduction mission. The strategic themes for the SDF 7 cycle are:

- Strengthening poverty reduction and human development;
- Supporting environmental sustainability and advancing the climate change agenda;
- Supporting regional cooperation and integration; and
- Enhancing development effectiveness.

Within the framework of these themes, the SDF 7 programme will be especially focused on a number of core sectors and sub-sectors in which the Bank has a great deal of experience and expects to be a leading provider of assistance.





Acknowledging the need to better capture and report its results on the ground as part of a new development effectiveness framework, Contributors agreed to the development and use of a Results Monitoring Framework (RMF), which would monitor and report on development outcomes and outputs within the framework of the Millennium Development Goals (MDGs), as well as, on institutional and operational performance measures. The RMF indicators will serve as a tool for programme management by CDB staff and for building a results culture within the Bank. The RMF will be reported on as part of the mid-term review and at the end of the replenishment cycle.

## SUPPORTING BROAD-BASED ECONOMIC GROWTH

### Improving Economic Infrastructure Rehabilitation and Mitigation

During 2008, four Immediate Response Loans, each up to the maximum of \$0.5 mn, were approved for the cleaning and clearing activities associated with the aftermath of storms which affected our BMCs – Belize, Jamaica, and Dominica were all beneficiaries of this facility. One more IRL was approved for Jamaica for a late 2007 storm and was utilised to construct emergency revetments at critical sections of the road to the airport in Kingston, the capital. Following the usual assessments of damage incurred from these storms, three infrastructure rehabilitation loans were approved.

- Belize: The intense rainfall associated with the combined effects of Tropical Storms Alma (a Pacific system) and Arthur (a Caribbean system) caused rivers to crest over their banks and flood extensive areas in the coastal plain of Belize. Anecdotal information at the time suggested that this was a 1-in-100 year event. Damage to bridges

was particularly severe, with consequential disruption of agriculture and oil exports, and the isolation of some communities. In response, CDB approved a rehabilitation loan of \$8.8 mn for the reconstruction of the Kendall Bridge – an important north-south transportation link for the country; and the Mullins River Bridge which supports the transportation of produce by citrus growers to processing factories.

- Jamaica: The Kingston Metropolitan Area Drainage System was severely damaged with the passage of TS Gustav in August 2008. In the densely populated south-western section of the city, the collapse of drainage channel retaining walls increased the risk of flooding in severely crowded squatter settlements. Several bridges along the main transportation corridors crossing the drainage network are at risk of collapse due to the severity of scouring of their abutments; and many residential neighbourhoods and streets have been cut off and the foundations of some structures undermined. The \$30mn CDB Loan will assist with the rehabilitation, restoration and protection of critical sections of the drainage infrastructure. The increased procurement flexibility allowed under the National Disaster Management Strategy and Operational Guidelines (NDMSOG), has expedited contracts award and start-up of works. Under the Project, a comprehensive condition survey of the entire network will be carried out and a prioritised, phased investment programme developed.

- Dominica: While Dominica was not hit directly by Hurricane Omar in October, the storm-generated surge and pounding waves, resulted in damage to the west and south coasts of Dominica. The CDB Loan of \$9.16 mn will assist with the reconstruction of approximately 1 km of

sea defences and the associated roadway at the village of Pointe Michel. The West Coast Highway is a vital transportation link, and given the terrain in most places, cannot be relocated further inland. All sea defences constructed/reconstructed in the last 10 years have been in the context of an enhanced coastal protection strategy which has served to reduce the vulnerability of the coastline and adjacent infrastructure.

As rockfall and landslip events occur with increasing frequency, so the risk to life and property increases. With the objective of reducing vulnerability, and in keeping with the Mitigation mechanism of the NDMSOG, further work was undertaken in Grenada to mitigate rockfall hazards along the west coast road network, and for the restoration and reconstruction of damaged slope-retaining structures. The expanded works approved in 2008, to be funded by an additional CDB Loan of \$3.7 mn, will increase safety and reduce disruptions to socio-economic activity and productivity. In an agriculture-based economy, facilitating the movement of goods and labour always has a positive impact on the rural poor.

#### Air and Sea Ports

One of three interventions in the Air and Sea Ports sub-sectors involved approval of \$18 mn for Anguilla to construct a Ferry Terminal at Blowing Point. The existing terminal building is inadequate in terms of capacity and quality to accommodate the increase in ferry passenger traffic between Anguilla and St. Maarten. Visitor arrivals

at Blowing Point now make up an estimated 56% of total overnight visitor arrivals into Anguilla. Given its own airport constraints, Anguilla benefits from international visitor arrivals who can fly directly into St. Maarten's international airport and use the ferry service between the two islands, arriving at Blowing Point.

Also in the port sub-sector, a Technical Assistance Loan of \$0.43 mn was approved for St. Vincent and the Grenadines (SVG) to assist with financing a Port Rationalisation and Development Study for the islands of St. Vincent and Bequia. In addition to the rationalisation of ports and the development of a master plan for the islands of SVG, the Study will provide a framework for future landside and marine development for Port Elizabeth Harbour-Front on the island of Bequia.

An additional loan of \$9 mn was approved to assist the Airports Authority of Jamaica with financing for the rehabilitation and expansion of the Norman Manley International Airport (NMIA) in Kingston. Lending for this Project was previously approved by CDB in 2006 for up to \$11 mn. NMIA is the only international airport serving the capital Kingston, and its expansion and upgrade will accommodate projected air and passenger traffic to the year 2033 at the required international standard. The provision of financing for this Project is in partnership with the European Investment Bank (EIB).



## Box 2: Road Maintenance

*“Road Maintenance in the Caribbean: Towards Improved Management and Financing Strategies”* – a workshop designed to increase effectiveness, efficiency and technical skills in management, financing and delivery of road maintenance programmes, was hosted by CDB over the 3-day period, December 3-5, 2008. The presentations covered a range of topics, including:

- Strategies for the implementation of effective vehicle axle load control systems;
- Options for the sustainable financing of road maintenance;
- Road asset management tools used in the Caribbean and their application to maintenance programmes; and
- Practical methodologies for the delivery of performance-based road management and maintenance contracts.

The Workshop was attended by 33 senior level public sector officials from the ministries responsible for transportation, public works and road funds from 13 Borrowing Member Countries (BMCs); 11 CDB staff members; a representative from the IDB; and 5 presenters, including regional and international transportation specialists, and representatives from the European Union and the World Bank.

In the words of Mr. Revel Mompremier, Director General, Fond d'Entretiens Routier (the Road Fund) of the Republic of Haiti: “The workshop was a success. CDB has unveiled key issues to improve asset management in the transport sector. CDB cannot stop here. It should continue to play a major role in the field of management and financing strategies to preserve investments in the road sector.”

Highlighting the contribution of the CDB initiative to regional integration, he continued: “This CDB initiative has gained a more genuine success by its dimension of promoting regional integration. For three (3) consecutive days, CDB has brought together professionals of the road sector in the Caribbean. They have learnt a lot from each other and been enriched from this experience. The networking is a significant aspect of the workshop which deserves to be highlighted and recalled. As a result of this CDB event, as of today, Jamaica has become closer to Haiti and vice versa. Haiti is closer to CDB and we wish that it is reciprocal. It is similar for other regional neighbours.”

The Workshop also provided the opportunity for the interim executive of the Caribbean Association of Roads to meet with regional government representatives to encourage their participation in this regional advocacy association.

While this workshop was a technical one, it was clear that the financing and planning arms of government should also be exposed to information on the implications for maintenance as a consequence of vehicle overloading. Enacting the appropriate legislation, and working with governments on the means of enforcement, were all identified as logical follow-up activities for Bank support.

### Roads

In Dominica, implementation of the Road Improvement and Maintenance Project (Valley Roads) received additional assistance in the form of a \$3.1 mn loan, bringing CDB's financial support for this Project to \$8.65 mn. The improvements in road safety, decreases in road network life-cycle maintenance costs and a reduction in vehicle operating costs are the benefits associated with the resurfacing and upgrade of approximately 12.46 km of roads, the strengthening of a main bridge structure and

the provision of two portable weighbridges to enhance the capacity of the ministry to control maximum axle loads on the roads of Dominica.

### Capacity Building

The shortage of project implementation capacity in the Ministry of Communications, Works and Transport (MCWT) in Grenada will be addressed through the provision of a technical assistance grant of \$0.466 mn by CDB for the establishment of a Project Implementation Management



Unit within the ministry. In addition, consultants will undertake an organisational assessment of MCWT that would result in a revision of its current organisational structure and improvement in its functionality.

Support for the development of a National Parks Service (NPS) for Dominica, through the provision of grant resources, is expected to support assistance approved previously for the development of eco-tourism sites. The establishment of a NPS is expected to centralise the management of parks and contribute to their sustainable operation.

Utilising assistance to CDB from the Canadian Technical Cooperation Fund, the Nevis Water Department was the beneficiary of two interventions, with consultancies approved for the development of a Water Supply Masterplan and for an Institutional Reform Study.

The Bank hosted a regional roads maintenance workshop from December 3 to 5, 2008, entitled “Road Maintenance in the Caribbean: Towards Improved Management and Financing Strategies”. There is more discussion on this in the associated box on page 15.

### Developing the Private Sector

Since its inception, CDB has supported the development of the private sector in its BMCs, cognizant of the integral role that private sector development plays in the Region’s social

and economic development. CDB’s strategic objective for private sector development in the BMCs has primarily focused on improving the global competitiveness of the Region’s productive sector on a sustainable basis and repositioning Caribbean economies into the mainstream of the world economy. CDB’s emphasis has therefore been on building the capacity of enterprises.

During 2008, CDB continued to support private sector development principally through three activities:

1. Lending to private enterprises, either directly or indirectly through financial intermediaries.
2. The provision of technical assistance to facilitate the enabling environment for private sector enterprises.
3. The provision of technical assistance at the enterprise level through the Caribbean Technological Consultancy Services (CTCS) Network.

### Lending and Investment

CDB approved four loans totalling \$43 mn to financial intermediaries during 2008. Three of the loans were utilized to support the financing of student education. Significantly, two of these were to private financial institutions and reflects the Bank’s attempt to diversify the channels through which it provides resources.

CDB continues to recognize the value of developing human resources as a key contributor to national economic

development. Through its Student Loans Scheme, it is able to respond to the need for improving access to post-secondary education and training, given that access to financing is one of the key constraints to participation in tertiary education in the Region. CDB's approval of \$18.2 mn in financing towards student education is a clear demonstration that developing the Region's human capital remains a priority for the Bank.

Among the pioneering transactions in 2008 was a \$25 mn loan to Corporacion Interamericana Para el Financiamiento de Infraestructura (CIFI) S.A. to finance private sector and private/public infrastructure projects in CDB's BMCs. The establishment of new, or expansion to existing infrastructure projects in power, telecommunications, transportation, water and sanitation, social infrastructure, infrastructure-related services and the environment, is expected to contribute to enhanced social conditions. Additionally, financing essential infrastructure will contribute directly to poverty reduction through job creation in the short-term and in the long term, as it facilitates new investment and production opportunities.

#### Technical Assistance

The financial services sector is one of the key foundations of several Caribbean economies. Its significance goes far beyond its own direct contribution to real output. The sector plays an important role in ensuring financial

stability, safeguarding savings and fuelling the growth that is essential to economic development.

In this regard, CDB conducted a regional training programme to build institutional capacity in the development finance institutions and indigenous financial institutions in the BMCs. The objectives of the programme were to enhance the technical, managerial and administrative skills of officers, improve the ability of the institutions to manage effectively in the prevailing economic and financial environment and promote and improve the quality of loan management and administration, risk management, corporate governance and credit appraisal in the financial institutions. One hundred and fourteen participants from 14 BMCs representing 24 FIs attended the Training Programme. It was also the first time that representatives from Haiti participated in the programme.

Having recognized the increasingly important role that credit unions play in the financial services sector in the Region, CDB also provided technical assistance resources to the Caribbean Confederation of Credit Unions (CCCU) to improve the risk management capacity and enhance the technical capacity of their membership.

Commercial microfinance is still undeveloped in the Region. Accordingly, through its technical assistance facilities, the Bank continued its efforts to support the development





of financially sustainable microfinance institutions (MFI's) which can facilitate strengthening of the capabilities of micro and small businesses. Resources were allocated to review the institutional performance of and issues affecting Caribbean MFIs within the context of international best practices, through sponsorship of the 7th Annual Roundtable on Microfinance, as well as ongoing capacity-building projects, in partnership with the Multilateral Investment Fund of the IDB, European Union and other donors.

Establishing enterprises remains challenging in the Region, particularly for the youth. The key constraints and barriers youth entrepreneurs face include difficulties in accessing funding for the business, lack of securities and lack of business experience and skills. CDB's support of youth entrepreneurship programmes has been focused on the operations of the Caribbean Youth Business Programmes (CYBP). In 2008, CDB provided funding for young regional entrepreneurs to attend its "Youth in Business – Cultivating the Next Generation" forum which was a feature of the Annual Meeting of the Bank's Board of Governors. The objective of the forum was to facilitate dialogue between the youth and CDB with a view to determining what role CDB could play in improving business support and assistance for young people. CDB also provided technical assistance towards strengthening the capacity of the Dominica Youth Business Trust.

### **SME Development**

Small and medium-sized enterprises (SMEs) are a major source of employment, entrepreneurial skills and innovation and also support economic and social cohesion in the Region. CDB's SME policy promotes successful entrepreneurship and improvements in the business environment for SMEs, in order to allow them to meet the challenges faced in today's global, knowledge-based economy and realise their full potential.

Direct support for SMEs is provided through CDB's long-standing CTCS programme. CTCS provides dedicated regional-based technical assistance for individual businesses to solve specific issues, training attachments and workshops on areas of common interest to micro and small businesses.

CTCS executed 68 activities in 2008 and disbursed approximately \$0.774 mn. These included 38 direct TAs, nine training attachments, and 21 national and sub-regional workshops. Overall, 838 persons benefited directly from CTCS' assistance, whilst 3,399 persons were indirect beneficiaries.

During the year, CTCS continued to strive to increase its outreach and impact on the SME sector. In this regard, it hosted a "Training of Trainers Workshop on Costing and Pricing Techniques for Competitive Marketing" to equip national trainers within the Bank's BMCs with the

skills required to conduct training workshops and provide technical support to Micro, Medium and Smallscale Enterprises (MSME) clients. The multiplier effect of CTCS training was enhanced through the commitment of participants from the respective institutions to conduct national training in the three months following the workshop. Approximately 50 persons, including five from Haiti, participated in the training.

CTCS also partnered with the Caribbean Export Development Agency to conduct “Caribbean Gift and Craft Show” preparatory seminars, under the theme “Product Development for Export”. These two day country seminars targeted craft persons, artisans and designers from St. Lucia, Belize, St Kitts and Nevis, Barbados, Grenada and Guyana.

Indicative of its ongoing support to the agriculture sector, and in light of the global food crisis, CTCS hosted a workshop on “Business Opportunities in Agro-processing of Tropical Fruits, Meats, Poultry and Milk-based Products”. The workshop exposed participants to the various techniques and practices related to starting and operating agro-processing businesses, including food hygiene and sanitation issues, international standards in agro-processing, equipment options at the micro and small levels and marketing techniques.



## Supporting Agriculture and Rural Development

The need for Caribbean governments and institutions to prioritise support to the Region’s agriculture sector dominated the policy dialogue in CDB’s BMCs in 2008. The global food crisis precipitated discussion on the increase in food prices and the Region’s food security status, as some of the world’s major food-producing countries imposed food export restrictions to ensure adequate domestic supplies. In addition, the ongoing global financial crisis and the projected impact of climate change both expected to negatively impact food production worldwide.

In December 2008, CDB approved a loan of \$7.85 million to the Government of Jamaica to enable it to support access to credit by small farmers and agricultural entrepreneurs in order to spur food production and enhance income growth. This project will facilitate private direct investment in agriculture that will generate new employment, increase farm incomes, reduce poverty and promote further socio-economic development in rural communities.

Throughout its work in the sector, CDB has built synergies with other development partners. Initiatives in this regard include:

- the conduct of a study, ‘The Feasibility of Rain Water Harvesting in the Caribbean’, in collaboration with FAO and IICA; and
- development work on a programme of support for farmers in the area of ‘protected vegetable production systems’ in collaboration with FAO, IICA, UWI and CARDI.

CDB hosted two regional forums, specifically focused on the agriculture sector: a Meeting of Heads of Regional Institutions involved in Agriculture and Rural Development; and in partnership with the IDB, a seminar entitled, ‘Food Price Shock and the Caribbean - Analysis and Response’. Discussions on the future of the sector also featured prominently during deliberations at the 2008 CDB Annual Board of Governors’ Meeting in Canada.

CDB also supported the CARICOM Secretariat in convening an Agriculture Investment Forum, and the UWI in hosting the International Congress on Sustainable Agriculture in the Tropics, in Trinidad and Tobago. A common theme was the urgent need for Caribbean governments and institutions to re-invest in the agriculture sector, given its importance in enhancing economic growth, improving the Region’s food security situation and reducing poverty, particularly in rural areas.

### Box 3: Rainwater Harvesting Systems

Irrigated agriculture is largely underdeveloped in the Caribbean. The vast majority of farmers in the Caribbean depend on direct rainfall for crop and livestock production. Overall, however, while annual rainfall is sufficient in terms of volume to meet the needs of the agriculture sector, the distribution is such that there is an excess of water during the rainy season and insufficient during the dry season. Furthermore, predictions of the Inter-governmental Panel on Climate Change (IPCC) indicate that as a result of climate change, the Caribbean region is likely to experience reduced rainfall levels and increasing frequency of droughts in the coming decade.

Evidence to date suggests that the agriculture sector is the worst affected by reduced water supply, due to the low priority given to meeting the requirements for water for agriculture, after the demand from other sectors has been satisfied. This situation has serious implications for food security, farmer income and poverty levels - particularly for the rural population, given the heavy dependence on agriculture for their livelihood.

In an effort to assist farmers in overcoming this challenge CDB, in partnership with the Food and Agriculture Organisation of the United Nations (FAO) and the Inter-American Institute for Cooperation on Agriculture (IICA), commissioned a study on the feasibility of Rain Water Harvesting (RWH) in the Caribbean. RWH involves the use of simple, low-cost technologies for water collection and storage. The field work for the study was conducted in August 2008 by a team from the Gansu Research Institute for Water Conservancy in China.

In general, the team concluded that RWH is a feasible option for many of the Region's farmers. The consultants recommended a wide range of systems, utilising mini-dams, ponds and storage tanks. These findings will be presented at a regional workshop scheduled for Antigua in April 2009. CDB is committed to working with farmers in its BMCs in improving the reliability of water supplies for agricultural development.

## Fostering Inclusive Social Development

### Basic Needs Trust Fund

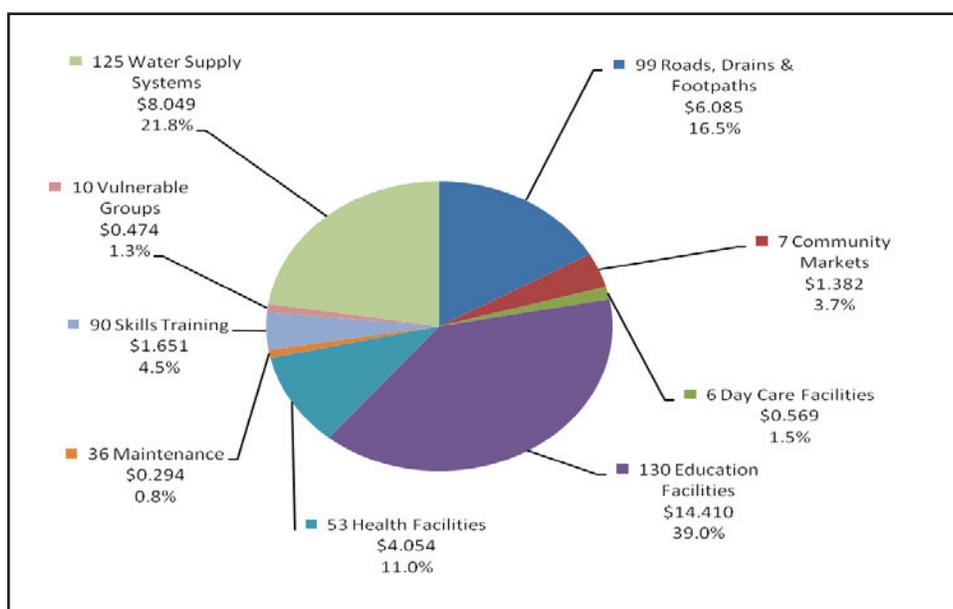
The relevance of the BNTF Programme as a vehicle for poverty reduction in the Region was made more explicit in 2008. Programme initiatives continued to be responsive to the needs of the poor by providing access to goods, services and earning opportunities that foster economic empowerment. This year, the Programme intensified its focus on building capacity within communities through more open dialogue with diverse stakeholders, (inclusive of the poor) who operate at the interface of communities and development at the local level.

The cumulative outcomes of BNTF 5 interventions to date include the provision of access to services (social and economic) and the mitigation of risks to landslides and floods in Guyana, Dominica, St. Lucia and St. Vincent and the Grenadines. Improvements of health facilities

(including health centres) and expansion in the delivery of primary health care services, including HIV testing and counselling, were facilitated by interventions in Guyana, St. Lucia and Dominica. Better access to potable water is positively impacting the health and sanitation conditions and status in poor villages in Guyana and Belize.

Support to a community-based approach to early childhood development has led to better-targeted care for young children. Improvements in school facilities and the reduction of overcrowding are providing learning environments for thousands of boys and girls to complete the basic and primary school curricula. Skills training sub-projects in agricultural techniques, mediation and skills for economic activity, including in non-traditional sectors, are benefiting over 3,500 persons (990 persons representing youth). CDB has also supported training for local officials to administer and manage the Programme.

**FIGURE II:1 BNTF 5 CUMULATIVE APPROVALS BY SECTOR (\$ mn)**



In 2008, CDB approved 38 new sub-projects for \$4.738 mn, inclusive of sub-project variations and consultancy costs, bringing the total number of approved sub-projects to 556 at a cost of \$40.838 mn. At December 31, 2008, thirty-one more sub-projects were appraised for the value of \$3.891 mn, and awaited CDB management consideration. This slight decrease in approvals, compared with 2007, was due to the fact that many countries had committed most of their grants at the beginning of the year, and awaited the allocation of the performance incentive funds following the Mid-Term Evaluation (MTE) which was completed in mid 2008. The latter was distributed in the third quarter of the year. A shift towards the education sector reflected the reallocation of resources towards this sector. Requests for reallocation of resources towards the education sector resulted in an increase in approvals for sub-projects in that sector estimated at \$1.841 mn, representing 61% of total grant funds approved for 2008, when compared to \$1.3 mn, representing 16% of funds approved in 2007.

Disbursements in 2008 totalled \$7.301 mn, bringing total disbursements under the Programme to \$29.052 mn. The cumulative number of beneficiaries was 247,259 males, 257,179 females and 212,265 young persons.

The MTE BNTF 5 was completed in 2008, following extensive consultation and review by participating countries. Beyond the sheer scale of the portfolio, the report highlighted BNTF as reflecting CDB's commitment to the specific sector needs of BMCs and to finding innovative formulae for direct targeting of investments in poverty reduction. This was affirmed by key country officials at a meeting held at the Bank in January 2008 to discuss the findings of the MTE Report at which Project Managers

(PMs), chairpersons of the Project Steering Committees and Community Liaison Officers (CLOs) attended. BNTF was further seen as adding value to social capital development and the management of social risk in BMCs by way of the application of participatory approaches, and by boosting the sustainability of interventions by local communities.

Among the important benefits of the evaluation exercise was the increased awareness and commitment by the Bank's staff and BMC partners to: enhancing project design for improved quality at entry and for tracking results; flexibility in operations without sacrificing rigour in technical preparation; and integrating M&E systems to improve supervision at all levels of the Programme. These are integral to the new design framework of the BNTF 6 Programme.

Coordination and management mechanisms have had to respond rapidly to the rising pressure to implement the BNTF Programme with effectiveness. During the year, the Bank committed itself to three management and coordination mechanisms to meet the challenges of delivering on new modalities of development and addressing the institutional deficiencies relating to capacity. These were: (i) bolstering the programme process through dialogue with national partners and expanding partnerships; (ii) promoting better governance by helping to build accountability within the programme; and (iii) promoting coherence in institutional arrangements and procedures for better project management.

In 2008, BNTF began to scale up initiatives to provide information to stakeholders and programme beneficiaries. The number of missions to participating BMCs was

## BNTF 6

*The strategic and operational approaches of BNTF 6 are collectively intended to improve the targeting of resources and strengthen BNTF's mission as "a community development programme that supports health, education, water, sanitation, access and economic activities through skills training, organisational development and infrastructure services."*

*The Programme will:*

*Strengthen methods for direct targeting of resources to significantly impact poverty reduction.*

*Expand community participation and networking to sustain the outcomes of interventions.*

*Deepen the effectiveness of interventions through integrated approaches to design, skills training and capacity building.*

*Increase flexibility of operations for greater responsiveness.*

*Strengthen BMCs' ability to track resources and results through project-linked Monitoring and Evaluation (M&E) systems.*

*Support project staff in enhancing the management of the programme.*

increased during the year. The focus of these was to broker new partnerships for the Programme. By sharing information on the BNTF, policy makers and other development practitioners were able to understand their roles in support to the Programme and to align sector and programme strategies more closely with the needs of the poor at the local level. High priority was also placed on innovative development partnerships and for sharing effective responses to the common challenges of poverty in the Region.

Though all countries have not yet adopted the Tripartite Agreement as a tool of accountability, there is an increase in the number of good practices for improving transparency and accountability in the administration of the Programme and facilitating access to information by beneficiaries and the general public. BNTF broadened its engagement with civil society with the aim of increasing awareness of how public finances and services are managed. Community markets approved for BNTF funding now include components to significantly enhance management systems and services. Civil society is helping to improve the quality of public spending by the Programme by identifying who will benefit from BNTF interventions. In Belize, BNTF continues to assist in the community management of water resources. The Programme is witnessing an increasing number of youth beneficiaries, including youth at risk, demonstrating its growing responsiveness to unemployment, crime and violence in the Region's societies.

Reducing poverty is also influenced by attention to international safeguards and standards as far as these promote better life chances, especially for vulnerable persons. This year was significant in the expansion of accountability concerns in compliance with occupational and safety design standards. This means understanding country commitments and systems but also, as in the approach used with environmental standards, helping to improve the capability of government stakeholders and consultants and investing in strengthening their accountability to the poor.

Information and Communications Technology (ICT) continues to be useful to a regional programme of this nature for efficient planning and forecasting and in overcoming logistics constraints. This year, the business process design approach was introduced to analyse the business needs of the BNTF and identify the resources and capabilities that would enable the Management Information System to be more inclusive and a potentially more useful tool in addressing these constraints.

In continuing knowledge sharing and networking, two regional workshops for PMs and CLOs were held to share performance results, build capacity and further dialogue on good practice in poverty programming. The topics discussed in these meetings included management for development results with a focus on data gathering and analysis, enhancing stakeholder dialogue and participation, gender analysis for improved targeting and development change through ICTs.

### Education and Training

CDB's poverty reduction strategy includes robust, yet nuanced, support for investments in human resource development in the BMCs, using each country's education

development priorities as the basis for advancing ongoing education and training programmes. The Bank's interventions cover all education sub-sectors with emphasis on improving quality, while providing for increasingly relevant educational opportunities to promote human development, employability and economic competitiveness. In 2008, approximately \$25.54 mn was provided in loans and grants for both capital projects and technical assistance to support the achievement of the Caribbean Millennium Development Goals (CMDG) and the Education For All (EFA) goals in the Region.

Both Guyana and Haiti received loan and grant resources, \$7.5 mn and \$5 mn respectively, to strengthen Technical and Vocational Education and Training (TVET). These interventions will involve the construction of TVET centres and institutes to provide vocational skills development

for approximately 1,000 students and youth annually in underserved regions, the training of teachers and, importantly, the establishment of the institutional framework to manage and coordinate the development of TVET.

In October 2008, further support for improved quality and relevant tertiary education was provided through a technical assistance grant of \$250,000 to the Association of Caribbean Tertiary Institutions (ACTI) for the development of harmonized Associate Degrees (AD), informed by a Labour Market Survey, for articulation into degree programmes within national and regional universities. In addition, Anguilla benefited from funding of \$390,000 for feasibility studies for the development of a Hospitality Training Institute (a part of the proposed Community College of Anguilla) to support its national objectives for the important tourism industry. The alignment of both the

#### **Box 4: Policy Dialogue on Literacy and Numeracy**

**In December 2008, CDB, in collaboration with the IDB, convened a policy dialogue in Barbados on Literacy and Numeracy in the Caribbean. Participants included policy makers in education from CDB's BMCs as well as Suriname. Representatives from regional organisations such as the Caribbean Examinations Council, the University of the West Indies and CARICOM, and other Development Agencies based in Barbados also participated.**

**The theme of the dialogue was conceived against the background that, despite the significant amount of resources allocated to education, there is an unacceptable level of literacy and numeracy among secondary school students and school leavers. Many employers complain not only of the lack of capacity for critical thinking and problem-solving among young people, but also of basic numeracy and literacy skills. The dialogue provided the opportunity for identifying the underlying issues that are having a deleterious impact on literacy and numeracy and, more importantl, in formulating strategies and approaches for improving levels of literacy and numeracy in Member States.**

**A major activity at the dialogue was the presentation of the findings of a study on literacy and numeracy in select Caribbean countries which was commissioned by CDB and IDB. Among the conclusions of the study were:**

- (i) Weak literacy and numeracy skills lead to weak performance at the secondary level;**
- (ii) Formal teacher training did not reflect classroom teaching practice;**
- (iii) Few countries have established national literacy and numeracy strategies and these are generally limited in scope; and**
- (iv) Integrating technology in the curriculum of primary education to address literacy and numeracy.**

**The recommendations for improving literacy and numeracy skills included:**

- (i) Improving teacher training systems;**
- (ii) Conducting research and improving data management systems; and**
- (iii) Establishing regional/national policies on literacy and numeracy.**

### Box 5: CDB Support for TVET

CDB's continued support for Technical and Vocational Education and Training is rooted in the Bank's commitment to assisting its BMCs face the challenge of achieving economic competitiveness through the development of the Region's human resources. It also reflects the Bank's responsiveness in addressing regional employers' need for better skilled workers and to empower young graduates through providing them with essential skills to either become entrepreneurs or to fill vacancies in industry. Support for TVET has therefore focused on activities to ensure relevance of training by strengthening the connection between training and labour market demands, and to provide training which is critical for shifting the development path of BMCs into more knowledge-based, high productivity economies. Support for TVET has also sought to reduce the risk of the youth remaining unemployed for an extended period of time.

The year witnessed the achievement of notable milestones in the thrust to enhance TVET in the Region. The Enhancement of TVET Project in Belize reached practical completion, and the Board of Directors approved two new TVET projects in Guyana and Haiti. The Guyana Enhancement of TVET Project, with loan funding of \$7.5 mn, seeks to establish: (i) two modern and well-equipped Technical Institutes, each with the capacity of training 200 students annually in underserved regions; and (ii) an improved framework for management and development of the TVET sub-sector. The project offers support for the further development of a competency-based, modularized system of instruction for TVET, consistent with the CARICOM framework for TVET. This will foster improved articulation and harmonisation of programmes with more established regional systems and, in the context of the CSME, facilitate the movement of skilled workers in the Region. This activity complements the proposed development work by the ACTI, which also received Bank support during the year, to harmonise training provision among tertiary institutions in selected areas.

The main objective of the TVET Project in Haiti is to improve the human resource base and enhance the employability of young Haitians by increasing access to TVET of poor youths aged 15 to 24 years through the rehabilitation and expansion of three vocational school located in rural communities. The project, using grant funds from CDB of \$5 mn, will also enhance the quality of service provision and governance of the TVET sub-sector. Significant individual, social and economic benefits will accrue from successful implementation of this project.

national qualifications in the TVET project for Guyana and the harmonized AD reflects CDB's commitment to the promotion of regional economic integration through facilitation of the movement of skilled labour within the context of the CSME.

In December 2008, CDB approved a loan to the Government of St. Lucia to implement a \$12 mn Basic School Enhancement project. In addition to improving the learning environment in eight schools, particular attention is being paid to supporting programmes for vulnerable groups, with emphasis on capacity-building to address learning disabilities in children from kindergarten to secondary education. A Policy Dialogue on Literacy and Numeracy was also convened by CDB, in collaboration with

the IDB, in December 2008, to improve the knowledge and understanding of issues relating to literacy and numeracy in the Region, with the objective of developing the relevant policy interventions.

The Bank continues to support human resource development in BMCs, through a multi-faceted strategy, that seeks to correct structural deficiencies and promote education innovation for increased access and improved equity, quality and effectiveness of education and training in the Region.

#### **Environmental Sustainability**

CDB's commitment to environmental sustainability is implemented through the management of environmental

and social risks and opportunities in its operations. In keeping with the tenets of sustainable development and changes in the “community of practice” of multilateral financial institutions, the Bank is adopting a more holistic and integrated approach to the treatment of “environment”, “social” and related socio-economic issues. “Environmental Policy” (EP) and “Environment and Social Review Guidelines” and “Social Analysis Guidelines” are the Bank’s core guidance documents for managing environment and social risk considerations. The EP is an expression of the Bank’s policy and strategic objectives while the “Guidelines” detail the necessary requirements and procedures it will use in its operations to promote these objectives. The documents are subject to periodic review, revision and approval by the Bank’s Board of Directors.

The Bank proposes to use a more strategic, interventionist and proactive approach to address poverty reduction and environmental degradation issues in BMCs. CDB therefore places emphasis on helping BMCs to design and implement interventions that promote environmental sustainability in areas that;

- (a) widen the options for sustainable livelihoods for the poor and vulnerable through the sustainable management of natural resources;
- (b) improve access and quality of service by the population to wastewater and sanitation services to reduce pollution and improve the health and productivity of the poor;
- (c) reduce BMCs’ vulnerability to natural hazards and strengthen climate change adaptation and mitigation measures at the regional and national levels;

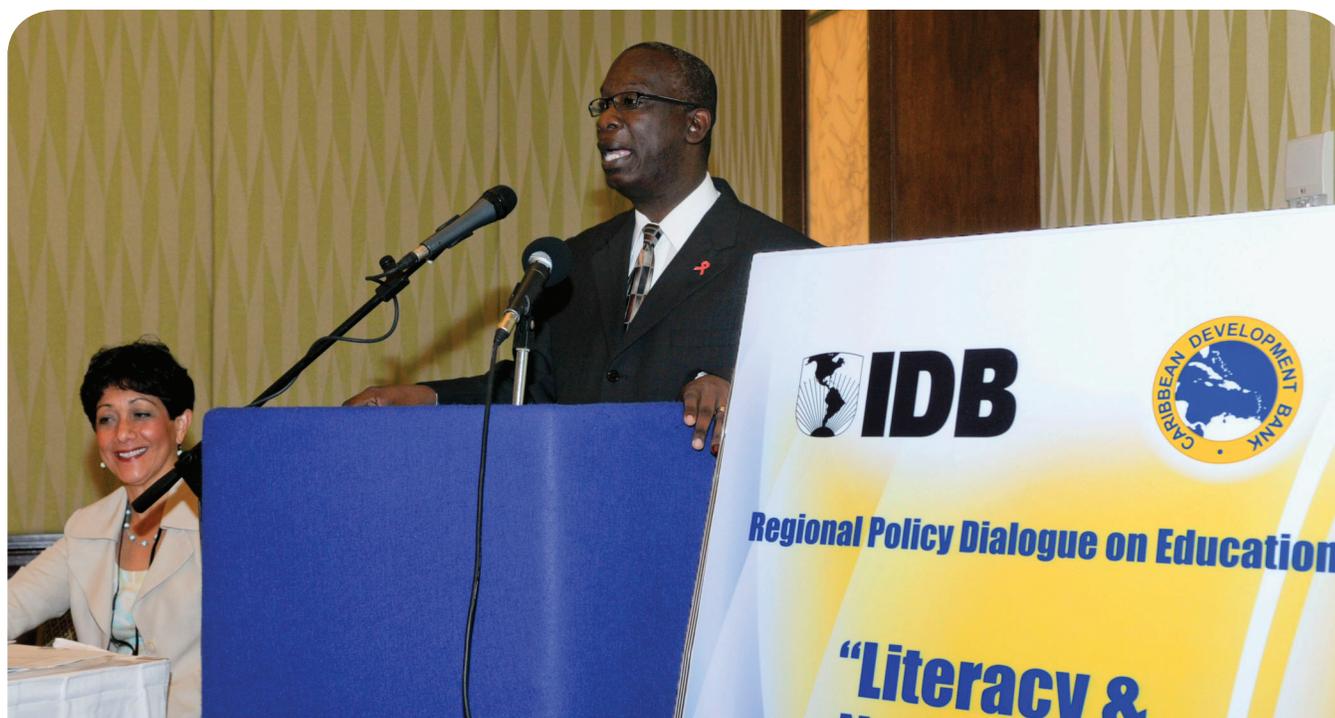
- (d) strengthen the capacity of regional and national institutions to improve environmental management; and
- (e) further integrate environmental sustainability objectives in the Bank’s work programme to improve the quality of the Bank’s work.

During the year, staff carried out environmental and social screening of all projects proposed for financing and provided technical inputs for the appraisal of projects approved by BOD. Staff supervised projects under implementation and provided support for other activities of the Operations area, including the preparation of Country Strategy papers and the preparation of background papers for the SDF negotiations.

The Bank was also involved in technical discussions and dialogue in a range of fora on environmental sustainability issues. These included meetings of the Global Climate Observations System (GCOS) Regional Action Plan; UNEP workshop on Mainstreaming of Land-based Sources and Activities Management in the English speaking Caribbean; Board of Directors of the Caribbean Community Climate Change Centre; the Organization of Eastern Caribbean States Environment and Sustainable Development Technical Advisory and Policy Committees.

#### Disaster Risk Management and Climate Change

The 2008 hurricane season was the fourth most active in terms of named storms (16) and major hurricanes (5) since 1944. All the BMCs, with the exception of Barbados, Guyana and Trinidad and Tobago, were impacted by tropical storms and hurricanes, and in some cases experienced multiple hits. In addition to the disaster rehabilitation



and mitigation projects reported earlier, the Bank also approved six Emergency Relief Grants (to Haiti, Jamaica, Turks and Caicos Islands); and five Immediate Response Loans (to Belize, Dominica, Jamaica, Turks and Caicos Islands). Further support for institutional and capacity building interventions in the area of climate change and improving environmental governance in the Region was provided through TA grants for the Caribbean Community Climate Change Centre, the Caribbean Conservation Association and the Government of Guyana's Iwokoroma International Centre for Rainforest Conservation.

The Bank collaborated with other partners to form a regional Coordination and Harmonization Council that oversees the governance of the Caribbean Comprehensive Disaster Management (CDM) Strategy, which seeks to strengthen regional, national and community capacity for the mitigation, management, and coordinated response to natural and technological hazards, and the effects of climate change. The Bank also represents the donor community on the board of the Caribbean Catastrophe Risk Insurance Facility (CCRIF), the world's first multi-country risk pool, created to provide short term liquidity after a catastrophic hurricane or earthquake. The Turks and Caicos Islands received a \$6.3 million payout from CCRIF just weeks after some of the islands were devastated by Hurricane Ike, September 6-7, 2008.

The Bank continues to integrate disaster risk management into its poverty reduction and investment interventions. Specific activities in 2008 included sessions on disaster risk management and business continuity planning during a "Training of Trainers Workshop" for MMSEs, organised by the CTCS; an intervention to strengthen the risk management capabilities of microfinance institutions in the Caribbean; and support for the Caribbean Regional Organization for Standards and Quality to develop new Regional Building Standards and training of professionals in their use.

Recognizing that it is often the poor who suffer most during natural disasters, the Bank is collaborating with the IDB to mainstream disaster risk management in the OECS, and specifically to strengthen institutional capacity in the OECS Member States, and to enhance resilience to disasters in vulnerable low income communities. This technical assistance project will be implemented over a two-year period and is expected to commence in the first quarter of 2009.

The framework for integrating climate risk management into the regular operations of the Bank was laid in a paper presented to the Board of Governors at its May 2008 meeting. The major areas of focus to assist the BMCs in advancing their climate change agendas included renewable energy and energy efficiency; building community resilience; providing financial support for





adaptation measures; and research and partnerships. A detailed assessment of the Bank's response to natural disasters in its BMCs during the period 1998-2006 was conducted, and used to inform the review and revision of the Bank's Natural Disaster Management Strategy and Operational Guidelines, scheduled for completion in 2009.

### Promoting Good Governance

The Bank's work in poverty reduction continued to involve the design and financing of a wide range of programmes and projects geared to achieving sustainable social and economic development in its BMCs. Specific targeted activities include Country Poverty Assessments (CPAs), the Support for Poverty Reduction and Assessment Programme (SPARC), dialogue with Civil Society Organisations and supporting Gender Equality.

### Poverty Assessments

The Bank continued its programme of support to BMCs. The Cayman Islands National Assessment of Living Conditions (NALC) Report, was completed. CPAs for Anguilla, Dominica, Grenada, Montserrat and St. Kitts and Nevis were advanced. Preliminary work for the commencement of the Belize CPA was completed and data collection for the Living Standards Measurement Survey component should have started in the first quarter of 2009.

### SPARC

As part of the Bank's continuing efforts to build capacity to conduct CPAs and other household research in its BMCs, it supported several training workshops during the year in collaboration with the IDB, under the rubric of SPARC. SPARC is a multi-donor programme to support the collection, processing, analysis, interpretation and dissemination of social and poverty data required inter alia for assessing poverty and monitoring the attainment of the MDGs in the Caribbean. The Bank provided resources, through an IDB-funded project and its own poverty assessment programme, to finance training activities at the national and regional levels to:

- (a) strengthen survey design and implementation;
- (b) promote use and dissemination of survey data; and
- (c) build capacity for poverty measurement and analysis.

This initiative which started in January 2007 with a training programme that mirrored the implementation stages of the CPAs being conducted at that time in Antigua and Barbuda, Cayman Islands, Grenada, St. Kitts and Nevis, St. Lucia and St. Vincent and the Grenadines, was followed by five specific interventions in 2008. These comprised a national workshop in data analysis and interpretation and an expert attachment in survey design and sampling methodology in St. Kitts and Nevis; a regional workshop in Barbados in survey design and sampling methodology; and two sub-regional workshops in data processing and management, in Antigua and Barbuda and St. Lucia.



These workshops were designed to enhance the skills of participants in collecting, processing, analysing and interpreting survey data, using the Statistical Package for Social Scientists within the context of socio-economic research. Similar workshops were also arranged to correspond with the other on-going CPAs in Anguilla, Belize, Dominica, Grenada, Montserrat, St. Kitts and Nevis and St. Vincent and the Grenadines.

### Civil Society

The fifth CDB/IDB Civil Society Dialogue was held in Guyana in November 2008, with a focus on Strengthening Partnerships for Good Governance. The Dialogue was held later than in the previous four years as it followed a joint CDB/IDB evaluation of the previous Dialogues to determine their relevance and effectiveness. The evaluation concluded that the Dialogues contribute significantly to both Banks' objectives of strengthening their relationships with Civil Society Organisations (CSOs) and recommended their continuation.

The objectives of the Guyana Dialogue were to:

- raise the awareness of CSOs and other development stakeholders on the concepts and principles of good governance;
- discuss some of the critical elements and/or components

of good governance and explore various frameworks that can augment its attainment in the Region;

- increase opportunities for dialogue and the exchange of information and experiences between CSOs and CDB/IDB; and
- facilitate networking between and amongst regional and national CSOs with common interests.

The Dialogue was attended by 60 participants from 19 Caribbean countries representing a wide range of CSOs including community-based organisations, non-government organisations; private sector groups, trade unions, educational institutions, local government, faith-based organisations, media organisations, professional associations, youth organisations and indigenous people's organisations.

Presentations were made and case studies were shared on the two sub-themes: Accountability and Transparency of the State and Accountability and Transparency of CSOs. In relation to the first sub-theme, topics on Strengthening Partnerships for Good Governance, and Participatory Budgeting; Access to Information and Participatory Monitoring; and Accountability and Transparency were discussed. There were also presentations and discussions on the CARICOM Charter on Civil Society and IDB's Independent Investigation Mechanism.

## Gender Equality

On December 10, 2008, CDB's Board of Directors approved the Bank's Gender Equality Policy and Operational Strategy (GEPOS). For the Bank and indeed for many across the Region, the approval marked the starting point of a process which could have significant impact on the Region's war against poverty.

This Strategy has been developed to assist CDB with the integration of gender analysis and consideration of gender equality (GE) issues to more holistically address the gender dimensions of poverty in its work with BMCs, clients and stakeholders.

The Bank, with assistance from its development partners, will put the Strategy into operation over a ten-year period. Bank policies and strategies, as well as programming processes and documents, will be revised to integrate gender equality, and gender analysis, results and data collection will be integrated throughout the Bank's project cycle. All CDB employees will also be provided with the level of skills required to contribute to the mainstreaming process, and additional gender equality specialists will be recruited to support and guide the Bank's senior management team.

## Policy-Based Lending

In 2006, the Bank introduced a new lending instrument – the Policy-Based Loan (PBL). PBLs are structured to address complex policy and institutional issues. They are thus complementary to investment lending by improving the environment for achieving sustainable poverty reduction

through social and economic development. The PBL is a flexible mechanism by which funds are directed towards growth-enhancing reforms.

During 2008, CDB approved two PBLs:

- \$30 mn to St. Lucia in support of the Government's reform programme. The loan is designed to assist the Government in a preventative strategy to reinforce and strengthen fiscal performance; insulate the economy, as much as possible, from the inherent risk associated with its openness, and to improve its responsiveness should risks materialize.
- \$100 mn to Jamaica. This PBL is designed to support Jamaica's fiscal and debt sustainability efforts and to improve debt dynamics. The associated reform agenda includes the enhancement of economic management systems, a sharper focus on Government's core services and improved strategic liability management, in a effort to reduce the debt burden (See Box 6)

## Supporting Regional Cooperation and Integration

In keeping with its commitment to advance the regional integration process, CDB undertook a number of initiatives, and also participated in various regional integration meetings and seminars during 2008. These included the preparation of a document on regional integration and regional public goods, as well as the funding of seminars on the food and fuel crisis and the global financial crisis.

Financial assistance was provided for institutional strengthening. The Bank, having led the initial work for

### Box 6: Strategic Liability Management in Jamaica

**The Government of Jamaica's ability to implement its development agenda is limited by a binding fiscal constraint. High debt, which amounted to the equivalent of 123% of GDP at the end of the fiscal year 2007/2008, requires that 54% of the fiscal budget be set aside to meet debt service payments. This translates into around 81% of revenue intake and leaves insufficient resources for investments in building productive capacity and upgrading social programmes.**

**It is within this context that CDB approved a Policy-Based Loan of \$100 mn. This PBL is a component of a wider intervention supported by the World Bank and the IDB. The three institutions proposed to provide policy-based lending to the extent of \$1 billion over the three-year time horizon 2009-2011. To avoid conditionality burden, a common conditionality matrix has been adopted.**

**The policy-based intervention is designed to reduce the average effective interest rate on the total debt stock, while the Government pursues a broad set of policy and institutional reforms aimed at enhancing economic efficiency and stability.**

the establishment of the CARICOM Development Fund (CDF), ensured that the policies, rules and procedures for its operations were completed in time for the launch of the CDF in the last quarter of 2008. A financial contribution was also approved for the operations of the Caribbean Regional Technical Assistance Centre (CARTAC) and the regional population censuses.

The Bank hosted two seminars aimed at supporting the stability of regional economies through continued dialogue and dissemination of information on appropriate responses to enhance the Region's ability to deepen the regional integration process.

CDB, in collaboration with the IDB, the International Monetary Fund (IMF), and the World Bank, hosted a one-day seminar entitled "Global Financial Crisis and the Caribbean: Impact and Response" on December 3. The seminar was initiated by CDB in recognition of the possibility that the recent increased turmoil in the international financial markets could negatively impact both the economic and social development of its BMCs. The seminar provided a forum for exchanging ideas on the issue of the global financial crisis from a Caribbean perspective, and identifying ways in which these institutions could be of assistance to the Region in dealing with this issue.

Emerging from the discussions at the seminar on food price shocks was the view that the ability of regional economies to survive depended on the adoption of a long-term horizon

for economic policy and planning. There was consensus that CDB was well positioned to help to influence the policies of member countries, given its intimate knowledge of the Region. Moreover, as the only financial institution in the Region with an AAA rating, it was well placed to capitalise on this rating to mobilise long-term funds at good rates.

The Bank also arranged for the preparation of a study on regional public goods (RPGs), which sought to examine the role of the regional development banks in support of RPGs with a particular focus on best practices in RPG production, drawing on the experience of IDB, the Asia Development Bank and the African Development Bank. The study sought to determine what would need to be done to establish an effective RPG programme within the Caribbean. It concluded that the production of RPGs was a vital step in strengthening regional cooperation and integration. In furtherance of the importance of RPGs to regional integration, the Bank, in collaboration with the CARICOM Secretariat, financed a Cost of Regional Air Travel Study and the results were presented to the Council for Trade and Economic Development to inform policy decisions in the sector.

#### **FINANCING OPERATIONS**

In 2008, CDB approved 24 loans amounting to \$297.5 mn, and 85 grant-financed operations for \$50.6 mn.





## LOANS

Lending to the public sector accounted for 22 loans for \$270.6 mn, with the OCR accounting for \$147.8 mn and the SFR for \$122.8 mn. Of the total of 24 loans approved during the year, 5 were entirely funded from the OCR, while 13 loans were entirely funded from the SFR and the remaining 6 were a blend of OCR and SFR funding. Loan approvals in 2008 represent a 66.1% increase when compared with approvals of \$179.1 mn in 2007.

Of the total approvals, loans to LDCs amounted to \$130.2 mn, comprising \$85.8 mn from OCR and \$44.4 mn from the SFR. The two largest borrowers in 2008 were Jamaica and St. Lucia, receiving \$159.9 mn or 54% and \$42.0 mn or 14% of the total. Other significant borrowers were Regional (\$25 mn or 8%) and Anguilla (\$18.3 mn or 6%).

## GRANTS

Grants disbursements during 2008 amounted to \$14.5 mn of which \$10.7 mn or 74% was to the LDCs. The two major beneficiaries were Regional and Guyana with \$5.3 mn and \$1.5 mn, respectively.

Table II:1 summarises the levels of approvals and disbursements on loans, equity investments and grants during 2008 and 2007.

## CUMULATIVE APPROVALS

Net cumulative approvals of loans, contingent loans, equity and grants as at December 31, 2008, amounted to \$3,277.8 mn (Table II:2 refers). Of this, \$1,631.8 mn,

or 49.8%, went to the LDCs, compared with \$1,520 mn, or 51% at the end of 2007.

## CUMULATIVE DISBURSEMENTS

Cumulative disbursements, including grants (Table II:3 refers), increased by 6% in 2008 to \$2,545.3 mn, from \$2,396.1 mn in 2007.

A comparative analysis of cumulative disbursements shows that CDB's Ordinary Operations accounted for 54% of total disbursements (2007–53%). The distribution of cumulative disbursements between MDCs and LDCs is provided at Table II:4. At the end of 2008, total disbursements to MDCs increased to \$1,096.7 mn from \$1,032.8 mn in 2007. Cumulative disbursements to the LDCs amounted to \$1,448.6 mn from \$1,365 mn in 2007. At December 31, 2008, the LDCs' share of cumulative disbursements was 57% (2007– 57%).

The MDCs accounted for 55% and the LDCs for 45% of disbursements from CDB's Ordinary Operations. However, the LDCs received 71% of disbursements from CDB's Special Operations, while the MDCs received 29%.

## CUMULATIVE LOAN REPAYMENTS

At December 31, 2008, principal repayments on loans since the inception of the Bank amounted to \$1,063.8 mn (2007 - \$968.1 mn) (Table II:5 refers). OCR principal repayments during the year amounted to \$79.4 mn, while total repayments since inception were \$620.0 mn, after taking into account currency translation. Total SFR principal

repayments, after currency translation, were \$443.8 mn in 2008 (2007 - \$435.5 mn).

#### RESOURCE TRANSFERS

In 2008 there was a positive net transfer of resources (that is, disbursements of grants and loans less repayments of principal, interest and charges) between CDB and its BMCs. The net flow of resources amounted to \$1.6 mn

which was a significant reduction when compared with net resource transfers of \$21.4 mn in 2007.

#### CAPITAL MARKETS OPERATIONS

During November, the Bank placed an issue of \$115 mn in short term bonds with Regional Central Banks. The funds will be used to support the Bank's liquidity position.

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

Activity/Source of Funds	Approvals		Disbursements	
	2008	2007	2008	2007
<b>A - Loans</b>				
<b>Ordinary Operations</b>	<b><u>174,760</u></b>	<b><u>136,784</u></b>	<b><u>101,598</u></b>	<b><u>93,372</u></b>
OCR	174,760	136,784	101,598	93,372
<b>Special Operations</b>	<b><u>122,786</u></b>	<b><u>42,289</u></b>	<b><u>33,179</u></b>	<b><u>44,786</u></b>
SDF	88,786	25,289	21,756	28,068
OSF	34,000	17,000	11,423	16,718
<b>Total</b>	<b>297,546</b>	<b>179,073</b>	<b>134,777</b>	<b>138,158</b>
<b>B. Equity</b>	-	<b>10,000</b>	-	-
<b>C. Grants</b>	<b>50,645</b>	<b>21,511</b>	<b>14,539</b>	<b>20,528</b>
<b>Total Financing</b>	<b>348,191</b>	<b>210,584</b>	<b>149,316</b>	<b>158,686</b>

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

LOANS/GRANTS	LDC	MDC	REGIONAL	TOTAL
70-01	1,088,600	808,100	100,200	1,996,900
2002	59,600	61,600	6,700	127,900
2003	69,900	135,100	13,700	218,700
2004	72,900	39,700	1,500	114,100
2005	74,100	68,900	9,700	152,700
2006	92,800	33,900	9,900	136,600
2007	61,982	119,471	29,131	210,584
2008	131,795	179,223	37,173	348,191
<b>Total</b>	<b>1,651,677</b>	<b>1,445,994</b>	<b>208,004</b>	<b>3,305,675</b>

**TABLE II:3 CUMULATIVE DISBURSEMENTS 1970-2008 (\$'000)**

Source of Funds	1970-79	1980-89	1990-99	1970-08
<b>Ordinary Operations</b>	<b>40,197</b>	<b>159,026</b>	<b>360,391</b>	<b>1,379,424</b>
OCR	40,197	159,026	360,391	1,379,424
<b>Special Operations</b>	<b>88,864</b>	<b>317,850</b>	<b>315,986</b>	<b>1,166,005</b>
SDF	55,958	139,079	253,873	762,601
OSF	32,902	178,771	62,113	403,404
<b>Total</b>	<b>129,061</b>	<b>476,876</b>	<b>676,377</b>	<b>2,545,429</b>

**TABLE II:4 DISTRIBUTION OF CUMULATIVE DISBURSEMENTS TO MDCs AND LDCs 1970-2008 (\$'000)**

Source of Funds	Total		MDCs		LDCs	
<b>Ordinary Operations</b>	<b>1,379,424</b>	100.0%	<b>759,087</b>	55.0%	<b>620,337</b>	45.0%
OCR	1,379,424		759,087		620,337	
<b>Special Operations</b>	<b>1,166,005</b>	100.0%	<b>337,626</b>	29.0%	<b>828,379</b>	71.0%
SDF	762,601		208,788		553,813	
OSF	403,404		128,838		274,566	
<b>Total</b>	<b>2,545,429</b>	<b>100.0%</b>	<b>1,096,713</b>	<b>43.1%</b>	<b>1,448,716</b>	<b>56.9%</b>

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

Source of Funds	Cumulative Loan Repayments to December 2007	Translation Adjustments	Repayments in 2008	Cumulative Loan Repayments to December 2008
OCR (incl. VTF)	534,549	(3,131)	79,358	610,776
SFR	433,515	(13,466)	20,068	440,117
<b>Total</b>	<b>968,064</b>	<b>(16,597)</b>	<b>99,426</b>	<b>1,050,893</b>

# PROJECT PROFILE

## ST. KITTS AND NEVIS: STUDENT LOANS SCHEME

In St. Kitts and Nevis, the CDB-funded Student Loans Scheme has made it possible for people without the necessary collateral to access loans to educate themselves.



Maxime Isaiah

**Maxime Isaiah** studied Studio Arts (with an emphasis in multi-media) and Arts Education. He is now a teacher and owns a business called Smokey's Solutions. This business focuses on wedding photography and trophy (awards) construction but also involves graphic design.

*"I used to be a fast runner in track and field; I used to 'smoke' the opponents so that is how I got the name for my business. I don't think I would've been able to get this far if I hadn't gotten the help. I got the opportunity to attend college, and I acquired not only knowledge but also specific skills."*

**Dr. Garfield Alexander** studied medicine, and is attached to the government's Medical Associates Clinic and also running a private practice.

*"It was the easiest loan I've ever gotten; if I had it to do again I would do it twice. My course was seven years and most loans are for a three year period, so the only hurdle was getting an extension for my programme."*



Dr. Garfield Alexander

**Karen Sadio**, who styled her friends hair while hoping to become a hair dresser, studied cosmetology and is now a beautician. She operates her own salon called Haircuts Etc.

*"I could not have done it without the loan. I worked at a law firm as a secretary before I went off to study and there's no way I would have been able to go and study at the time that I did. I would have had to work longer and saved before I would have able to do something I've always dreamed of doing."*



Karen Sadio

**Dr. Trevor Christmas** is a dentist at the New Town Health Centre. He also has a private practice.

*"There was a certain ease in getting the student loan."*



Dr. Trevor Christmas

**Janine Harris** knew from the time she was in Grade Three that she wanted to be a lawyer. She is now the Assistant Registrar in St. Kitts and Nevis.

*"I am grateful for the assistance in financing my student loan and allowing me the opportunity to go away and pursue my dream. I am particularly grateful in light of the fact that when I myself think about my history; being 18 years, now coming out of sixth form, deceased father, and a retired mom who was basically a housewife for most of her years. So, were it not for the opportunity to get the loan without having much security of my own to offer I would have been one who would have been saying 'I wish I could have'."*



Dr. Dale Crawford

**Dr. Dale Crawford** studied medicine, and returned to school to pursue speciality studies in gynaecology and obstetrics.

*"I think it was very instrumental because I came from a poor family and I was married and had two kids. I think it was more easily accessible, and it would have been more difficult for me to qualify for a loan from the commercial banks. I think the programme is very efficient, especially for people who come from a poor background and so it really helped me to move from one level to the next."*



Janine Harris



## HUMAN RESOURCES MANAGEMENT

In 2008, the Bank made significant progress in enhancing the efficiency of its performance management process with the transition to an online system for planning and assessing job performance. Work was also begun on a project to forge a closer link between the performance management system, the Continuous Performance Improvement (CPI) and the Results-Based Management System (RBM). The objective is to provide better line of sight from objectives in individual job performance plans to strategic goals, and to more effectively capture and roll-up achievements into a results framework.

During the year, the Bank elaborated policies for the implementation of staff adjustments arising from introduction of new technologies and business process re-engineering. These benefited from consultations with staff representatives. In light of the current economic downturn, the implementation strategy emphasises the use of volunteers to reduce negative organisational impacts from this initiative.

The Bank also embarked on a programme of executive education with the two-fold purpose of strengthening individual management capabilities and enhancing CDB's leadership culture generally, in the face of growing challenges in its BMCs. The programme, which addresses all managers within the organisation, will also assist decision-making with respect to succession planning in key leadership positions in the near term.

### Staffing

At year-end, total Bank staff in place funded by the Administrative Budget, including long-term consultants, stood at 191, of whom 99 were professionals and 92 support staff. Women comprised 55% of the total staff complement. They represented 36% of the managerial and professional ranks.

## INSTITUTIONAL TRANSFORMATION THROUGH ICTs

In 2008, the Bank continued its focus on the renewal and consolidation of software applications, upgrading and enhancing of infrastructure while ensuring the empowerment of staff through the use of appropriate technology tools for the creation, analysis, storage and retrieval of data and information to support the various operational areas.

The strategy involved building on the strengths of the Bank's modular technology infrastructure that is required to provide measured improvements in internal productivity and effectiveness, and to maximise the benefits of information and technology resources.

### Process Improvement

In the period January-September of 2008, three commercial software packages were implemented to replace bespoke systems, resulting in greater efficiency and flexibility in the management of purchases, supplies



and staff travel. Significant changes were made to policies and processes in order to bring about significant process improvements to the staff travel and purchasing functions.

It was recognised that in today's business environment, having a well designed and branded website is no longer seen as a luxury, but as a critical component in positioning the institution's image by way of its products and services. It is also part of the Bank's corporate responsibility to be transparent and accountable to its stakeholders. The decision was therefore taken to redesign the corporate website, as part of a new corporate communications strategy, into one that allowed for the CDB brand to be easily identified. State-of-the-art web-technology was employed in the development of the new site which was officially launched at the annual meetings held in Nova Scotia, Canada. The new site provides a vehicle for CDB to disseminate a range of information on its activities to clients, stakeholders and the public in general.

An Applicant Tracking System which will assist in the management of the Bank's recruitment function was evaluated and selected. In October 2008, a banking software package was acquired to replace the legacy system. This new system, when fully implemented in June 2009, will provide a comprehensive integrated solution for the management of the loans and grants portfolio. In

February 2008, a data warehouse for expense analysis reports was brought live, providing users with significantly improved access to budget information. During this period, initiatives were also undertaken to identify software to replace other legacy systems that support the Projects Department and knowledge management activities, both of which would strengthen the information sharing and collaboration functions through improved project life cycle management and more efficient knowledge-centric processes.

### **Business Continuity and Security**

As the key regional development financial institution, CDB must ensure the maintenance or recovery of operations when or if confronted with adverse events such as natural disasters, technological failures, human error or mischief, etc. In this regard, the Bank has begun a project to develop and implement a business continuity plan. In consideration of the fact that the Bank has a unique information and communication technology infrastructure which provides critical support to its core business processes, it was decided that the first phase of the project would be to develop an Information and Technology Business Continuity Plan to ensure that the business operations are resilient to any disruptions in IT services, and that the effects of disruptions in service are minimised in order to maintain trust and confidence in the financial and other business systems.

This first phase was completed in 2008. The second phase involves the development of a business continuity management policy that will provide the framework around which organisation capability in continuity management will be built. This phase is expected to be completed in 2009.

The adoption of virtual computing created a hosting environment that will provide enhanced agility, manageability and fault-tolerance within the Data Centre. This facility will also enable staff to operate more effectively when working from remote locations outside the Bank. Security controls were also maintained and enhanced where feasible, to ensure that the risks associated with the myriad of existing and new vulnerabilities and threats were mitigated to the extent possible.

### Service Support

A new service support model was implemented with the establishment of a Service Support function to enhance and facilitate the provision of an expanded client-centric service and help-desk facility. Initiatives were also taken to streamline the service management process through the implementation of a 'best practice' model which would provide the framework for the systematic analysis of the work flows and activities that are necessary for improved delivery of technology solutions that enable and support the Bank's core business activities.

### ICTs for Development

In its effort to further promote the use of Information and Communication Technologies for Social and Economic Development, the Bank spearheaded several initiatives during 2008. These included a Workshop which was hosted by CDB for senior policy-makers and advisers in the BMCs and was extremely successful in building awareness of the importance of mainstreaming ICTs into the development agenda, and the tremendous potential for stimulating economic growth and poverty reduction; and highlighting the impact of e-government systems as a driver to ICT adaptation.

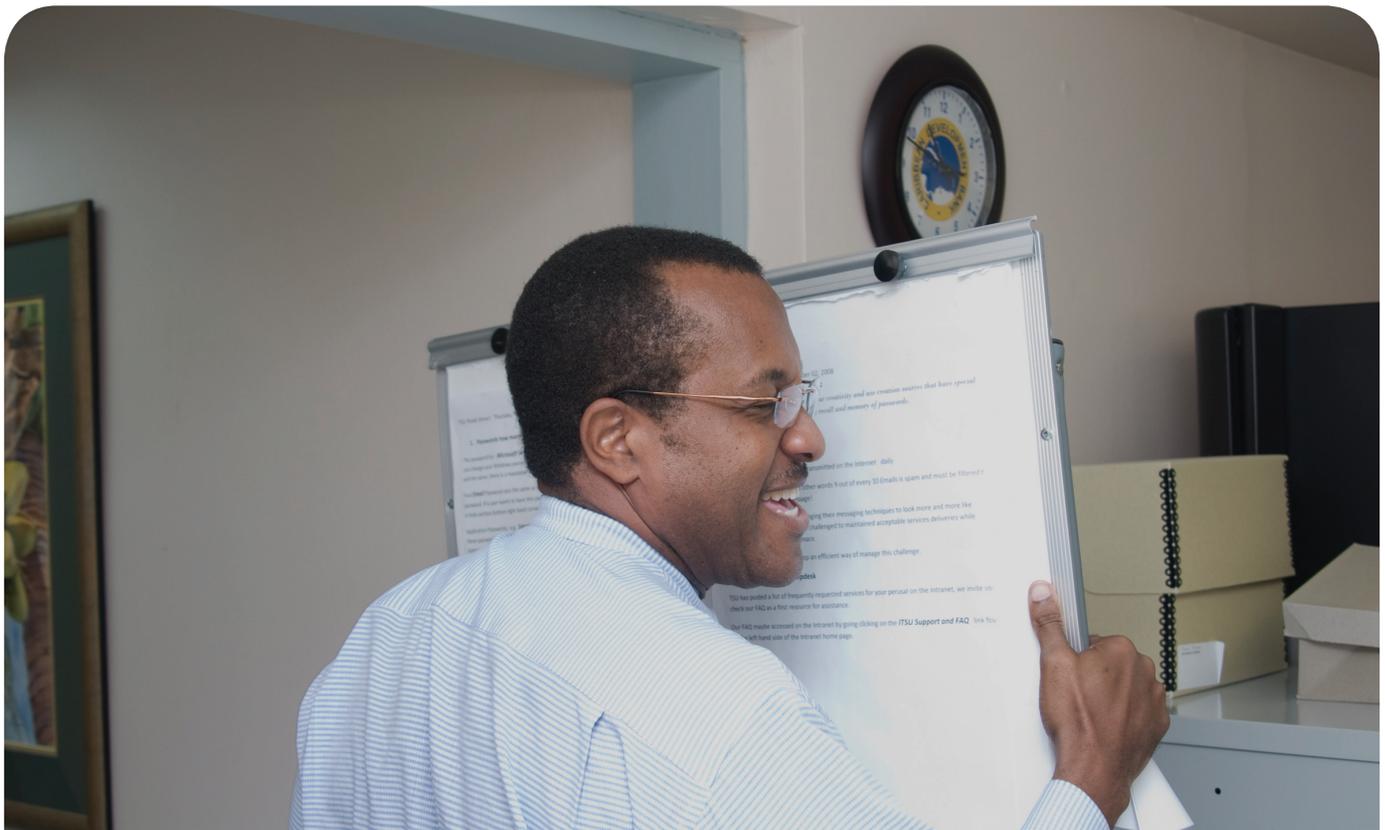
### Knowledge Management

In the area of information and knowledge management, work focused on identifying and acquiring the appropriate resources to assist the Bank in the development of a Knowledge Management Strategy and Implementation Roadmap. Concurrently, work was undertaken to identify a suitable enterprise content management system, and to review and update related policies such as information and disclosure policies, retention and destruction policies and the development of policies and procedures for web-authoring and publishing.

## GOVERNANCE

### Board of Governors

CDB's Board of Governors approved an application for



membership in the Bank from Brazil at the Thirty-Eighth Annual Meeting of the Bank, which was held at the World Trade and Convention Centre in Halifax, Nova Scotia, Canada, from May 28 to 29, 2008.

Canada's Minister for International Cooperation, the Honourable Beverley J. Oda, chaired the Annual Meeting.

CDB President, Dr. Compton Bourne, in his Annual Statement to the Board of Governors, addressed the topic of "Enhancing Trade Capacity and Trade Competitiveness". He told the Governors that the imminent signing of the Economic Partnership Agreement (EPA) between CARIFORUM countries and the European Union is a definitive signal of a transition to a new era in trade and economic cooperation between the Bank's BMCs and their international partners.

Dr. Bourne added that trade capacity and competitiveness would be at the heart of the Caribbean's ability to benefit from the provisions of this EPA and later agreements with Canada and the United States of America. He advised that it was therefore necessary that "Caribbean countries intensively and urgently focus on strengthening their productive capacity in respect of tradable goods and services and on improving competitiveness."

Governors discussed a number of key issues of topical interest to the Region, including the effects of climate

change and the impact of rising food and energy prices on the Region's economies. They also discussed a draft of the Bank's new Strategic Plan.

The United Kingdom Governor was elected Chairman of the Bank's Board of Governors for the period up to and including the 2009 Annual Meeting. This meeting, which is to be hosted by the U.K., will be held in the Turks and Caicos Islands, a British overseas territory.

### **Board of Directors**

In addition to holding five regular meetings, the Board of Directors also met twice as a Committee of the Whole to review and consider matters in relation to the preparation and finalisation of the Bank's Administrative Budget and Work Programme. Apart from giving consideration to requests for approval of several loans and grants, Directors also considered a number of strategic and thematic documents. A draft new Strategic Plan outlining the Bank's proposed strategic thrust, including those areas in which it proposes to take a lead role, was considered by Directors and in relation to which a number of useful suggestions were provided by Directors. Work will continue on this document with a view to having it finalised by the end of 2009.

Among the thematic documents considered were papers addressing Climate Change, a draft Gender Equality





Policy and Operational Strategy, an Operational Strategy for Supporting Regional Cooperation and Integration, Development Effectiveness and Managing for Results and a draft Environmental and Social Review Procedures. Several of these papers served as critical inputs into the negotiations for the sixth replenishment of the SDF which were concluded in December. The Board also monitored progress on the implementation of the Bank's Human Resource Development Strategy to ensure its consistency with the requirements of those priority areas identified in the Bank's Strategic Plan as well as its Work Programme.

Two Country Strategy Papers were considered and approved by the Board. These documents are intended to outline the Bank's strategy in its intervention in individual BMCs and reflect priorities arrived at after extensive discussions with country officials. In developing its strategy, the Bank seeks to foster a spirit of close collaboration with its other development partners in the preparation and finalisation of these documents.

Directors approved a record level of loans and grants totalling \$348 mn, including two Policy-Based Loans totalling \$130 mn to Jamaica (\$100 mn) and St. Lucia (\$30 mn), in an effort to support fiscal stability and debt sustainability in the two countries. The loan to Jamaica was as a result of the Bank taking the lead in orchestrating a joint effort with the IDB and the World Bank, which will significantly relieve fiscal pressures on the Government of Jamaica and permit warranted programmes of capital investment and social expenditures to proceed.

### **Audit and Post-Evaluation Committee**

The Audit and Post-Evaluation Committee (APEC) is an advisory committee of four Directors who are appointed by the Board for a two-year term. The primary functions of the Committee are to assist the Board of Directors in discharging and fulfilling its oversight responsibilities in relation to the integrity of the Bank's financial reporting and accounting policies and procedures, the work of the internal and external auditors, the Bank's risk management, the adequacy of its governance and internal controls, institutional integrity, and its evaluation functions.

The role of APEC allows for the monitoring and review of various areas of the Bank's operations, including financial and related business issues, risk management, project implementation experiences, as well as the application of lessons learnt from independent evaluations of projects and programmes; and the making of appropriate recommendations to the Board of Directors.

During 2008, the work of APEC included the review of the 2007 audited financial statements and the 2008 audit plan, which were presented by the Bank's external auditors PricewaterhouseCoopers (PwC). Reports prepared by the Internal Audit Unit and the Evaluation and Oversight Division (EOV) of the Bank were also subject to review. As is customary, appropriate recommendations were submitted by APEC to the Board of Directors on the audited financial statements and on evaluation reports prepared by EOV.

## DEVELOPMENT EFFECTIVENESS

The Caribbean MDGs drive and provide the framework for measuring the development effectiveness of the Bank in the BMCs. The quality assurance, evaluation and operational audit functions of the Evaluation and Oversight Division focus on assessing the operational and organisational efficiency and effectiveness in designing and supervising projects and programmes, and supporting the contribution to the development outcomes in the BMCs.

The Country Strategy Paper (CSP) is the primary planning instrument guiding CDB's operations in a BMC in which it establishes relevance, responsiveness, and results-orientation of the strategy, and is key to ensuring the quality of the lending portfolio. The CSP guidelines are at an advanced stage of being revised within the Management for Development Results (MfDR) framework. A review of the portfolio as at December 31, 2007, found that the performance of projects under implementation continued to be rated highly satisfactory. The number of projects under implementation (107) have remained relatively stable over the last four years, while the value of the portfolio (\$1,109.3 mn) has risen steadily.

The Unified Special Development Fund (SDFU) has over the years, been placing increasing emphasis on poverty reduction projects directed at the poor and low-income groups, building capacity, reducing vulnerability and enhancing governance in beneficiary countries and strengthening the effectiveness of CDB's operations. The results of the SDFU 4 and SDFU 5 Multi-cycle Evaluation indicate that a higher percentage of SDFU 4 resources than originally planned were allocated, approved, and disbursed in poverty reduction initiatives. The targets for resource allocation to poverty reduction proved more difficult to meet in SDFU 5. This was mainly due to the ambitious level that was set. In addition, SDFU 5 introduced many management changes at CDB and the operational implications were not fully considered. This led to subsequent delays in implementation. There is clear evidence that SDFU 4 and SDFU 5 largely surpassed the poverty reduction targets that were established. Evidence reflects the following:

- (a) In the education and human resources development (HRD) sector, the SDF 4 and SDF 5 projects reviewed had direct effects in terms of increased opportunities for primary and secondary education, improved opportunities for post-secondary education and increased employability. Between 1999 and 2003, for example, almost 5,000 students benefited from the Student Loan Scheme alone.
- (b) In the rural development sector, although the actual outcomes of the Rural Enterprise Development Projects

were below expectations, the rationale for such projects continues to be strong, as agriculture constitutes an important sector of the economy of these countries.

- (c) In terms of targeted poverty reduction through BNTF, while achievement of the BNTF-5 objectives was mixed, a number of positive changes occurred at the community level as a result of BNTF social infrastructure projects, such as access to better social infrastructure facilities, improved access to services, products and markets, enhanced community linkages and morale, and improved (health) conditions.
- (d) In the water and sanitation sector, SDF-supported water supply projects visited for the evaluation have contributed to an improved water supply, but their effects have been limited to some degree by lack of institutional capacity and economic/financial factors
- (e) In the natural disaster risk management (NDRM) sector, CDB's assistance has had generally positive results, making indirect contributions to poverty reduction and reducing vulnerability to natural disasters in some cases. Several outputs and activities are found to have contributed to poverty alleviation, including the restoration of key access routes, payments to farmers for reparation of infrastructure, and other reconstruction and recovery activities.
- (f) In the area of capability enhancement/regional cooperation via technical assistance programming, results show that TA operations have broadly reflected a number of major policy guidelines provided by the Bank's strategic planning, and the relevant sector strategies developed during SDFU 4 and 5. Although the majority of CDB's TA operations reviewed were rated as satisfactory or better, a significant number of projects did not achieve their planned results.

Throughout SDFU 4 and 5, CDB made progress in its efforts to develop strategic agendas and operating principles that could be translated into a greater focus on poverty reduction in the Caribbean. Significant changes in its strategy and policy frameworks, instruments and tools for guiding its programming, as well as in the systems it uses to plan, supervise, and evaluate its work, were introduced over the period. Such changes did not occur quickly, as CDB was faced with human resource constraints in trying to respond to its commitments in SDFU 4 and 5 for an expanded social development agenda. Overall, the evaluation identified that CDB has contributed to positive effects in BMCs that could and should lead to positive development outcomes.

Management accepted the findings, as well as policy, management and project level recommendations which will assist in guiding future interventions.

## **EXTERNAL RELATIONS AND PARTNERSHIPS**

During the year, the President and other members of the Bank's senior management made a number of visits to various member countries where they took the opportunity to apprise high-level country officials of the work of the Bank and to exchange views on how the Bank might be more responsive to the needs of its member countries. Discussions with a view to expanding the Bank's membership and contributor base were also pursued with a number of countries. Similar visits were also made to IFIs, with discussions covering areas for future collaboration as well as in relation to technical issues.

Participation continued to be high in those fora concerned with CSME-related issues, while both technical and financial support were provided for activities related to the CARICOM Development Fund.

Efforts to improve the visibility of the Bank and its work have resulted in the completion of a new corporate website along with a corporate identity manual outlining brand identity guidelines for stationery, advertising, the CDB logo and multi-media applications. A new feature of the Bank's outreach programme involved taking its Special Discussion Forum series away from its Headquarters seat into its BMCs. Early in the year, a special forum open to the public was held in St. Vincent and the Grenadines on the topic "Unmasking Domestic Violence, Building Equality, Peace and Development". This was well attended by a wide cross-section of the community. These fora provide a useful platform for persons living in the Bank's BMCs to become more intimately associated with the work of the Bank, including giving their voice to some of those concerns that affect their daily lives.

The Bank also held its Annual Roundtable in conjunction with the Institutional Investor in Trinidad and Tobago. This year's theme was "Global Imbalances and Caribbean

Development" with participants including the Bank's President and other members of its senior management, as well as persons from the banking and financial communities. It is intended to continue and expand these opportunities to share the work of the Bank with its constituents.

## **HARMONISATION**

The process of collaboration with other members of the International Financial Institutions (IFIs) community continued. Not only did the Bank continue with its participation in those committees concerned with activities relating to Procurement, Human Resources, Budgeting and the Environment, but in addition hosted a meeting of the Human Resources Group during the year. In October, the Bank, for the first time, was represented at the meeting of IFI Bank Secretaries which was held in Washington, D.C. Participation in these meetings serves to enhance networking among members of the various groups and allows for the development and embracing of standards of best practice.

## **IMPROVING INTERNAL EFFICIENCY**

Following on from work started in the previous year, systems development work kept apace with the implementation of a number of new systems aimed at improving the Bank's business processes, leading to qualitative improvements in the gathering and sharing of information. Among some of the areas that will benefit from these improvements are activities related to internal procurement, business travel and human resource management. The re-engineering of many of these processes has also led to labour productivity improvements across the institution.

## PROJECT PROFILE ST. VINCENT AND THE GRENADINES: CTCS



A chance meeting between CDB's Ken Harvey and Vincentian entrepreneur Conita Byron led to some lasting impressions being made. Firstly, Ken was sufficiently impressed by some drapes that Ms. Byron had in her boutique to enquire as to their origin. It turned out that they were made by Ms. Byron herself. The ensuing discussions led to Ms. Byron receiving training from the Bank's CTCS Network, and the subsequent establishment of a business called - True Impressions. That all happened in 1994.

"The first training was conducted in Barbados, and when I was about to set up my business I got assistance from them (CTCS) again. The person I trained with came to St. Vincent to help me to set up my business," Ms. Byron recalls.

Although it was the drapes that led to the creation of True Impressions, the business is by no means one-dimensional.

"Actually, we do about any and everything from clothes and uniforms to drapes, cushions, and blinds. Our products can be found in yachts, hotels, business places, and in homes."

The client list, which originally featured just one hotel and some domestic customers, now includes four hotels as regulars. A number of other hotels also seek out True Impressions products from time to time. Ms. Byron notes that there could be more names on the list of

clients, but she prefers to keep the list short so as to ensure that standards are maintained.

"Presently, we have five staff, including myself. I avoid hiring temporary staff because I will not get the quality work that I am accustomed to. I'd rather refuse business than to have it be said that True Impressions produced poor quality work. I trained my staff, so they work to my standards."

Ms. Byron not only trained her staff but has also trained a number of other people as she is now one of the trainers used by the CTCS. She is therefore now part of the process of preparing budding entrepreneurs to create their own lasting impressions in the business world.





## MANAGEMENT DISCUSSION AND ANALYSIS OVERVIEW

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

## ORDINARY CAPITAL RESOURCES

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

## BASIS OF FINANCIAL REPORTING

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

## FINANCIAL POLICIES

The financial strength of CDB is based on the support it receives from its shareholders and on its array of financial policies and practices. Shareholder support for CDB is reflected in the capital backing it has received from its members and in the record of its borrowing members in meeting their debt-service obligations to it. CDB's financial policies and practices have led it to build reserves, to diversify its funding sources, to hold a large portfolio of liquid investments, and to limit a variety of risks, including credit, market and liquidity risks. CDB's principal assets are its loans to its borrowing member countries. To raise funds, CDB issues debt securities in a variety of currencies to both institutional and retail investors. The Bank also accesses lines of credit from other international financial institutions. These borrowings, together with CDB's equity, are used to fund its lending and investment activities, as well as general operations. CDB holds its assets and liabilities primarily in US dollars. CDB mitigates its exposure to exchange rate risks by matching the currencies of its liabilities and equity with those of its assets. However, the reported levels of its assets, liabilities, income and expense in the financial statements are affected by exchange rate movements of major currencies compared with CDB's reporting currency, the US dollar. Since CDB matches the currencies of its equity with those of its loans, the fluctuations captured in the cumulative translation adjustment for purposes of financial statement reporting do not significantly impact CDB's risk-bearing capacity.

## MANAGEMENT REPORTING

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

## FUNDING RESOURCES EQUITY

CDB's equity base plays a critical role in securing its financial objectives. By enabling CDB to absorb risk out of its own resources, its equity base protects shareholders from a possible call on callable capital. The adequacy of CDB's equity capital is judged on its ability to generate future net income sufficient to absorb potential risks and to support normal loan growth, without reliance on additional shareholder capital. Total shareholders' equity, as reported in the balance sheet at December 31, 2008, was \$580.0 mn compared with \$506.4 mn at December 31, 2007. The increase from 2007 primarily reflects the increase in retained earnings.

In the context of CDB's operating environment, it is management's practice to recommend each year the allocation of net income to augment reserves, and to support developmental activities. In May 2008, the CDB's Board of Governors approved the allocation of the net income of \$23.0 mn from the Ordinary Operations of the Bank for the year ended December 31, 2007 to the Ordinary Reserves of the Bank.

## CAPITAL

Shareholder support for CDB is reflected in the capital backing it has received from its members. At December 31, 2008, the subscribed capital of CDB was \$713.0 mn of which \$157.4 mn was paid-up and \$555.5 mn was callable.

## BORROWINGS

CDB diversifies its sources of funding by following a strategy of cost-effective private placements and public offerings of its bond issuance. Funding raised in any given year is used for CDB's general operations, including loan disbursements, and refinancing of maturing debt. OCR borrowings at December 31, 2008 amounted to \$571.9 mn compared with \$477.0 mn at the end of the previous year. All proceeds from new funding are initially invested in the liquid assets portfolio until they are required for CDB's operations.

## USE OF DERIVATIVES

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

## FINANCIAL RISK MANAGEMENT

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

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

## COUNTRY CREDIT RISK

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

Credit risk is measured in terms of both probable and potential losses from protracted payments arrears. Probable losses are covered by CDB's accumulated provision for losses on loans and guarantees, and potential losses are covered by income-generating capacity and equity.

Portfolio concentration risk, which arises when a small group of borrowers account for a large share of loans outstanding, is a key concern for CDB and is managed, in part, through a single borrower exposure limit. The concentration risk limit is 50% of capital; CDB's largest exposure to a single BMC was 35.4% of capital at

December 31, 2008, compared with 34.1% at the end of 2007.

### **INTEREST RATE RISK**

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

### **EXCHANGE RATE RISK**

In order to minimize exchange rate risk in a multicurrency environment, CDB matches its borrowing obligations in any one currency (after swap activities) with assets in the same currency. This policy is designed to minimize the impact of market rate changes, thereby preserving CDB's ability to better absorb potential losses including losses from arrears. As a December 31, 2008, 96.2% of total financial assets were denominated in U.S. dollars.

### **OPERATIONAL RISK**

Operational risk is the potential for loss resulting from inadequate or failed internal processes or systems, human factors, or external events, and includes business disruption and systems failure, transaction processing failures and failures in execution of legal, fiduciary and agency responsibilities. Like all financial institutions, CDB is exposed to many types of operational risks, which it attempts to mitigate by maintaining a system of internal controls that is designed to keep that risk at appropriate levels in view of the financial strength of CDB and the characteristics of the activities and markets in which CDB operates. The Bank seeks to adopt best practice approach to operational risk management and continues to evolve. CDB monitors and controls operational risk through business process reviews, annual representation letters, and compliance reviews by its external auditors in the finance, operations and information systems areas. These tools are designed to assist departments in identifying key operational risks and assessing the degree to which they mitigate these risks and maintain appropriate controls. The Bank is in the process of improving its risk management practices by moving towards a comprehensive bank-wide risk management approach that emphasizes active management of operational risk.

### **LIQUIDITY MANAGEMENT**

CDB's liquid assets are held principally in obligations of

governments and other official entities, time deposits and other unconditional obligations of banks and financial institutions, currency and interest rate swaps. Liquidity risk arises in the general funding of CDB's activities and in the management of its financial positions. It includes the risk of being unable to fund its portfolio of assets at appropriate maturities and rates and the risk of being unable to liquidate a position in a timely manner at a reasonable price. The objective of liquidity management is to ensure the availability of sufficient cash flows to meet all of the Bank's financial commitments. As a component of liquidity management, CDB maintains lines of credit with independent financial institutions. One such facility is a line of credit that is used to cover any overnight overdrafts that may occur due to failed trades. Another is a line of credit to meet unexpected financial commitments in its normal operations. Under CDB's liquidity management policy, aggregate liquid asset holdings should be kept at a minimum of 40% of undisbursed commitments<sup>1</sup>. At the end of 2008 the aggregate size of the OCR liquid assets portfolio stood at \$274.9 mn, or 66.0% of undisbursed commitments. CDB liquid assets may from time to time fall below the specified minimum due to the timing of its borrowing transactions.

### **GOVERNANCE STRUCTURE**

#### **BOARD MEMBERSHIP**

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

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

Membership of APEC consists of four members of the Board of Directors, and is appointed by the Board of Directors for a two-year term, with its membership reflecting the geographic diversity of CDB's member countries. Reappointment to a second term, when possible, is desirable for continuity. The Chairman of APEC may speak in that capacity at meetings of the Board of Directors, with respect to discussions held during meetings of the Committee, which are held at least twice per year. APEC's main function is to assist the Board of Directors in discharging its oversight responsibility for the financial reporting process, the system of internal control, the internal and external audit functions, risk management and the project implementation process. The Committee

*1 Defined as the ratio of cash and investments to undisbursed loan balances plus loans not yet effective.*

also monitors the evolution of developments in corporate governance. In the execution of its role, the Committee assesses the effectiveness of financial policies and reporting, fiduciary controls, various aspects of financial, business, and operating risk, quality of earnings, and internal controls as well as the efficiency and effectiveness of project activities. In addition, the Committee discusses with management and the external auditors, financial issues and policies that have an important bearing on the institution's financial position and risk-bearing capacity. Work programmes and reports prepared by the Evaluation and Oversight Division and the Internal Audit Unit of the President's Office, are also reviewed by the Committee. APEC meets with management and the external auditors to discuss financial and accounting matters and the proposed annual audit plan and audit fees. APEC also discusses the audited financial statements along with the management and the external auditors, prior to its recommendation to the Board for their approval.

The Committee also meets with the management of the Evaluation and Oversight Division to discuss projects that were evaluated by the Division with a view to improving the efficiency and effectiveness of project activities. Lessons learnt from these studies are then fed back into the Bank's system to be drawn upon in similar projects, and where necessary, policies and changes to existing policies are recommended to the Bank's Management. The processes and procedures by which CDB manages its risk continue to evolve as its activities change in response to market, credit, and other developments. Members of

APEC periodically review trends in CDB's risk profiles and performance, as well as any significant developments in risk management policies and controls. Primary responsibility for the management of operational risk resides with each of CDB's managers. These individuals are responsible for establishing; maintaining and monitoring appropriate internal control procedures in their respective areas.

## FINANCIAL STATEMENTS REPORTING ORDINARY CAPITAL RESOURCES (OCR)

Basis of Financial Reporting CDB prepares its OCR financial statements in accordance with International Financial Reporting Standards. Effective 1 January 2001, CDB adopted (IAS) 39 which requires the Bank to recognise on its balance sheet, all derivatives, whether assets or liabilities, measured at their fair values. Management believes that reporting results by reference to operating income and operating revenues, excluding the cumulative effect of the change in accounting principles recognised on January 1, 2001 under IAS 39 and its ongoing effects during the reporting years, is beneficial in understanding and analysing the Bank's financial performance. Such information is presented to supplement, not replace, net income, revenues, cash from operations, or any other operating or liquidity performance measures prescribed by IAS 39. Table IV: 1 presents a summary of the OCR operations for the year ended December 31, 2008, as well as for the previous four years.

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

	2008	2007	2006	2005	2004
Income					
Interest Income	51,923	53,853	49,739	43,454	35,128
Interest Expense	18,098	24,769	23,671	17,819	10,991
<b>Net Interest Income</b>	<b>33,825</b>	<b>29,084</b>	<b>26,068</b>	<b>25,635</b>	<b>24,137</b>
Operating Expense /(Income)					
Commitment & other charges	(2,122)	(1,986)	(2,288)	(2,130)	(2,174)
Other Income	(215)	(110)	(319)	(99)	(218)
Administrative	9,187	7,873	6,905	7,023	7,240
Provision for Loan Losses	996	-	-	-	-
Currency translation (gains)/losses	(2,625)	271	(326)	(312)	-
<b>Net Operating Expenses</b>	<b>5,221</b>	<b>6,048</b>	<b>3,972</b>	<b>4,482</b>	<b>4,848</b>
Operating Income	28,604	23,036	22,096	21,153	19,289
Fair value adjustment	(56,015)	(11,805)	4,395	14,318	(191)
<b>Net Income</b>	<b>84,619</b>	<b>34,841</b>	<b>17,701</b>	<b>6,835</b>	<b>19,480</b>

## RESULTS OF OPERATIONS

### OVERVIEW

Reported net income amounted to \$84.6 mn for the year ended December 31, 2008, an increase of \$49.8 mn, or 143% when compared with \$34.8 mn in net income recorded for the year ended December 31, 2007. The increase in net income was mainly attributable to the income from the fair value adjustment of derivatives of \$56.0 mn, reflecting a change of \$44.2 mn when compared with \$11.8 mn at the end of 2007. It is important to note that the income gained from the fair value adjustment unrealised and therefore does not fundamentally affect the Bank's financial soundness, unless of course these derivatives were traded. It is the policy of the Bank not to trade its derivatives, but to use these instruments to reduce its funding costs and for asset/liability management purposes. As long as the Bank does not trade its derivatives, the fair value income or expenses of the derivatives will not be realised. Operating income before derivative fair value adjustments for the year was \$28.6 mn, an increase of \$5.5 mn or 24.2% from \$23.0 mn in 2007.

### NET INTEREST INCOME

Net interest income for the year was \$33.8 mn compared with \$29.0 mn in 2007. The increase in net interest income during the year was due to increases in the average outstanding balances of loans and investments, offset by similar changes on borrowings. An analysis of the impact of changes in rates and volumes is provided at Table IV: 2. Overall interest income declined by \$1.9 mn, however, this was offset by a reduction in borrowing costs of \$6.7 mn resulting in an increase in net interest income of \$4.7 mn.

### NON-INTEREST EXPENSES

Year-to-date net non-interest expenses, including commitment fees, other income, administrative expenses, provision for loan losses, translation gains and losses amounted to \$5.2 mn compared with \$6.0 mn in 2007. The decrease in net non-interest expenses of \$0.8 mn was primarily a result of administrative expenses of \$9.2 mn, and provision for loan losses of \$1.0 mn, offset by currency translation gains of \$2.6 mn and commitment fees of \$2.1 mn and other income of \$0.2 mn.

### BALANCE SHEET REVIEW

#### ASSETS

At December 31, 2008, total assets amounted to \$1,177.2 mn compared to \$1,016.4 mn at December 31, 2007. The increase in total assets was primarily due to growth in due from banks and investments which grew by \$95.6 mn or 53.3% to \$274.9 mn from \$179.3 mn in 2007 resulting from new borrowings in latter part of the year. The growth in assets was also boosted by increases in:

- (i) Loans outstanding of \$18.8 mn; and
- (ii) Derivative Financial Instruments of \$55.1 mn.

#### LIABILITIES

Total liabilities, as at December 31, 2008 was \$597.1 mn up \$87.1 mn, or 17% from \$510.0 mn as at December 31, 2007. The increase in liabilities was primarily due to an increase in long-term borrowings of \$95.0 mn that was partially offset by a reduction in MOV payable of \$7.7 mn.

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

	2008			2007			Increase/(Decrease) Due To		
	Average Balance	Income/Expense	Average Rate	Average Balance	Income/Expense	Average Rate	Rate	Volume	Total
<b>Interest Earning Assets</b>									
Cash & Investments	\$166,659	\$7,433	4.46%	\$175,957	\$9,720	5.52%	(\$1,872)	(\$415)	(\$2,287)
Loans	\$745,226	44,490	5.97%	708,210	44,133	6.23%	(1,853)	2,210	357
<b>Total Earning Assets</b>	<b>911,885</b>	<b>51,923</b>	<b>5.69%</b>	<b>884,167</b>	<b>53,853</b>	<b>6.09%</b>	<b>(3,725)</b>	<b>1,795</b>	<b>(1,930)</b>
<b>Interest Bearing Liabilities</b>	<b>\$468,860</b>	<b>18,098</b>	<b>3.86%</b>	<b>457,212</b>	<b>24,769</b>	<b>5.42%</b>	<b>(7,121)</b>	<b>450</b>	<b>(6,671)</b>
Net Earning Assets/Spread	443,025			426,954			3,395	1,346	4,741
Net Interest Income		33,825			29,084				
Net Interest Spread			1.83%			0.67%			
Net Loan Interest Spread			2.11%			0.81%			
Net Interest Margin			3.71%			3.29%			

## **EQUITY**

At December 31, 2008, equity was \$580.0 mn compared to \$506.4 mn at December 31, 2006. The increase was primarily due to net income of \$84.6 mn and offset by appropriations from retained earnings of \$11.0 mn.

## **LIQUIDITY**

The funding needs of the Bank's business programmes are driven by the size of its loan commitments, and the maturity profile of its debts. The primary sources of funds to meet these needs are issuances of debt obligations, principal and interest payments on its loan portfolio and net operating cash flows. Because of CDB's status as a AAA-rated institution, the Bank has been able to access the capital markets at favourable rates. The Bank maintains a portfolio of cash equivalents, comprised of government and agency obligations, supranationals and other short-term investments, to draw upon as necessary. At December 31, 2008, liquid assets amounted to \$274.9 mn compared with \$179.3 mn at December 31, 2007. The liquidity ratio stood at 64.6%, compared with the policy minimum of 40%.

## **SPECIAL FUNDS RESOURCES (SFR) SPECIAL DEVELOPMENT FUND (SDF)**

Total net income for the year ended December 31, 2008, for the two components of the SDF, the Special Development Fund (Unified) – SDF (U), and the Special Development Fund (Other) – SDF (O), was \$8.5 mn compared with \$8.1 mn for the corresponding period in 2007. This was due to an increase of \$0.9 mn in the SDF (U) investment income that was partially offset by a decline of \$0.5 mn in SDF (O) income from investments. With the SDF (O) being a contracting operation, most of the SDF activities relate to SDF (U).

## **INTEREST INCOME**

Gross income for the year amounted to \$21.6 mn, up \$0.5 mn or 2.4% from \$21.1 mn at December 31, 2007. Income from the SDF (U) amounted to \$18.1mn or 83.7%, and SDF (O) was \$3.5 mn or 16.3% of total income. The growth in income from investments reflects the fact that

SDF (U) liquid investments increased by \$77.4 mn or 45.3% in 2008 to \$248.3 mn from \$170.9 mn at the end of 2007; however, the growth in volume was offset by a decline in investment yields as international market rates fell dramatically during the year. The increase in liquid resources resulted from the encashment of notes from a number of previous SDF programmes.

## **ADMINISTRATIVE EXPENSES**

SDF administrative expenses for the year under review amounted to \$11.7 mn an increase of \$0.5 mn, or 4.7% above administrative expenses of \$11.2 mn in 2007.

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

OSF net income for the year ended December 31, 2008 was \$0.4 mn, a decrease of \$3.9 mn from \$4.3 mn for the year ended December 31, 2007. Interest income for the year was \$3.3 mn, down \$4.1 mn, or 55.7% from the previous year. The decline was attributable to the decline in yields on investments which was 1.22% compared with 4.93% in 2007.

OSF investment portfolio amounted to \$91.3 mn as at December 31, 2008 compared with \$88.0 mn at December 31, 2007. The overall performance of the portfolio was significantly reduced by the performance of two externally managed funds, the Microfinance Guaranty Fund and the Interest Subsidy Fund. The return on investments at December 31, 2008 was 1.22%; however, if the externally managed funds were excluded the return would have been 3.99%.

Total expenses for the year were \$2.9 mn, a decline of \$0.1mn or, 4.6% from \$3.0 mn in 2007. This was due principally to exchange rate gains amounting to \$0.2 mn compared with losses of \$0.1 mn in the previous year.

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

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



# PROJECT PROFILE

## ST. VINCENT AND THE GRENADINES: EDUCATION

There is said to be an education revolution going on in St. Vincent and the Grenadines. Universal secondary education has been implemented, schools are being built and/or refurbished, and very important, teachers are being trained. Some of them have already returned home and are putting their training to good use.

*"I am extremely grateful to CDB and the Government of St. Vincent and the Grenadines for their assistance. They made me realize who I am, and they made me realize my academic potential. When I heard that I had gotten the scholarship I prayed, I said 'God I don't deserve it'. I just thought that it wasn't for me and CDB and the government made me realize that you can never short-change yourself, you could never underestimate yourself."* **Kamara Foster: BA in Spanish and French.**



*"The assistance which I received came just in time as I was in my second year and I was funding myself and I was wondering how I would get through the other two years, so it came in just in time. One of the things also I would like to say in terms of the assistance from CDB is that Library and Information Studies is one of the areas in St. Vincent and Grenadines that we don't have many professional persons in the field and it's a field that a lot of young people have not been gravitating to."* **Pearl McMaster: BA in Library and Information Studies.**

*"I was happy to receive this funding from CDB because I really wanted to study in England but I did not have the finances to support my desire so I was really happy when the scholarship came about. I found the course to be very beneficial because I was exposed to a number of issues that really affect education in other countries. So I was able to compare it with what happened in St. Vincent."* **Eula Adams: MA in Sociology of Education.**

*"I want to single out the courses I did in Inclusive Education. Unfortunately, we are not there yet, but I think it's something we are considering. Research wise, I was able to tap into the latest research in the field of Special Needs Education. So I'm really grateful to CDB for the opportunity to have a more hands-on and practical approach to this field that I've been working in for quite a while."* **Naseem Smith-Williams: post-graduate studies in the field of Special Needs Education.**

*"I'm very grateful for the scholarship that I got; it's the first time that I was ever funded so I am very appreciative of that. We don't have persons in St. Vincent who are applied psychologists, as a matter of fact, when I was looking to do my practicum I couldn't come back to St. Vincent to do it because we had nobody to be my supervisor. So I had to journey to Jamaica to do my practicum and it was quite an experience. In Jamaica, I learned quite a lot. I worked at a testing facility and I was actually doing psychological testing and the experience was worth it."* **Jean DaSilva: MA in Applied Psychology.**

*"My funding came just in time. I was funding my studies and had no idea where the money was coming from, but just determined that I was going to finish this programme. So this scholarship came just in time and I am grateful to CDB."* **Donna McClean: BSc in Library and Information Studies.**

*"We want quality teachers and I'm grateful for the funding I received from CDB to finish my education. I think right now I have the skills that I need to make a contribution to my society and help students to be better in the subject area."* **Bernadette Greaves: BSc in Mathematics Education.**

*"Since my return in 2005, I, with the assistance of others, have gotten the first deaf student to write the common entrance examination. We have a passion for what we do - our goal is to see our students with disabilities excel. We know that they can excel, we want them to get the same opportunities that all other students in St. Vincent are entitled to."* **Arifa Ryan-Charles: BA in Special Education, Majoring in Assessment and Programme Planning.**



## INDEPENDENT AUDITORS' REPORT

To the Board of Governors  
Caribbean Development Bank

We have audited the accompanying financial statements of the **Ordinary Capital Resources** of the **Caribbean Development Bank** which comprise the balance sheet as of December 31, 2008, and the statement of income, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

### Management's Responsibility for the Financial Statements

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

### Auditors' Responsibility

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

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

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

### Opinion

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the **Ordinary Capital Resources** of the **Caribbean Development Bank** as of December 31, 2008, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

  
Chartered Accountants  
April 2, 2009  
Bridgetown, Barbados

# CARIBBEAN DEVELOPMENT BANK

## ORDINARY CAPITAL RESOURCES

### BALANCE SHEET

As of December 31, 2008

(expressed in thousands of United States dollars)

	<u>2008</u>	<u>2007</u>
<b>Assets</b>		
<b>Cash Resources</b>		
Due from banks - Note E	\$ 15,936	\$ 8,401
<b>Investments</b>		
Debt securities at fair value through profit and loss - Note F	258,984	170,947
<b>Loans</b>		
Loans outstanding - Note G	769,154	750,382
Derivative financial instruments – Note H	71,270	16,182
<b>Receivable from members</b>		
Non-negotiable demand notes - Note I	43,820	51,974
Amounts required to meet maintenance of value on currency holdings - Note J	<u>2,111</u>	<u>3,223</u>
	45,931	55,197
<b>Receivables – other – Note K</b>	8,396	9,407
<b>Other assets</b>		
Property and equipment - Note L	<u>7,503</u>	<u>5,877</u>
<b>Total assets</b>	<u>\$1,177,174</u>	<u>\$1,016,393</u>

The notes on pages 58 to 103 are an integral part of these financial statements.

# CARIBBEAN DEVELOPMENT BANK

## ORDINARY CAPITAL RESOURCES

### BALANCE SHEET...continued

As of December 31, 2008

(expressed in thousands of United States dollars)

	<u>2008</u>	<u>2007</u>
<b>Liabilities and Equity</b>		
<b>Liabilities</b>		
Accounts payable and accrued liabilities - Note M	\$24,316	\$21,592
Amounts payable to meet maintenance of value on currency holdings - Note N	-	10,379
Post-employment benefits - Note O	897	972
<b>Borrowings</b>		
Long-term borrowings - Note P	571,914	477,022
<b>Total Liabilities</b>	<u>597,127</u>	<u>509,965</u>
<b>Equity</b>		
Capital stock – Note Q		
Authorised capital - 118,526 (2007 - 118,526) shares		
Subscribed capital - 108,846 (2007 - 108,846) shares	712,958	712,958
Less callable capital - 85,011 (2007 - 85,011) shares	<u>555,525</u>	<u>555,525</u>
Paid-up capital - 23,835 (2007 - 23,835) shares	157,433	157,433
Less subscriptions not yet matured	-	-
Subscriptions matured	157,433	157,433
Retained earnings and Reserves – Note Q	<u>422,614</u>	<u>348,995</u>
<b>Total Equity</b>	<u>580,047</u>	<u>506,428</u>
<b>Total Liabilities and Equity</b>	<u>\$1,177,174</u>	<u>\$1,016,393</u>

Approved on April 2<sup>nd</sup> 2009 by:



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



Wm. Warren Smith  
Director, Finance & Corporate Planning

The notes on pages 58 to 103 are an integral part of these financial statements.

**CARIBBEAN DEVELOPMENT BANK  
ORDINARY CAPITAL RESOURCES**

**STATEMENT OF CHANGES IN EQUITY**

**For the year ended December 31, 2008**

(expressed in thousands of United States dollars )

	<b>Capital Stock</b>	<b>Retained Earnings</b>	<b>Reserves</b>	<b>Total</b>
Balance at January 1, 2007	\$155,696	\$300,044	\$14,110	\$469,850
Net income for the year	-	34,841	-	34,841
Capital subscriptions	1,737	-	-	1,737
Balance at December 31, 2007	<u>\$157,433</u>	<u>\$334,885</u>	<u>\$14,110</u>	<u>\$506,428</u>
Balance at January 1, 2008	\$157,433	\$334,885	\$14,110	\$506,428
Net income for the year	-	84,619	-	84,619
Appropriation from retained earnings – Note Q	-	(11,000)	-	(11,000)
<b>Balance at December 31, 2008</b>	<b><u>\$157,433</u></b>	<b><u>\$408,504</u></b>	<b><u>\$14,110</u></b>	<b><u>\$580,047</u></b>

The notes on pages 58 to 103 are an integral part of these financial statements.

# CARIBBEAN DEVELOPMENT BANK

## ORDINARY CAPITAL RESOURCES

### STATEMENT OF INCOME

For the year ended December 31, 2008

(expressed in thousands of United States dollars )

	<u>2008</u>	<u>2007</u>
<b>Interest and similar income</b>		
Loans – Note R	\$46,612	\$46,119
Investments and cash balances – Note R	<u>7,433</u>	<u>9,720</u>
	<u>54,045</u>	<u>55,839</u>
<b>Interest expense and similar charges</b>		
Borrowings	17,990	21,505
Other financial expenses	<u>108</u>	<u>3,264</u>
	<u>18,098</u>	<u>24,769</u>
<b>Net interest income</b>	<u>35,947</u>	<u>31,070</u>
<b>Other expenses/(income)</b>		
Other income	(215)	(110)
Provision for loan losses – Note G	996	-
Administrative expenses – Note S	9,187	7,873
Foreign exchange (gains)/losses	<u>(2,625)</u>	<u>271</u>
	<u>7,343</u>	<u>8,034</u>
<b>Operating income before derivative fair value adjustment</b>	<u>28,604</u>	<u>23,036</u>
Derivative fair value adjustment – Note T	<u>(56,015)</u>	<u>(11,805)</u>
<b>Net income for the year</b>	<u>\$84,619</u>	<u>\$34,841</u>

The notes on pages 58 to 103 are an integral part of these financial statements.

# CARIBBEAN DEVELOPMENT BANK

## ORDINARY CAPITAL RESOURCES

### STATEMENT OF CASH FLOWS

For the year ended December 31, 2008

(expressed in thousands of United States dollars )

	2008	2007
<b>Operating activities:</b>		
Net income for the year	\$84,619	\$34,841
Adjustments for non-cash items:		
Unrealised gain on trading portfolio	(1,568)	(146)
Depreciation	1,026	1,001
Gain on disposal of fixed assets	(70)	(15)
Derivative fair value adjustment	(56,015)	(11,805)
Interest income	(50,386)	(53,707)
Interest expense	18,098	24,769
Provision for losses on loan	996	-
Total cash flows from operating profits before changes in operating assets and liabilities	(3,300)	(5,062)
Changes in operating assets and liabilities:		
Decrease/(increase) in loans resulting from exchange rate fluctuations	2,575	(781)
Decrease/(increase) in accounts receivable	1,012	(3,593)
Increase in accounts payable	2,649	1,458
Net (increase)/decrease in trading securities	(55,363)	9,927
Cash from operating activities	(52,427)	1,949
Disbursements on loans	(101,598)	(93,372)
Principal repayments to the Bank on loans	79,358	62,139
Interest received	50,494	53,059
Interest paid	(19,359)	(25,040)
Net cash used in operating activities	(43,532)	(1,265)
<b>Investing activities:</b>		
Purchase of property and equipment	(2,653)	(1,026)
Proceeds from sale of property and equipment	70	15
Net cash used in investing activities	(2,583)	(1,011)
<b>Financing activities:</b>		
Borrowings:		
Drawdowns	149,680	16,815
Repayments	(52,600)	(2,650)
Appropriation from retained earnings	(11,000)	-
Capital subscriptions	-	1,737
Increase/decrease in amounts required to maintain the value of currency holdings, net	(9,267)	5,035
Increase/(decrease) in other receivables from members	8,154	(1,824)
Net cash provided by financing activities	84,967	19,113
Net increase in cash and cash equivalents	38,852	16,837
Cash and cash equivalents at beginning of year	59,831	42,994
Cash and cash equivalents at end of year	98,683	59,831
<b>Represented by</b>		
Due from banks	15,936	8,401
Time deposits	82,747	51,430
	\$98,683	\$59,831

The notes on pages 58 to 103 are an integral part of these financial statements.

# CARIBBEAN DEVELOPMENT BANK

## ORDINARY CAPITAL RESOURCES

### NOTES TO THE FINANCIAL STATEMENTS

December 31, 2008

(expressed in thousands of United States dollars )

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#### NOTE A – NATURE OF OPERATIONS

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

The membership of the Bank is comprised of 21 regional states and territories and 5 non-regional states, a detailed listing of the membership is provide at Note Q.

Reducing poverty in the region is CDB’s main objective. CDB finances development projects primarily through its Ordinary Capital Resources (OCR) in its Borrowing Member Countries. In advancing this objective, the Bank participates in the selection, study and preparation of projects contributing to such development and where necessary, provides technical assistance.

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

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

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

#### NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

##### **Basis of preparation**

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

The preparation of financial statements in conformity with IFRS requires management to make estimates. It also requires management to exercise its judgment in the process of applying the Bank’s accounting policies. Areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note D.

# CARIBBEAN DEVELOPMENT BANK

## ORDINARY CAPITAL RESOURCES

### NOTES TO THE FINANCIAL STATEMENTS

December 31, 2008

(expressed in thousands of United States dollars )

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

##### **Basis of preparation...*continued***

##### ***Amendments to published standards and interpretations effective in 2008***

- IFRIC 14, IAS 19 - The limit on a defined benefit asset, minimum funding requirements and their interaction', provides guidance on assessing the limit in IAS 19 on the amount of the surplus that can be recognised as an asset. It also explains how the pension asset or liability may be affected by a statutory or contractual minimum funding requirement. This interpretation has no impact on the Bank's financial statement.
- IAS 39 (Amendment), Reclassification of Financial Assets. An amendment to the standard, issued in October 2008, permits an entity to reclassify non-derivative financial assets (other than those designated at fair value through profit and loss by the entity upon initial recognition) out of the fair value through profit and loss category in particular circumstances. The amendment also permits an entity to transfer from the available-for-sale category to the loans and receivable category a financial asset that would have met the definition of loans and receivables (if the financial asset had not been designated as available for sale), if the entity has the intention and ability to hold that asset for the foreseeable future. This amendment has no impact on the Bank's financial statements.

##### ***Interpretations effective in 2008 but not relevant to the Bank's operations***

- IFRIC 12, 'Service Concession Arrangements', is mandatory for accounting periods beginning on or after 1 January 2008 but is not relevant to the Bank's operations.
- IFRIC 11, 'IFRS 2 - Group and treasury share transactions', is mandatory for accounting periods beginning on or after March 1, 2007 but is not relevant to the Bank's operations.

##### ***Standards, amendments and interpretations that are not yet effective and that have not been early adopted by the Bank***

- IAS 1 (Revised), 'Presentation of financial statements' (effective from 1 January 2009). The revised standard will prohibit the presentation of items of income and expenses (that is, 'non-owner changes in equity') in the statement of changes in equity, requiring 'non-owner changes in equity' to be presented separately from owner changes in equity. All non-owner changes in equity will be required to be shown in a performance statement, but entities can choose whether to present one performance statement (the statement of comprehensive income) or two statements (the income statement and statement of comprehensive income). Where entities restate or reclassify comparative information, they will be required to present a restated balance sheet as at the beginning comparative period in addition to the current requirement to present balance sheets at the end of the current period and comparative period. The Bank will apply IAS 1 (Revised) from 1 January 2009. It is likely that both the income statement and statement of comprehensive income will be presented as performance statements.

# CARIBBEAN DEVELOPMENT BANK

## ORDINARY CAPITAL RESOURCES

### NOTES TO THE FINANCIAL STATEMENTS

December 31, 2008

(expressed in thousands of United States dollars )

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

##### **Basis of preparation**...*continued*

##### **Standards, amendments and interpretations that are not yet effective and that have not been early adopted by the Bank**...*continued*

- IAS 1 (Amendment), ‘Presentation of financial statements’ (effective from 1 January 2009). The amendment is part of the IASB’s annual improvement project published in May 2008. The amendment clarifies that some rather than all financial assets and liabilities classified as held for trading in accordance with IAS 39, ‘Financial instruments: Recognition and measurement’ are examples of current assets and liabilities respectively. The Bank will apply the IAS 39 (Amendment) from 1 January 2009, but is not expected to have an impact on the Bank’s financial statements.
- IAS 19 (Amendment), ‘Employee benefits’ (effective from 1 January 2009). The amendment is part of the IASB’s annual improvement project published in May 2008. The amendment clarifies that a plan amendment that results in a change in the extent to which benefit promises are affected by future salary increases is a curtailment; an amendment that changes benefits attributable to past service gives rise to a negative past service cost if it results in a reduction in the present value of the defined benefit obligation. The definition of return on plan assets has been amended to state that plan administration costs are deducted in the calculation of return on plan assets only to the extent that such costs have been excluded from measurement of the defined benefit obligation. The distinction between short-term and long-term employee benefits is based on whether benefits are due to be settled within or after 12 months of employee service being rendered. IAS 37, ‘Provisions, contingent liabilities and contingent assets’ requires contingent liabilities to be disclosed not recognised. IAS 19 has been amended to be consistent in this regard. The Bank will apply the IAS 19 (Amendment) from 1 January 2009.
- IAS 23 (Revised), ‘Borrowing costs’ (effective from 1 January 2009). The new standard requires an entity to capitalise borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset (one that takes a substantial period of time to get ready for use or sale) as part of the cost of that asset. The option of immediately expensing those borrowing costs will be removed. The Bank will apply IAS 23 (Revised) retrospectively from 1 January 2009; it is currently not applicable to the Bank as there are no qualifying assets.
- IAS 32 (Amendment), ‘Financial instruments: Presentation’, and IAS 1 (Amendment), ‘Presentation of financial statements’ – ‘Puttable financial instruments and obligations arising on liquidation’ (effective from 1 January 2009). The amended standards require entities to classify puttable financial instruments and instruments, or components of instruments that impose on the entity an obligation to deliver to another party a pro rata share of the net assets of the entity only on liquidation as equity, provided the financial instruments have particular features and meet specific conditions. The Bank will apply the IAS 32 and IAS 1 (Amendment) from 1 January 2009 but is not expected to have any impact on the Bank’s financial statements.
- IAS 36 (Amendment), ‘Impairment of assets’ (effective from 1 January 2009). The amendment is part of the IASB’s annual improvement project published in May 2008. Where fair value less costs to sell is calculated on the basis of discounted cash flows, disclosures equivalent to those for value-in-use calculation should be made. The Bank will apply the IAS 28 (Amendment) and provide the required disclosure where applicable for impairment tests from 1 January 2009.

# CARIBBEAN DEVELOPMENT BANK

## ORDINARY CAPITAL RESOURCES

### NOTES TO THE FINANCIAL STATEMENTS

December 31, 2008

(expressed in thousands of United States dollars)

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

##### **Basis of preparation...*continued***

##### ***Standards, amendments and interpretations that are not yet effective and that have not been early adopted by the Bank...continued***

- There are a number of minor amendments to IFRS 7, ‘Financial instruments: Disclosures’, IAS 8, ‘Accounting policies, changes in accounting estimates and errors’, IAS 10, ‘Events after the reporting period’, IAS 18, ‘Revenue’ and IAS 34, ‘Interim financial reporting’, which are part of the IASB’s annual improvements project published in May 2008. These amendments are unlikely to have an impact on the Bank’s accounts and have therefore not been analysed in detail.
- IAS 32 (Amendment), Financial Instruments: Presentation and IAS 1 (Amendment), Presentation of financial statements - Puttable financial instruments and obligations arising on liquidation (effective January 1, 2009). The amended standards require entities to classify puttable financial instruments and instruments, or components of instruments that impose on the entity an obligation to deliver to another party a pro rata share of the net assets of the entity only on liquidation as equity, provided the financial instruments have particular features and meet specific conditions. The Group will apply the IAS 32 and IAS 1 (Amendment) from 1 January 2009 but is not expected to have any impact on the Bank’s financial statements.

##### ***Interpretations and amendments to existing standards that are not yet effective and not relevant to the Bank’s operations***

- IAS 16 (Amendment), Property, Plant and Equipment(effective January 1, 2009)
- IAS 19 (Amendment), Employee Benefits(effective January 1, 2009)
- IAS 20 (Amendment), Accounting for Government Grants and Disclosure of Government Assistance (effective January 1, 2009)
- IAS 23 (Amendment), Borrowing costs (effective January 1, 2009)
- IAS 27 (Amendment), Consolidated and Separate Financial Statements (effective January 1, 2009)
- IAS 27 (Revised), Consolidated and Separate Financial Statements (effective January 1, 2009)
- IAS 28 (Amendment), Investment in Associates (effective January 1, 2009)
- IAS 29 (Amendment), Financial Reporting in Hyperinflationary Economies (effective January 1, 2009)
- IAS 31 (Amendment), Interests in Joint Ventures(effective January 1, 2009)
- IAS 36 (Amendment), Impairment of assets effective January 1, 2009)
- IAS 38 (Amendment), Intangible of assets effective January 1, 2009)
- IAS 39 (Amendment), Eligible Financial Instruments: Recognition and Measurement (effective January 1, 2009)
- IAS 39 (Amendment), Financial Instruments: Recognition and Measurement (effective January 1, 2009)
- IAS 40 (Amendment), Investment Property (effective January 1, 2009)
- IAS 41 (Amendment), Agriculture (effective January 1, 2009)
- IFRS 1 (Amendment), First Time Adoption of IFRS
- IFRS 2, (Amendment), Share Based Payments (effective January 1, 2009)

# CARIBBEAN DEVELOPMENT BANK

## ORDINARY CAPITAL RESOURCES

### NOTES TO THE FINANCIAL STATEMENTS

December 31, 2008

(expressed in thousands of United States dollars)

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

##### **Basis of preparation**...*continued*

##### ***Interpretations and amendments to existing standards that are not yet effective and not relevant to the Bank's operations***...*continued*

- IFRS 3 (Revised), Business Combinations (effective July 1, 2009)
- IFRS 5, (Amendment), Non-current Assets Held-for-Sale and Discontinued Operations (effective July 1, 2009)
- IFRS 8, Operating Segments (effective January 1, 2009)
- IFRIC 13, Customer Loyalty Programmes (effective July 1, 2008)
- IFRIC 15, Agreements for Construction of Real Estates (effective January 1, 2009)
- IFRIC 16, Hedges of a Net Investment in a Foreign Operation (effective October 1, 2008)
- IFRIC 17, Distributions of Non-Cash Assets to Owners (effective July 1, 2009)

##### **Foreign currency translation**

###### *Functional and presentation currency*

The functional currency of the Bank is the United States dollar and the Bank's financial statements are expressed in thousands of United States dollars. Assets and liabilities in currencies other than United States dollars are translated into United States dollars either at the par values established for those currencies with the International Monetary Fund, or where no par values are maintained, at rates which have been determined by the Bank to be appropriate for translation. In general, the rates so determined will be the approximate market rates of exchange prevailing at the dates of the financial statements.

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

##### **Taxation**

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

##### **Financial assets**

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

###### *(a) Financial assets at fair value through profit or loss*

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

# CARIBBEAN DEVELOPMENT BANK

## ORDINARY CAPITAL RESOURCES

### NOTES TO THE FINANCIAL STATEMENTS

December 31, 2008

(expressed in thousands of United States dollars )

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

##### **Financial assets...*continued***

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

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

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

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

##### *(b) Loans and receivables*

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

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

##### **Offsetting financial instruments**

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

##### **Derivative financial instruments**

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

The Bank holds a derivative which no longer meets the criteria for hedge accounting. The adjustment to the carrying amount of the hedged borrowing for which the effective interest method is used is amortised to profit and loss over the period to maturity.

# CARIBBEAN DEVELOPMENT BANK

## ORDINARY CAPITAL RESOURCES

### NOTES TO THE FINANCIAL STATEMENTS

December 31, 2008

(expressed in thousands of United States dollars )

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

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

Interest income and expense are recognised in the income statement for all interest-bearing instruments except for those classified as trading or designated at fair value through profit or loss using the effective interest method based on the actual purchase price.

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

##### **Commitment fee income**

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

##### **Impairment of financial assets**

###### *1) Assets carried at amortised cost*

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

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

# CARIBBEAN DEVELOPMENT BANK

## ORDINARY CAPITAL RESOURCES

### NOTES TO THE FINANCIAL STATEMENTS

December 31, 2008

(expressed in thousands of United States dollars )

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

A provision for loan impairment is established if there is objective evidence that the Bank will not be able to collect all amounts due according to the original contractual terms of loans. The amount of the provision is the difference between the asset's carrying value and the present value of expected cash flows, including amounts recoverable from guarantees and collateral, discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognized in the income statement.

The methodology used for assessing portfolio impairment for sovereign risk assets takes into account the Bank's preferred creditor status afforded by members. This provision is calculated on an incurred loss basis.

#### **Renegotiated loans**

Loans that either impaired on past due, whose terms have been renegotiated are no longer considered to be impaired or past due, are treated as new loans.

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

#### **Property and equipment**

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

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

Land is not depreciated as it is deemed to have an indefinite life. Depreciation of other assets is provided on the straight-line basis at rates considered adequate to write-off the cost of the assets, less salvage, over their useful lives as follows:

	<b>Years</b>
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 balance sheet date. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount. The asset's recoverable amount is the higher of the impaired asset's fair value less costs to sell and the value in use.

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

# CARIBBEAN DEVELOPMENT BANK

## ORDINARY CAPITAL RESOURCES

### NOTES TO THE FINANCIAL STATEMENTS

December 31, 2008

(expressed in thousands of United States dollars)

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

##### **Cash and cash equivalents**

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

##### **Employee benefits**

###### *(a) Pension obligations*

CDB has both a contributory defined benefit New Pension Plan (the Plan) and a hybrid Old Pension Scheme (the Scheme) for securing pensions and other benefits for eligible employees of the Bank. Both the Plan and the Scheme are final salary defined benefit. Both the Plan and the Scheme are managed by Trustees which are appointed by both the management of the Bank and staff.

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

The liability recognised in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets, together with adjustments for unrecognised actuarial gains or losses and past service costs. Independent actuaries using the projected unit credit method calculate the defined benefit obligation at least every three years. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related pension liability. For intermediate years, the defined benefit obligation is estimated using approximate actuarial roll-forward techniques that allow for additional benefit accrual, actual cash flows and changes in the underlying actuarial assumptions.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions in excess of-the-greater of 10% of the value of the Plan assets or 10% of the defined benefit obligation are charged or credited to income over the employees' expected average remaining working lives. Past-service costs are recognised immediately in administrative expenses, unless the changes to the Pension Plan are conditional on the employees remaining in service for a specified period of time (the vesting period). In this case, the past-service costs are amortised on a straight-line basis over the vesting period.

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

# CARIBBEAN DEVELOPMENT BANK

## ORDINARY CAPITAL RESOURCES

### NOTES TO THE FINANCIAL STATEMENTS

December 31, 2008

(expressed in thousands of United States dollars )

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

##### *(b) Other post-retirement obligations*

The Bank provides post-retirement medical benefits to its retirees. The expected costs of these benefits are accrued over the period using an accounting methodology similar to that for defined benefit pension plans. Actuarial gains and losses arising from experience adjustments, and changes in actuarial assumptions in excess of the greater of 10% of the value of plan assets or 10% of the defined benefit obligation and have terms to maturity approximating the terms of the related pension liability are charged or credited to income over the expected average remaining working lives of the related employees. Independent qualified actuaries value these obligations annually by using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows (relating to service accrued to the balance sheet date) using the yields available on high-quality corporate bonds.

##### *(c) Termination benefits*

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 recognizes 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 12 months after the balance sheet date are discounted to their present value.

#### **Borrowings**

Borrowings are recognised initially at fair value net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between proceeds net of transaction costs and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

#### **Valuation of Capital Stock**

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

# CARIBBEAN DEVELOPMENT BANK

## ORDINARY CAPITAL RESOURCES

### NOTES TO THE FINANCIAL STATEMENTS

December 31, 2008

(expressed in thousands of United States dollars)

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

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

The Agreement permits the Bank to accept from a member non-negotiable, non-interest bearing demand notes in place of part of the member's subscription to the paid-up capital which shall be payable in the member's currency and maintenance of value in respect of such part, provided that such currency is not required for the conduct of the operations of the Bank. Non-negotiable demand notes are carried at current value as they have no conditions attached to them.

#### **Maintenance of value**

In order to ensure that capital receipts due in other than US dollars, retain at a minimum their value as determined in accordance with Article 24 of the Agreement, each member is required to maintain the value of its currency held by the Bank and consisting of or derived as repayments of principal from currencies originally paid to the Bank by the member in respect of capital subscriptions. The Bank is also required to repay to any member an amount of currency equal to the increase in value of its currency which is held by the Bank in respect of capital subscriptions. 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. These derivatives are fair valued in accordance with IAS 39, with any gain or loss being recorded in the income statement.

#### NOTE C – RISK MANAGEMENT

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

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

# CARIBBEAN DEVELOPMENT BANK

## ORDINARY CAPITAL RESOURCES

### NOTES TO THE FINANCIAL STATEMENTS

December 31, 2008

(expressed in thousands of United States dollars)

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#### NOTE C – RISK MANAGEMENT...*continued*

##### **Credit Risk**

The major risk to CDB as a multilateral development bank is its exposure to country credit risk. This risk relates to potential losses to CDB in the event that a borrowing member is unable or unwilling to service its obligations to the Bank. CDB manages its country credit risk through its financial policies and lending strategies, including individual country exposure limits and overall creditworthiness assessments. These include ongoing assessments of a country's macroeconomic performance as well as its socio-political conditions and future growth prospects. The individual country's exposure to the Bank on outstanding loans as at December 31, 2008 is reported in Note G.

The Bank manages its credit risk on liquid funds and derivative financial instruments by entering into transactions with counterparties that are US Government backed agencies and banks with high credit-ratings assigned by international credit-rating agencies.

##### **Credit risk measurement**

###### *(a) Loans and advances*

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

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

These credit risk measurements when combined, reflect expected and unexpected (economic) losses on the portfolio (the 'expected loss model') and are consistent with the principles of the Basel Committee on Banking Regulations and the Supervisory Practices (the Basel Committee).

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

##### Internal ratings scale and mapping of external ratings

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

# CARIBBEAN DEVELOPMENT BANK

## ORDINARY CAPITAL RESOURCES

### NOTES TO THE FINANCIAL STATEMENTS

December 31, 2008

(expressed in thousands of United States dollars )

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#### NOTE C – RISK MANAGEMENT...*continued*

##### **Credit risk measurement...*continued***

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

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

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

##### *(b) Debt securities and other bills*

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

#### **Risk limit control and mitigation measures**

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

#### **Credit related commitments**

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

# CARIBBEAN DEVELOPMENT BANK

## ORDINARY CAPITAL RESOURCES

### NOTES TO THE FINANCIAL STATEMENTS

December 31, 2008

(expressed in thousands of United States dollars )

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#### NOTE C – RISK MANAGEMENT...*continued*

##### **Credit related commitments...*continued***

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

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

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

##### **Master netting arrangements**

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

##### **Impairment and provisioning policies**

The rating system, described previously, focused more on credit-quality mapping from the inception of the lending and investment activities. In contrast, impairment provisions are recognised for financial reporting purposes only for losses that have been incurred at the balance sheet date based on objective evidence of impairment. Due to the different methodologies applied, the amount of incurred credit losses provided for in the financial statements are usually lower than the amount determined from the expected loss model that is used for internal operational management. The impairment provision in the balance sheet at year-end is derived from assessment of collateral held and anticipated receipts for that account. The table below shows the percentage of the Bank's on balance-sheet items relating to loans and the associated impairment provision for each of the Bank's internal rating categories:

# CARIBBEAN DEVELOPMENT BANK

## ORDINARY CAPITAL RESOURCES

### NOTES TO THE FINANCIAL STATEMENTS

December 31, 2008

(expressed in thousands of United States dollars )

#### NOTE C – RISK MANAGEMENT...continued

##### Bank's rating

As at December 31	2008		2007	
	Loans (\$)	Impairment Provision (%)	Loans (\$)	Impairment Provision (%)
Investment grade	74,800	-	88,248	-
Standard monitoring	398,820	-	342,154	-
Special monitoring	289,938	-	295,695	-
Sub-standard	5,596	100	24,285	-
<b>Total</b>	<b>769,154</b>	<b>100</b>	<b>750,382</b>	<b>-</b>

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

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

The Bank's policy requires the review of individual financial assets that are above materiality thresholds at least annually, or more regularly when individual circumstances require. Impairment allowances on individually assessed accounts are determined by an evaluation of the incurred loss at balance-sheet date on a case-by-case basis, and are applied to all individually significant accounts. The assessment normally encompasses collateral held (including re-confirmation of its enforceability) and the anticipated receipts for that individual account. As at December 31, 2008 one loan (2007 – none) was assessed as impaired in the private sector loan portfolio.

Collective assessment for impairment allowances are provided for: (i) portfolios of homogenous assets that are individually below materiality thresholds; and (ii) losses that have been incurred but have not yet been identified, by using the available historical experience, experienced judgment and statistical techniques. Collective assessment for impairment is undertaken with the public sector portfolio of loans. As at December 31, 2008 and 2007, no impairment was assessed in the public sector loan portfolio.

# CARIBBEAN DEVELOPMENT BANK

## ORDINARY CAPITAL RESOURCES

### NOTES TO THE FINANCIAL STATEMENTS

December 31, 2008

(expressed in thousands of United States dollars )

#### NOTE C – RISK MANAGEMENT...continued

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

Credit risk exposure relating to on balance sheet assets are as follows:

As at December 31	2008	2007
Due from banks	\$ 15,936	\$ 8,401
Debt securities at fair value through profit or loss	258,984	170,947
Public sector loans	739,799	726,097
Private sector loans	29,355	24,285
Derivative financial instruments	71,270	16,182
Non-negotiable demand notes	43,820	51,974
Amounts required to meet maintenance of value on currency holdings	2,111	3,223
Other assets	8,396	9,407
Off-balance sheet credit risk		
Undisbursed loan balance – Public sector	184,705	217,266
Undisbursed loan balance – Private sector	68,563	60,424
	\$1,422,939	\$1,288,206

The above table represents a worse case scenario of credit risk exposure as at December 31, 2008 and 2007, without taking account of any collateral held or other credit enhancements attached.

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

As shown above, 71.8 % of the total maximum exposure is derived from loans and commitments to the public sector (2007: 73%); 7.0 % represents loans and commitments to the private sector (2007: 7.0%).

#### Loans and advances

Loans are summarised as follows:

	December 31, 2008		December 31, 2007	
	Public Sector	Private Sector	Public Sector	Private Sector
Neither past due nor impaired	\$738,476	\$24,755	\$ 725,428	\$ 24,179
Past due but not impaired	1,323	-	669	106
Impaired	-	5,596	-	-
Gross	739,799	30,351	726,097	24,285
Less: allowance for impairment	-	996	-	-
Net	\$739,799	\$29,355	\$ 726,097	\$ 24,285

During the year ended December 31, 2008, loans that were neither past due nor impaired represented 99.0% of loans outstanding (2007: 99.9 %).

# CARIBBEAN DEVELOPMENT BANK

## ORDINARY CAPITAL RESOURCES

### NOTES TO THE FINANCIAL STATEMENTS

December 31, 2008

(expressed in thousands of United States dollars )

#### NOTE C – RISK MANAGEMENT...continued

##### *Loans and advances neither past due nor impaired*

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

	Loans at December 31, 2008		
	Public Sector	Private Sector	Total Loans
Investment grade	\$ 74,800	\$ -	\$ 74,800
Standard monitoring	398,591	-	398,591
Special monitoring	265,085	24,755	289,840
<b>Total</b>	<b>\$738,476</b>	<b>\$24,755</b>	<b>\$763,231</b>

	Loans at December 31, 2007		
	Public Sector	Private Sector	Total Loans
Investment grade	\$ 88,016	\$ -	\$ 88,016
Standard monitoring	341,718	-	341,718
Special monitoring	295,694	-	295,694
Sub-standard	-	24,179	24,179
<b>Total</b>	<b>\$725,428</b>	<b>\$24,179</b>	<b>\$749,607</b>

##### *Loans and advances past due but not impaired*

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

	Loans at December 31, 2008		
	Public Sector	Private Sector	Total Loans
Past due up to 30 days	\$ 4	\$ -	\$ 4
Past due 30 – 60 days	-	-	-
Past due 60 – 90 days	1,319	-	1,319
<b>Total</b>	<b>\$1,323</b>	<b>\$ -</b>	<b>\$1,323</b>

	Loans at December 31, 2007		
	Public Sector	Private Sector	Total Loans
Past due up to 30 days	\$576	\$ -	\$576
Past due 30 – 60 days	-	106	106
Past due 60 – 90 days	93	-	93
<b>Total</b>	<b>\$669</b>	<b>\$106</b>	<b>\$775</b>

# CARIBBEAN DEVELOPMENT BANK

## ORDINARY CAPITAL RESOURCES

### NOTES TO THE FINANCIAL STATEMENTS

December 31, 2008

(expressed in thousands of United States dollars)

#### NOTE C – RISK MANAGEMENT...continued

##### Collateral

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

For lines of credit to private sector financial intermediaries a guarantee from a parent or a trust arrangement under which the sub-loans financed by the line are pooled and assigned in the event of default. The fair value of the pool is the future expected cash flows of the sub-loans discounted by their interest rate. Marketable assets secure direct loans to the private sector, while the fair value is the forced sale value of the asset. The fair value of the collateral on the impaired private sector loan was estimated at \$20,000.

##### Debt securities, treasury bills and other eligible bills

The main investment management objective is to maintain security and liquidity. Subject to these parameters, CDB seeks the highest possible return on its investments. CDB is restricted by its Investment Policy to invest in government and government-related debt instruments and in time deposits. Investments may be made in corporate bonds rated A, or better, AAA-rated asset-backed securities, and AAA-rated mortgage-backed securities. Adherence to the investment policy guidelines is monitored on a monthly basis by the Investment Committee, whose membership comprises senior members of the Bank.

The table below presents an analysis of debt securities, treasury bills and other eligible bills by rating agency designation at December 31, 2008, based on Standard & Poor's ratings or their equivalent:

Type	2008				Total
	AAA	AA- to AA+	A- to A+	Unrated	
Obligations guaranteed by Governments <sup>1</sup>	105,030	22,187	27,523	-	154,740
Euro Commercial Bond	14,959	-	-	-	14,959
Time Deposits	17,955	7,758	55,635	1,523	82,871
Sovereign Bond	-	-	183	-	183
Supranational Bond	6,231	-	-	-	6,231
<b>Total</b>	<b>144,175</b>	<b>29,945</b>	<b>83,341</b>	<b>1,523</b>	<b>258,984</b>

<sup>1</sup> Freely convertible currencies in Government and Government-guaranteed obligations which are members of the G7 or EC and its agencies.

# CARIBBEAN DEVELOPMENT BANK

## ORDINARY CAPITAL RESOURCES

### NOTES TO THE FINANCIAL STATEMENTS

December 31, 2008

(expressed in thousands of United States dollars)

#### NOTE C – RISK MANAGEMENT...continued

##### Debt securities, treasury bills and other eligible bills

Type	2007				Total
	AAA	AA- to AA+	A- to A+	Unrated	
Obligations guaranteed by Governments <sup>1</sup>	99,915	9,585	5,535	-	115,035
Time Deposits	4,001	41,877	-	5,641	51,519
Supranational Bond	4,393	-	-	-	4,393
<b>Total</b>	<b>108,309</b>	<b>51,462</b>	<b>5,535</b>	<b>5,641</b>	<b>170,947</b>

##### Concentration of risks of financial assets with credit risk exposure

The following table breaks down the CDB's main credit exposure at their carrying amounts, as categorised by Borrowing Member Countries and non-regional members, USA, and other countries as of December 31, 2008. For this table, the exposures are allocated to regions based on the country of domicile of the counterparties. A further analysis of the Bank's exposure on loans by geographical region is provided at Note G.

	Borrowing Members	Non- Regional Members	USA	Other	Total
Due from banks	\$ 941	\$ 691	\$ 14,304	\$ -	\$ 15,936
Debt securities at fair value through profit or loss	2,036	51,504	121,284	84,160	258,984
Public sector loans	739,799	-	-	-	739,799
Private sector loans	29,355	-	-	-	29,355
Derivative financial instruments	-	-	44,224	27,046	71,270
Non-negotiable demand notes	31,524	8,466	-	3,830	43,820
Maintenance of value on currency holdings	463	1,648	-	-	2,111
Receivables – other	8,394	-	-	2	8,396
<b>Total</b>	<b>\$812,512</b>	<b>\$62,309</b>	<b>\$179,812</b>	<b>\$115,038</b>	<b>\$1,169,671</b>
December 31, 2007	\$799,101	\$67,382	\$102,099	\$41,934	\$1,010,516

CDB's membership is classified into regional and non-regional members. Only regional members who are classified into Commonwealth Caribbean member countries have the right to borrow.

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

<sup>1</sup> Freely convertible currencies in Government and Government-guaranteed obligations which are members of the G7 or EC and its agencies.

# CARIBBEAN DEVELOPMENT BANK

## ORDINARY CAPITAL RESOURCES

### NOTES TO THE FINANCIAL STATEMENTS

December 31, 2008

(expressed in thousands of United States dollars )

#### NOTE C – RISK MANAGEMENT...continued

#### Concentration of risks of financial assets with credit risk exposure

##### Market risk

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

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

##### Foreign exchange risk

CDB takes on exposure to the effects of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows. All loans by the Bank are made either from currencies available from members' subscriptions or from currencies borrowed and the principal amounts are repayable to the Bank in the currencies lent. The Bank manages exchange risk on borrowings by entering into forward contracts. The table below summarises the exposure to foreign currency exchange rate risk at December 31. Included in the table are the financial instruments at carrying amounts, categorised by currency.

#### Concentrations of currency risk

As at December 31, 2008	US\$	Other	Total
<b>Assets</b>			
Due from banks	14,473	1,463	15,936
Investments	234,310	24,674	258,984
Loans	769,154	-	769,154
Derivative financial instruments	71,270	-	71,270
Receivable from members	29,301	16,630	45,931
Receivables – other	6,831	1,565	8,396
<b>Total financial assets</b>	<b>1,125,339</b>	<b>44,332</b>	<b>1,169,671</b>
<b>Liabilities</b>			
Accounts payable	24,303	13	24,316
Borrowings	571,914	-	571,914
<b>Total financial liabilities</b>	<b>596,217</b>	<b>13</b>	<b>596,230</b>
<b>Net on-balance sheet financial position</b>	<b>529,122</b>	<b>44,319</b>	<b>573,541</b>
Credit commitments	253,268	-	253,268
<b>At December 31, 2007</b>			
Total financial assets	937,498	73,018	1,010,516
Total financial liabilities	508,537	456	508,993
<b>Net on-balance sheet financial position</b>	<b>428,961</b>	<b>72,562</b>	<b>501,523</b>
Credit commitments	277,690	-	277,690

# CARIBBEAN DEVELOPMENT BANK

## ORDINARY CAPITAL RESOURCES

### NOTES TO THE FINANCIAL STATEMENTS

December 31, 2008

(expressed in thousands of United States dollars )

#### NOTE C – RISK MANAGEMENT...continued

##### Concentrations of currency risk...continued

As at December 31, 2008 the net on-balance sheet position was \$ 573,324 of which 92% was in US dollars and 8% was a mix of member country currencies. The Bank's sensitivity to exchange rate movements is minimal as approximately only 5% of its financial assets are subject to exchange rate fluctuations. At the end of 2008, the Bank had converted all its loans to US dollars. The currency composition of the loan portfolio is disclosed in Note G.

##### Interest rate risk

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

At December 31, 2008	0-3 months	3-12 months	1-5 years	Over 5 years	Non- interest bearing	Total
<b>Assets</b>						
Due from banks	\$ 15,936	\$ -	\$ -	\$ -	\$ -	\$ 15,936
Debt securities at fair value	107,062	28,360	110,442	13,120	-	258,984
Loans	769,154	-	-	-	-	769,154
Derivative financial instruments	71,270	-	-	-	-	71,270
Receivable from members	-	-	-	-	45,931	45,931
Other receivables	-	-	-	-	8,396	8,396
<b>Total Assets</b>	<b>\$963,422</b>	<b>\$ 28,360</b>	<b>\$110,442</b>	<b>\$ 13,120</b>	<b>\$ 54,327</b>	<b>\$1,169,671</b>
<b>Liabilities</b>						
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ 24,316	\$ 24,316
Borrowings	168,262	120,940	109,735	172,977	-	571,914
<b>Total Liabilities</b>	<b>\$168,262</b>	<b>\$ 120,940</b>	<b>\$109,735</b>	<b>\$172,977</b>	<b>\$ 24,316</b>	<b>\$ 596,230</b>
<b>Total interest repricing gap</b>	<b>\$795,160</b>	<b>\$(92,590)</b>	<b>\$ 707</b>	<b>\$(159,857)</b>		
<b>At December 31, 2007</b>						
<b>Assets</b>						
Due from banks	\$ 8,401	\$ -	\$ -	\$ -	\$ -	\$ 8,401
Investments	79,862	44,841	38,012	8,232	-	170,947
Loans	750,382	-	-	-	-	750,382
Derivative financial instruments	15,555	627	-	-	-	16,182
Receivable from members	-	-	-	-	55,197	55,197
Other receivables	-	-	-	-	9,407	9,407
<b>Total Assets</b>	<b>\$854,200</b>	<b>\$ 45,468</b>	<b>\$38,012</b>	<b>\$ 8,232</b>	<b>\$64,604</b>	<b>\$1,010,516</b>
<b>Liabilities</b>						
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$21,592	\$ 21,592
Payable to members	-	-	-	-	10,379	10,379
Borrowings	\$187,127	\$ 112,182	\$ 8,443	\$ 169,270	-	477,022
<b>Total Liabilities</b>	<b>\$187,127</b>	<b>\$ 112,182</b>	<b>\$ 8,443</b>	<b>\$ 169,270</b>	<b>\$31,971</b>	<b>\$ 508,993</b>
<b>Total interest repricing gap</b>	<b>\$667,073</b>	<b>\$(66,714)</b>	<b>\$29,569</b>	<b>\$(161,038)</b>		

# CARIBBEAN DEVELOPMENT BANK

## ORDINARY CAPITAL RESOURCES

### NOTES TO THE FINANCIAL STATEMENTS

December 31, 2008

(expressed in thousands of United States dollars )

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#### NOTE C – RISK MANAGEMENT...*continued*

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

If interest rates had been 50 bps higher and all other variables were held constant, the CDB's net income for the year ended December 31, 2008 would decrease by \$349. If interest rates had been 50 bps lower and all other variables were held constant, the CDB's net income for the year ended December 31, 2008 would increase by \$481. In 2007 a 50 bps increase would cause net income to decrease by \$60 and conversely a 50 bps decline would result in an increase in the net income of \$78.

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

##### **Liquidity risk**

Liquidity risk relates to the probability that the Bank is unable to meet the payment obligations associated with its financial liabilities when they fall due. The consequence may be the failure to meet obligations to disburse on its commitments. CDB's policy is to maintain its liquidity (i.e. the ratio of cash and investments to undisbursed commitments and agreements not yet signed) at a minimum of 40%. As at December 31, 2008 the liquidity ratio was 60.4% (2007: 51.9%).

##### **Liquidity risk management process**

CDB's liquidity management process includes:

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

# CARIBBEAN DEVELOPMENT BANK

## ORDINARY CAPITAL RESOURCES

### NOTES TO THE FINANCIAL STATEMENTS

December 31, 2008

(expressed in thousands of United States dollars )

#### NOTE C – RISK MANAGEMENT...continued

##### Non-derivative cash flows

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

At December 31, 2008	0 – 3 months	3-12 months	1-5 years	Over 5 years	Total
<b>Assets</b>					
Due from banks	\$15,936	\$ -	\$ -	\$ -	\$15,936
Debt securities at fair value	106,480	32,675	118,436	14,291	271,882
Loans	21,150	62,572	422,244	590,219	1,096,185
Receivable from members	-	-	-	45,931	45,931
Other receivables	6,159	1,127	253	857	\$8,396
<b>Total Assets</b>	<b>\$149,725</b>	<b>\$96,374</b>	<b>\$540,933</b>	<b>\$651,298</b>	<b>\$1,438,330</b>
<b>Liabilities</b>					
Accounts payable	\$ 23,134	\$ 1,182	\$ -	\$ -	\$ 24,316
Borrowings	5,795	27,574	266,930	422,302	722,601
<b>Total Liabilities</b>	<b>\$28,929</b>	<b>\$28,756</b>	<b>\$266,930</b>	<b>\$422,302</b>	<b>\$746,917</b>

At December 31, 2007	0 – 3 months	3-12 months	1-5 years	Over 5 years	Total
<b>Assets</b>					
Due from banks	\$8,401	\$ -	\$ -	\$ -	\$ 8,401
Debt securities at fair value	83,178	46,912	44,887	9,039	184,016
Loans	25,147	74,152	404,483	570,475	1,074,257
Receivable from members	-	-	-	55,197	55,197
Other receivables	8,107	519	450	331	9,407
<b>Total Assets</b>	<b>\$124,833</b>	<b>\$121,583</b>	<b>\$449,820</b>	<b>\$635,042</b>	<b>\$1,331,278</b>
<b>Liabilities</b>					
Accounts payable	\$ 19,126	\$ 1,221	\$ 1,222	\$ 995	\$ 22,564
Payable to members	-	-	-	10,379	10,379
Borrowings	6,817	70,605	102,284	522,557	702,263
<b>Total Liabilities</b>	<b>\$ 25,943</b>	<b>\$ 71,826</b>	<b>\$103,506</b>	<b>\$533,931</b>	<b>\$735,206</b>

# CARIBBEAN DEVELOPMENT BANK

## ORDINARY CAPITAL RESOURCES

### NOTES TO THE FINANCIAL STATEMENTS

December 31, 2008

(expressed in thousands of United States dollars )

#### NOTE C – RISK MANAGEMENT...continued

##### Derivative cash flows

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

At December 31, 2008	0 - 3 months	3-12 months	1-5 years	Over 5 years	Total
<b>Derivatives:</b>					
- Currency swaps	\$1,122	\$107	\$5,178	\$5,751	\$12,158
<b>Total</b>	\$1,122	\$107	\$5,178	\$5,751	\$12,158

##### At December 31, 2007

<b>Derivatives:</b>					
- Currency swaps	\$ (380)	\$ (2,448)	\$ (11,891)	\$107,193	\$92,473
- Interest rate swap	-	647	-	-	647
<b>Total</b>	\$ (380)	\$ (1,801)	\$ (11,891)	\$107,193	\$93,120

##### Off-balance sheet items

###### (a) Loan and capital commitments

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

At December 31, 2008	0-12 months	1-5 years	Total
Loan commitments	\$105,000	\$148,268	\$253,268
Capital commitments	1,425	810	2,235
<b>Total</b>	\$106,425	\$149,078	\$255,503

<b>At December 31, 2007</b>			
Loan commitments	\$115,000	\$162,690	\$277,690
Capital commitments	867	-	867
<b>Total</b>	\$115,867	\$162,690	\$278,557

# CARIBBEAN DEVELOPMENT BANK

## ORDINARY CAPITAL RESOURCES

### NOTES TO THE FINANCIAL STATEMENTS

December 31, 2008

(expressed in thousands of United States dollars )

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#### NOTE C – RISK MANAGEMENT...*continued*

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

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

The total amount of the change in fair value estimated using a valuation technique that was recognised in profit and loss during the year was income of \$56,015 (2007: \$11,805).

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

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

(i) Due from banks

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

(ii) Loans

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

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

(iii) Non-negotiable demand notes

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

(v) Receivables - other

Due to the short-term nature of these assets, fair value is assumed to approximate carrying value.

(vi) Accounts payable and accrued liabilities

The estimated fair value of current liabilities with no stated maturity is the amount repayable on demand.

# CARIBBEAN DEVELOPMENT BANK

## ORDINARY CAPITAL RESOURCES

### NOTES TO THE FINANCIAL STATEMENTS

December 31, 2008

(expressed in thousands of United States dollars )

#### NOTE C – RISK MANAGEMENT...continued

##### (vii) Borrowings

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

The following table summarises the carrying amounts and fair values of those financial assets and liabilities not presented on the Bank's balance sheet at their fair value.

	Carrying value		Fair value	
	2008	2007	2008	2007
Financial assets				
Due from banks	\$ 15,936	\$ 8,401	\$ 15,936	\$ 8,401
Loans	769,154	750,382	769,154	750,382
Non-negotiable demand notes	43,820	51,974	43,820	51,974
Receivables - other	8,396	9,407	8,396	9,407
Financial liabilities				
Accounts payable and accrued liabilities	24,316	21,592	24,316	21,592
Borrowings	554,320	471,144	671,381	533,460

#### Derivatives

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

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

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

# CARIBBEAN DEVELOPMENT BANK

## ORDINARY CAPITAL RESOURCES

### NOTES TO THE FINANCIAL STATEMENTS

December 31, 2008

(expressed in thousands of United States dollars )

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#### NOTE C – RISK MANAGEMENT...continued

##### Capital Management

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

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

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

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

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

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

The results of this analysis based on the balance sheet as at December 31, 2008 indicate a TEER of 62.6% (2007: 62.1%). This indicates that the Bank is adequately capitalised as its TEER is in excess of the 55% upper limit.

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

#### NOTE D – CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

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

# CARIBBEAN DEVELOPMENT BANK

## ORDINARY CAPITAL RESOURCES

### NOTES TO THE FINANCIAL STATEMENTS

December 31, 2008

(expressed in thousands of United States dollars )

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#### NOTE D – CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS...*continued*

##### Loan loss provisions

The Bank reviews its loan portfolios at least on a quarterly basis to assess impairment. In determining whether an impairment loss should be recorded in the income statement, the Bank makes judgments as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of loans before the decrease can be identified with an individual loan in that portfolio. This evidence may include observable data indicating that there has been an adverse change in the payment status of borrowers in a group, or national or local economic conditions that correlate with defaults on assets in the Bank. For public sector loans the assessment is done on a portfolio basis, while for the private sector loans, the assessment is done on the individual loans. The Bank's method for determining the level of impairment of loans is described in Note B 'Impairment of financial assets' and further explained in Note C under credit risk.

Portfolio provisions for the unidentified impairment of sovereign loans at December 31, 2008 amounted to \$Nil. Due to the Bank's preferred creditor status afforded by its members a downgrade or upgrade by one risk rating category would not have had a significant impact on the level of sovereign portfolio provision.

##### Fair value of derivatives

The fair value of financial instruments that are not quoted in active markets are determined by using valuation techniques, for example, models. All models are calibrated to ensure that outputs reflect actual data and comparative market prices. To the extent practical models use only observable data; however, areas such as credit risks (both own and counterparty), volatilities and correlations require management to make estimates. Changes in assumptions about these factors could affect reported fair value financial instruments. For example, if there was a tightening of 50 bps in credit spread, the fair values would be estimated at \$73,966 (2007 - \$18,395) as compared with their reported fair value of \$71,270 (2007 - \$16,182).

#### NOTE E – CASH AND CASH EQUIVALENTS

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

	<u>2008</u>	<u>2007</u>
Placement with banks	\$15,936	\$ 8,401
Time deposits included in investment portfolio – Note F	82,747	51,430
Cash and cash equivalents	<u>\$98,683</u>	<u>\$59,831</u>

# CARIBBEAN DEVELOPMENT BANK

## ORDINARY CAPITAL RESOURCES

### NOTES TO THE FINANCIAL STATEMENTS

December 31, 2008

(expressed in thousands of United States dollars)

#### NOTE F –DEBT SECURITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

A summary of the Bank's debt securities through profit or loss at December 31, 2008 and 2007 was as follows:

	2008				
	USD	EUR	CAD	Other	All Currencies
Obligations guaranteed by Governments <sup>1</sup>	\$140,546	\$6,220	\$6,104	\$ -	\$152,870
Multilateral organizations	5,178	-	977	-	6,155
Time Deposits	71,910	1,679	399	8,759	82,747
Euro Commercial Paper	14,955	-	-	-	14,955
<b>Sub-total</b>	<b>\$232,589</b>	<b>\$7,899</b>	<b>\$7,480</b>	<b>\$8,759</b>	<b>\$256,727</b>
Accrued interest	1,721	198	216	122	2,257
<b>Total</b>	<b>\$234,310</b>	<b>\$8,097</b>	<b>\$7,696</b>	<b>\$8,881</b>	<b>\$258,984</b>

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

	2008	2007
Current	\$135,422	\$124,703
Non-current	\$123,562	\$ 46,244

<sup>1</sup> Freely convertible currencies in Government and Government-guaranteed obligations which are members of the G7 or EC and its agencies.

# CARIBBEAN DEVELOPMENT BANK

## ORDINARY CAPITAL RESOURCES

### NOTES TO THE FINANCIAL STATEMENTS

December 31, 2008

(expressed in thousands of United States dollars )

#### NOTE G – LOANS OUTSTANDING

The following tables break down the Bank's main credit exposures at their carrying amounts, as categorised by Borrowing Member Countries, regional institutions and to the private sector as of December 31, 2008.

Borrowers	Loans not			Undisbursed	Outstanding	% of Loans outstanding
	Loans approved	yet effective	Signed agreements			
Anguilla	\$ 39,398	\$18,000	\$21,398	\$1,213	\$13,898	1.8
Antigua and Barbuda	40,818	-	40,818	7,279	21,498	2.8
Bahamas	51,108	-	51,108	-	10,765	1.4
Barbados	233,343	-	233,343	44,513	106,779	14.1
Belize	125,687	-	125,687	27,860	57,543	7.6
British Virgin Islands	44,273	-	44,273	4,700	21,547	2.8
Cayman Islands	45,151	-	45,151	125	9,127	1.2
Dominica	34,534	4,060	30,474	-	16,397	2.2
Grenada	55,121	2,000	53,121	7,727	30,063	4.0
Guyana	53,171	-	53,171	6,107	29,021	3.8
Jamaica	454,215	100,000	354,215	51,685	157,226	20.7
Montserrat	485	-	485	-	-	0.0
St. Kitts and Nevis	92,750	6,200	86,550	20,019	51,419	6.8
St. Lucia	159,263	-	159,263	25,764	91,197	12.0
St. Vincent & the Grenadines	85,681	8,000	77,681	11,357	52,757	6.9
Trinidad and Tobago	169,129	-	169,129	25,000	53,905	7.1
Turks & Caicos Islands	13,347	-	13,347	3,356	6,415	0.8
Regional	46,096	25,000	21,096	10,000	319	0.0
Private Sector	43,554	-	43,554	6,563	29,944	3.9
Sub-total	1,787,124	163,260	1,623,864	253,268	759,820	100
Provision for losses		-		-	(996)	100
Accrued interest	-	-		-	10,330	=====
Total – December 31, 2008	<b>\$1,787,124</b>	<b>\$163,260</b>	<b>\$1,623,864</b>	<b>\$253,268</b>	<b>\$769,154</b>	
Total – December 31, 2007	\$1,606,962	\$54,568	\$1,562,621	\$277,690	\$750,382	
				2008	2007	
Current				\$ 47,732	\$ 63,061	
Non-current				\$721,422	\$687,321	

**CARIBBEAN DEVELOPMENT BANK  
ORDINARY CAPITAL RESOURCES**

**NOTES TO THE FINANCIAL STATEMENTS  
December 31, 2008**

(expressed in thousands of United States dollars )

**NOTE G – LOANS OUTSTANDING ... continued**

The currency composition of outstanding loans as at December 31, 2008 was as follows:

Currencies receivable	Loans out- standing 2007	Translation adjustment	Disbursements	Sub-Total	Repayments	Provision for Losses	Loans out- standing 2008	% of loans outstanding
Barbados dollars	\$ 6	\$ -	\$ -	\$ 6	\$ (6)	\$ -	\$ -	-
Belize dollars	65	-	-	65	(65)	-	-	-
Canadian dollars	3,091	(612)	-	2,479	(2,479)	-	-	-
Euros	3,388	(176)	350	3,562	3,562	-	-	-
East Caribbean dollars	1,792	-	19	1,811	(1,811)	-	-	-
IBRD Units	3,119	-	-	3,119	(3,119)	-	-	-
Jamaican dollars	383	(46)	-	337	337	-	-	-
Pounds sterling	6,349	(1,735)	-	4,614	(4,614)	-	-	-
Trinidad & Tobago dollars	1,501	(6)	-	1,495	(1,495)	-	-	-
United States dollars	720,461	-	101,219	821,690	(61,870)	(996)	758,824	100.0
Sub-total	740,155	(2,575)	101,598	839,178	(79,358)	-	758,824	100.0
Accrued interest	10,227	-	-	-	-	-	10,330	-
<b>Total – December 31, 2008</b>	<b>\$750,382</b>	<b>\$(2,575)</b>	<b>\$101,598</b>	<b>\$839,178</b>	<b>\$(79,358)</b>	<b>\$(996)</b>	<b>\$769,154</b>	
<b>Total – December 31, 2007</b>	<b>\$717,764</b>	<b>\$ 781</b>	<b>\$ 93,372</b>	<b>\$811,917</b>	<b>\$(62,139)</b>	<b>\$ -</b>	<b>\$750,382</b>	

# CARIBBEAN DEVELOPMENT BANK

## ORDINARY CAPITAL RESOURCES

### NOTES TO THE FINANCIAL STATEMENTS

December 31, 2008

(expressed in thousands of United States dollars )

#### NOTE H – DERIVATIVE FINANCIAL INSTRUMENTS

The fair values of derivative financial instruments held at December 31, 2008 were as follows:

	Notional Amount	2008	2007
		Fair values	
		Assets	Assets
Cross currency interest rate swaps	\$160,000	\$71,270	\$15,555
Interest rate swap	50,000	-	627
	<u>\$210,000</u>	<u>\$71,270</u>	<u>\$16,182</u>

These balances are non-current.

#### NOTE I – NON-NEGOTIABLE DEMAND NOTES

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

#### NOTE J - MAINTENANCE OF VALUE ON CURRENCY HOLDINGS

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

#### NOTE K – RECEIVABLES – OTHER

	2008	2007
Inter-fund receivables – Note U	\$6,135	\$7,896
Staff loans and other receivables	1,040	815
VAT receivable	252	231
Other	969	465
	<u>\$8,396</u>	<u>\$9,407</u>

# CARIBBEAN DEVELOPMENT BANK

## ORDINARY CAPITAL RESOURCES

### NOTES TO THE FINANCIAL STATEMENTS

December 31, 2008

(expressed in thousands of United States dollars )

#### NOTE L – PROPERTY AND EQUIPMENT

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

The carrying values of property and equipment as at December 31, 2008 were as follows:

	Projects in Progress	Buildings and Ancillary Works	Computers	Furniture and Equipment	Motor Vehicles	Total
At January 1, 2007						
Cost	\$ -	\$9,229	\$6,228	\$4,912	\$146	\$20,515
Accumulated Depreciation	-	(4,893)	(5,508)	(4,150)	(112)	(14,663)
Closing net book amount	\$ -	\$4,336	\$ 720	\$ 762	\$ 34	\$ 5,852
Year ended December 31, 2007						
Opening net book amount	\$ -	\$4,336	\$ 720	\$ 762	\$ 34	\$ 5,852
Additions	-	93	539	276	118	1,026
Disposals	-	-	-	-	(18)	(18)
Disposals-accumulated depreciation	-	-	-	-	18	18
Depreciation expense	-	(365)	(347)	(255)	(34)	(1,001)
Closing net book amount	\$ -	\$4,064	\$ 912	\$ 783	\$ 118	\$ 5,877
At December 31, 2007						
Cost	\$ -	\$9,322	\$6,767	\$5,188	\$ 246	\$21,523
Accumulated Depreciation	-	(5,258)	(5,855)	(4,405)	(128)	(15,646)
Closing net book amount	\$ -	\$4,064	\$ 912	\$ 783	\$ 118	\$ 5,877
Year ended December 31, 2007						
Opening net book amount	\$ -	\$4,064	\$ 912	\$ 783	\$ 118	\$ 5,877
Additions	1,926	5	557	164	-	2,652
Reclassifications – cost	19	(99)	(1,769)	(2,070)	(9)	(3,928)
Reclassifications – accumulated depreciation	-	50	1,751	2,118	9	3,928
Disposals – Cost	-	-	-	-	(74)	(74)
Disposals-accumulated depreciation	-	-	-	-	74	74
Depreciation expense	-	(363)	(310)	(314)	(39)	(1,026)
Closing net book amount	\$1,945	\$3,657	\$1,141	\$ 681	\$ 79	\$ 7,503
At December 31, 2008						
Cost	\$1,945	\$9,228	\$5,555	\$3,282	\$163	\$20,173
Accumulated Depreciation	-	(5,571)	(4,414)	(2,601)	(84)	(12,670)
<b>Closing net book amount</b>	<b>\$1,945</b>	<b>\$3,657</b>	<b>\$1,141</b>	<b>\$ 681</b>	<b>\$ 79</b>	<b>\$ 7,503</b>

The Government of Barbados made a gift of a parcel land adjacent to the existing CDB compound in 2008. However, the final conveyance has not been received and therefore the value of the land has not been included in these financial statements. The land has been valued at \$875.

# CARIBBEAN DEVELOPMENT BANK

## ORDINARY CAPITAL RESOURCES

### NOTES TO THE FINANCIAL STATEMENTS

December 31, 2008

(expressed in thousands of United States dollars )

#### NOTE M – ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	<u>2008</u>	<u>2007</u>
Accounts payable	\$ 375	\$ 147
Termination benefits	750	-
Accrued expenses	1,749	2,296
Payments in advance	21,442	19,149
	<hr/>	<hr/>
Total	\$24,316	\$21,592
	<hr/>	<hr/>
Current portion	\$24,221	\$21,506
Non-current portion	\$ 95	\$ 86

#### NOTE N – AMOUNTS PAYABLE TO MEET MAINTENANCE OF VALUE

The Bank is obliged to make MOV payments in promissory notes to members whose currencies have significantly appreciated.

#### NOTE O – RETIREMENT BENEFIT OBLIGATIONS

##### Pension and other post employment obligations

	<u>2008</u>	<u>2007</u>
Balance sheet obligations for:		
Pension benefits	\$ (770)	\$ (514)
Post-employment medical benefits	1,667	1,486
	<hr/>	<hr/>
Liability in the balance sheet	\$ 897	\$ 972
	<hr/>	<hr/>
Income statement charge for:		
Pensions benefits	\$2,442	\$2,250
Post-employment medical benefits	213	239
	<hr/>	<hr/>
	\$2,655	\$2,489
	<hr/>	<hr/>

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

	<u>Pensions</u>		<u>Post-employment medical benefits</u>	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
Present value of funded obligations	\$47,709	\$45,872	\$1,835	\$1,636
Fair value of plan assets	(43,386)	(45,522)	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Unrecognised actuarial losses	4,323	350	1,835	1,636
	(5,093)	(864)	(168)	(150)
	<hr/>	<hr/>	<hr/>	<hr/>
Liability/(asset) included in balance sheet	\$ (770)	\$ (514)	\$1,667	\$1,486
	<hr/>	<hr/>	<hr/>	<hr/>

# CARIBBEAN DEVELOPMENT BANK

## ORDINARY CAPITAL RESOURCES

### NOTES TO THE FINANCIAL STATEMENTS

December 31, 2008

(expressed in thousands of United States dollars )

#### NOTE O – POST RETIREMENT BENEFITS...continued

The amounts recognised in the income statement are as follows:

	Pensions		Post-employment medical benefits	
	2008	2007	2008	2007
Current service cost	\$2,637	\$2,439	\$ 83	\$ 87
Interest cost	2,473	2,223	130	125
Expected return on plan assets	(2,668)	(2,412)	-	-
Amortisation of actuarial cost	-	-	-	27
	<u>\$2,442</u>	<u>\$2,250</u>	<u>\$213</u>	<u>\$239</u>
Actual return on the plan assets	<u>(\$3,686)</u>	<u>\$2,514</u>		

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

	Pensions		Post-employment medical benefits	
	2008	2007	2008	2007
January 1	\$ (514)	\$ 190	\$1,486	\$1,278
Pension/Benefit cost	2,442	2,250	213	239
Contributions paid	(2,698)	(2,954)	(32)	(31)
December 31	<u>\$ (770)</u>	<u>\$ (514)</u>	<u>\$1,667</u>	<u>\$1,486</u>

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

	Pensions		Post-employment medical benefits	
	2008	2007	2008	2007
January 1	\$45,872	\$41,019	\$1,636	\$1,799
Current service cost	2,637	2,439	83	87
Interest cost	2,473	2,223	130	125
Members' contributions	783	672	-	-
Experience (gain)/loss	(2,227)	750	18	(344)
Benefits paid	(1,829)	(1,231)	(32)	(31)
December 31	<u>\$47,709</u>	<u>\$45,872</u>	<u>\$1,835</u>	<u>\$1,636</u>

# CARIBBEAN DEVELOPMENT BANK ORDINARY CAPITAL RESOURCES

## NOTES TO THE FINANCIAL STATEMENTS

December 31, 2008

(expressed in thousands of United States dollars )

NOTE O – POST EMPLOYMENT BENEFITS...*continued*

### Pension and other post-employment obligations...*continued*

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

	<b>Pensions</b>	
	<b>2008</b>	<b>2007</b>
January 1	\$45,522	\$40,994
Expected return on plan assets	2,668	2,412
Experience loss	(6,456)	102
Employer's contributions	2,698	2,573
Members' contributions	783	672
Benefits paid	(1,829)	(1,231)
December 31	<u>\$43,386</u>	<u>\$45,522</u>

The principal actuarial assumptions used for accounting purposes were:

	<b>Pensions</b>		<b>Post-employment medical benefits</b>	
	<b>2008</b>	<b>2007</b>	<b>2008</b>	<b>2007</b>
	(%)	(%)	(%)	(%)
Discount rate	6.25	5.5	8.0	8.0
Expected return on plan assets	6.25-6.75	5.0-6.0	-	-
Future salary increases	5.5	5.0	-	-
Future pension increases	0-2.5	0-2.5	-	-
Annual increase in benefit	-	-	6.5	6.0

### Mortality rate

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

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

	<u>2008</u>	<u>2007</u>
Male	19.35	19.35
Female	23.32	23.32

# CARIBBEAN DEVELOPMENT BANK

## ORDINARY CAPITAL RESOURCES

### NOTES TO THE FINANCIAL STATEMENTS

December 31, 2008

(expressed in thousands of United States dollars )

#### NOTE O – POST EMPLOYMENT BENEFITS...*continued*

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

	1 % point increase	1 % point decrease
Effect on total service and interest cost components	\$ 44	\$ (37)
Effect on post-retirement benefit obligation	\$339	\$(242)

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

Asset allocation as at December 31,	<u>2008</u>	<u>2007</u>
Equity securities	47%	27%
Debt securities	53%	65%
Other	-	8%
Total	<u>100%</u>	<u>100%</u>

CDB's contributions to both pension plans in 2009 are estimated at \$2,292.

The expected return on plan assets is determined by considering the expected returns available on the assets underlying the current investment policy. Expected yields on fixed interest investments are based on gross redemption yields as at the balance sheet date while equity returns reflect long-term real rates of return experienced in respective markets.

As at December 31

	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>
Present value of defined benefit obligation	\$49,543	\$47,508	\$42,818	\$40,203
Fair value of plan assets	(43,386)	(45,522)	(40,994)	(36,654)
Deficit	<u>\$6,159</u>	<u>\$1,986</u>	<u>\$1,824</u>	<u>\$3,549</u>
Experience adjustments on plan liabilities	131	(71)	179	324
Experience adjustments on plan assets	<u>(131)</u>	<u>71</u>	<u>(179)</u>	<u>(324)</u>

#### NOTE P – BORROWINGS

It is the Bank's policy to limit borrowing and guarantees chargeable to the Bank's Ordinary Capital Resources to 100 percent of the callable capital of its investment grade non-borrowing members plus the cash reserves. At December 31, 2008, total borrowings amounted to \$554,320 (2007: \$457,240). Also at December 31, 2008, the ratio of total outstanding borrowings to the borrowing limit of \$773,820 (2007 - \$685,514) was 71.6% (2007 - 66.7%).

# CARIBBEAN DEVELOPMENT BANK ORDINARY CAPITAL RESOURCES

## NOTES TO THE FINANCIAL STATEMENTS

December 31, 2008

(expressed in thousands of United States dollars )

### NOTE P – BORROWINGS...continued

A summary of the borrowings at December 31, 2008 was as follows:

	Original amounts <sup>1/</sup>	Translation adjustments	Repayments to date	Currency swap <sup>2/</sup>	Undrawn	Outstanding	Due dates
CDB Market Borrowings							
6.00% Notes – US\$	\$ 50,000	\$ -	\$(50,000)	-	\$ -	\$ -	2008
4.35% Notes – Yen	60,000	-	-	-	-	60,000	2030
2.75% Notes – Yen	100,000	-	-	12,977	-	112,977	2022
2.25% Two Year Bonds – US\$	105,000	-	-	-	-	105,000	2010
2.22 One Year discount Note – US\$	9,783	-	-	-	-	9,783	2009
Floating Rate Note - US\$	60,000	-	-	-	-	60,000	2013
Floating Rate Note - US\$	149,736	-	-	-	-	149,736	2014
	534,519	-	(50,000)	12,977	-	497,496	
European Investment Bank							
Global Loan 11 – A – US\$	13,034	-	(8,299)	-	-	4,735	2011
Global Loan 111 – US\$	51,157	-	-	-	-	51,157	2023
	64,191	-	(8,299)	-	-	55,892	
Inter-American Development Bank							
Loan 926/OC-RG-US\$	19,347	-	(5,438)	-	-	13,909	2021
Sub-total	618,057	-	(63,737)	12,977	-	567,297	
Accrued interest	-	-	-	- <sup>2/</sup>	-	4,617	
<b>Total – December 31, 2008</b>	<b>\$618,057</b>	<b>-</b>	<b>\$(63,737)</b>	<b>\$12,977</b>	<b>\$ -</b>	<b>\$571,914</b>	
Total – December 31, 2007	\$468,377	\$(11,137)	\$ -	\$13,904	\$ -	\$477,022	

<sup>1/</sup> Net of cancellations and borrowings fully paid.

<sup>2/</sup> Unwinding of fair value hedge.

# CARIBBEAN DEVELOPMENT BANK

## ORDINARY CAPITAL RESOURCES

### NOTES TO THE FINANCIAL STATEMENTS

December 31, 2008

(expressed in thousands of United States dollars )

#### NOTE P – BORROWINGS...continued

Currencies repayable on outstanding borrowings at December, 31, 2008 were as follows:

Currencies Repayable	Outstanding at December 2007	Draw- downs	Currency swap amortization	Repayments	Outstanding at December 2008
United States dollars	\$297,240	\$149,680	\$ -	\$(52,600)	\$394,320
Japanese yen	173,904	-	(927)	-	172,977
Sub-total	471,144	149,680	(927)	(52,600)	567,297
Accrued interest	5,878	-	-	-	4,617
<b>Total – December 31, 2008</b>	<b>\$477,022</b>	<b>\$149,680</b>	<b>\$ (927)</b>	<b>\$(52,600)</b>	<b>\$571,914</b>
Total – December 31, 2007	\$457,906	\$ 16,815	\$ (927)	\$(2,650)	\$477,022

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

	2008	2007
Current	\$ 17,971	\$ 59,364
Non-current	553,943	417,658
<b>Total</b>	<b>\$571,914</b>	<b>\$477,022</b>

#### NOTE Q – EQUITY

Equity is comprised of capital, retained earnings and reserves. These are further detailed as follows:

##### Capital

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

Capital stock	2008	2007
Authorised capital - 118,526 (2007 – 118,526) shares		
Subscribed capital - 108,846 (2007 – 108,846) shares	\$712,958	\$712,958
Less callable capital - 85,011 (2007-85,011) shares	555,525	555,525
<b>Paid-up capital - 23,835 (2007 – 23,835) shares</b>	<b>\$157,433</b>	<b>\$157,433</b>

**CARIBBEAN DEVELOPMENT BANK  
ORDINARY CAPITAL RESOURCES  
NOTES TO THE FINANCIAL STATEMENTS  
December 31, 2008**

(expressed in thousands of United States dollars )

**NOTE Q – EQUITY ...continued**

**Capital ...continued**

The subscriptions by member countries and their voting power at December 31, 2008 were as follows:

Member	No. of Shares	% of Total	Total subscribed Capital	Callable Capital	Paid-up Capital	Subscriptions matured	Voting Power		Receivable from members non-negotiable demand notes
							No. of votes	% of total votes	
Regional States and Territories									
Jamaica	19,342	17.77	\$ 116,666	\$ 91,122	\$ 25,544	\$ 25,544	19,492	17.38	\$13,119
Trinidad & Tobago	19,342	17.77	116,666	91,122	25,544	25,544	19,492	17.38	10,951
Bahamas	5,703	5.24	34,399	26,865	7,534	7,534	5,853	5.22	1,720
Guyana	4,167	3.82	25,134	19,633	5,501	5,501	4,317	3.85	3,134
Colombia	3,118	2.86	18,807	14,687	4,120	4,120	3,268	2.90	627
Mexico	3,118	2.86	18,807	14,687	4,120	4,120	3,268	2.90	-
Venezuela	3,118	2.86	18,807	14,687	4,120	4,120	3,268	2.90	3,203
Barbados	3,630	3.33	21,895	17,100	4,795	4,795	3,780	3.37	1,070
Belize	859	0.79	5,181	4,047	1,134	1,134	1,009	0.90	-
Dominica	859	0.79	5,181	4,047	1,134	1,134	1,009	0.90	286
Grenada	736	0.68	4,439	3,468	971	971	886	0.79	213
St. Lucia	859	0.79	5,181	4,047	1,134	1,134	1,009	0.90	360
St. Vincent and the Grenadines	859	0.79	5,181	4,047	1,134	1,134	1,009	0.90	97
Antigua and Barbuda	859	0.79	5,181	4,047	1,134	1,134	1,009	0.90	296
St. Kitts and Nevis	859	0.79	5,181	4,047	1,134	1,134	1,009	0.90	255
Anguilla <sup>1/</sup>	182	0.17	1,098	857	241	241	( )	( )	14
Montserrat <sup>1/</sup>	213	0.20	1,285	1,002	283	283	1,184	1.06	-
British Virgin Islands <sup>1/</sup>	213	0.20	1,285	1,002	283	283	( )	( )	-
Cayman Islands <sup>1/</sup>	213	0.20	1,285	1,002	283	283	( )	( )	9
Turks and Caicos Islands <sup>1/</sup>	213	0.20	1,285	1,002	283	283	( )	( )	-
Haiti	875	0.80	5,278	4,120	1,158	1,158	1,025	0.91	-
<b>Sub-total</b>	<b>69,337</b>	<b>63.72</b>	<b>\$ 418,222</b>	<b>\$ 326,638</b>	<b>\$ 91,584</b>	<b>\$ 91,584</b>	<b>71,887</b>	<b>64.09</b>	<b>35,354</b>

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

# CARIBBEAN DEVELOPMENT BANK ORDINARY CAPITAL RESOURCES

## NOTES TO THE FINANCIAL STATEMENTS December 31, 2008

(expressed in thousands of United States dollars )

### NOTE Q – EQUITY ...continued

#### Capital...continued

Member	No. of Shares	% of Total	Total subscribed capital	Callable Capital	Paid-up Capital	Subscriptions matured	Voting Power		Receivable from members non-negotiable demand notes
							No. of votes	% of total votes	
Non-Regional States									
Canada	10,402	9.56	\$ 62,742	\$ 49,002	\$ 13,740	\$ 13,740	10,552	9.41	
United Kingdom	10,402	9.56	62,742	49,002	13,740	13,740	10,552	9.41	2,150
Italy	6,235	5.73	37,608	29,374	8,234	8,234	6,385	5.69	767
Germany	6,235	5.73	37,608	29,374	8,234	8,234	6,385	5.69	5,549
China	6,235	5.73	37,608	29,374	8,234	8,234	6,385	5.69	-
	39,509	36.31	238,308	186,126	52,182	52,182	40,259	35.91	8,466
Sub-total	108,846	100.00	656,530	512,764	143,766	143,766	112,146	100.00	43,820
<b>Additional subscriptions</b>									
China	-	-	18,804	14,688	4,116	4,116	-	-	-
Colombia	-	-	1,810	905	905	905	-	-	-
Germany	-	-	12,546	9,681	2,865	2,865	-	-	-
Italy	-	-	12,546	9,681	2,865	2,865	-	-	-
Mexico	-	-	6,273	4,841	1,432	1,432	-	-	-
Venezuela	-	-	1,810	905	905	905	-	-	-
Haiti	-	-	2,639	2,060	579	579	-	-	-
Sub-total	-	-	56,428	42,761	13,667	13,667	-	-	-
<b>Total - December 31, 2008</b>	<b>108,846</b>	<b>100.00</b>	<b>\$712,958</b>	<b>\$555,525</b>	<b>\$157,433</b>	<b>\$157,433</b>	<b>112,146</b>	<b>100.00</b>	<b>\$43,820</b>
Total - December 31, 2007	108,846	100.00	\$712,958	\$555,525	\$157,433	\$157,433	112,146	100.00	\$51,974

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

# CARIBBEAN DEVELOPMENT BANK

## ORDINARY CAPITAL RESOURCES

### NOTES TO THE FINANCIAL STATEMENTS

December 31, 2008

(expressed in thousands of United States dollars )

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NOTE Q – EQUITY...*continued*

#### **Members' subscriptions**

The Bank's capital stock is divided into paid-in shares and callable shares. Payment for paid-up shares subscribed by its members is made over a period of years determined in advance. The Bank's Articles state 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 paragraph (b) and (d) of Article 13 on borrowings of funds or on guarantees, only as and when required by the Bank.

The Agreement establishing the CDB 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. Only one member has ever withdrawn its membership voluntarily, no other member has ever indicated to the Bank that it intends to withdraw its membership from the Bank. The stability in the membership reflects the fact that the purpose of the Bank is to contribute to the sustainable economic development and social progress of its Borrowing Member Countries individually and jointly. Moreover, there is a significant financial disincentive to withdrawing membership. The repurchase price of the shares is the value shown by the books of the Bank on the date a country ceases to be a member.

Yet the former member shall remain liable for direct obligations and contingent liabilities to the Bank for so long as any parts of the loans or guarantees contracted before the date of withdrawal are outstanding. 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. If, for example, paying a former member would have adverse consequences for the Bank's financial position, the Bank could defer payment until the risk had passed, and indefinitely if appropriate. 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.

Under the agreement payment for the paid-up shares of the original capital stock subscribed to by members was made in installments. Of each installment, up to 50 percent was 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.

# CARIBBEAN DEVELOPMENT BANK

## ORDINARY CAPITAL RESOURCES

### NOTES TO THE FINANCIAL STATEMENTS

December 31, 2008

(expressed in thousands of United States dollars )

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#### NOTE Q – EQUITY...continued

##### Retained earnings and reserves

Retained earnings and reserves comprise the following elements at December 31, 2008 and December 31, 2007:

	<u>2008</u>	<u>2007</u>
Ordinary reserves	\$312,237	\$288,396
Surplus	11,648	11,648
Unallocated net income	28,604	23,036
Derivative fair value earnings	56,015	11,805
Special reserve	6,254	6,254
General banking reserve	7,856	7,856
	<u>\$422,614</u>	<u>\$348,995</u>

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

##### Special reserve

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

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

##### General banking reserve

Loan loss provisions amounting to \$7,856 (2007 - \$7,856) are deemed to be a provision for general banking risks and are reported as a general banking reserve.

**CARIBBEAN DEVELOPMENT BANK  
ORDINARY CAPITAL RESOURCES**

**NOTES TO THE FINANCIAL STATEMENTS**

**December 31, 2008**

(expressed in thousands of United States dollars )

**NOTE R – INCOME FROM LOANS, INVESTMENTS AND CASH BALANCES**

**Income from loans**

Income from loans for the years ended December 31, 2008 and 2007 was as follows:

	<u>2008</u>	<u>2007</u>
Interest income	\$44,490	\$44,133
Commitment fees and other charges	2,122	1,986
Total	<u>\$46,612</u>	<u>\$46,119</u>

**Income from Investments and cash balances**

Income from investments for the years ended December 31, 2008 and 2007 was as follows:

	<u>2008</u>	<u>2007</u>
Interest income	\$5,896	\$9,574
Realised and unrealised fair value gains	1,537	146
Total	<u>\$7,433</u>	<u>\$9,720</u>

**NOTE S – ADMINISTRATIVE EXPENSES**

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

During the year administrative expenses were allocated as follows:

	<u>2008</u>	<u>2007</u>
Gross administrative expenses	\$22,993	\$20,837
Less: Amounts allocated to Special Funds Resources		
SDF	(11,717)	(11,191)
OSF	(2,089)	(1,773)
Net OCR administration expenses	<u>\$9,187</u>	<u>\$ 7,873</u>

**CARIBBEAN DEVELOPMENT BANK  
ORDINARY CAPITAL RESOURCES**

**NOTES TO THE FINANCIAL STATEMENTS**

**December 31, 2008**

(expressed in thousands of United States dollars )

NOTE S – ADMINISTRATIVE EXPENSES ...*continued*

Gross administrative expenses are analysed as follows:

	<b>2008</b>	<b>2007</b>
Staff related	\$15,431	\$13,691
Professional fees and consultancies	1,341	1,206
Travel	1,091	1,225
Depreciation	1,026	1,002
Other	1,022	903
Utilities and maintenance	916	798
Supplies and printing	547	281
Board of Governors and Directors	505	452
Computer services	500	741
Communications	441	379
Bank charges	99	108
Insurance	74	78
	<b>\$22,993</b>	<b>\$20,837</b>

Staff costs charged to the OCR are analysed as follows:

	<b>2008</b>	<b>2007</b>
Salaries and allowances	\$10,989	\$10,131
Pension costs – hybrid scheme – Note O	378	354
Pension costs – defined benefit plan – Note O	2,158	2,300
Other post-retirement benefits – Note O	32	30
	<b>\$13,557</b>	<b>\$12,815</b>

NOTE T – DERIVATIVE FAIR VALUE ADJUSTMENT

Derivative fair value adjustment of (\$56,015) (2007 – (\$11,805)) included in the statement of income comprises:

	<b>2008</b>	<b>2007</b>
Cross currency interest rate swap	\$(56,642)	\$(12,392)
Interest rate swap	627	587
	<b>\$(56,015)</b>	<b>\$(11,805)</b>

# CARIBBEAN DEVELOPMENT BANK ORDINARY CAPITAL RESOURCES

## NOTES TO THE FINANCIAL STATEMENTS

December 31, 2008

(expressed in thousands of United States dollars )

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### NOTE U – RELATED PARTY TRANSACTIONS

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

	<u>2008</u>	<u>2007</u>
January 1	\$7,896	\$ 4,202
Advances during the year	32,980	49,186
Repayments during the year	(34,741)	(45,492)
December 31	<u>\$6,135</u>	<u>\$ 7,896</u>

Key management compensation as December 31 is as follows:

	<u>2008</u>	<u>2007</u>
Key management compensation		
Salaries and allowances	1,249	\$1,147
Post-employment benefits	748	856
	<u>1,997</u>	<u>\$2,003</u>

### NOTE V – COMMITMENTS AND GUARANTEES

At December 31, 2008, CDB had undisbursed loan balances of \$253,268 as well as approved capital expenditure commitments amounting to \$1,810 for the 2009 financial year. Of the amounts previously approved \$425 had been committed at December 31, 2008.

CDB has provided a partial guarantee of a loan made by another financial institution. Guarantee, in support of a bond issuance, is for the payment of no more than two debt service payments on a rolling and non-accelerable basis. The payment cannot exceed the equivalent of \$8,300 in any one year. This amount represents the maximum potential amount of undiscounted future payments that CDB could be required to make under the guarantee, and is not included in the Balance Sheet. The guarantee has a maturity of 12 years, and will expire in 2020.

### NOTE W – FIDUCIARY RESPONSIBILITIES

During the year the Bank established an escrow account at the behest of the Caricom Secretariat into which the proceeds of contributions to the Caricom Developments Fund have been deposited. The assets and income arising thereon are excluded from the financials as they are not assets of the Bank. As of December 31, 2008, the account held in the escrow account was \$66,929.

**PricewaterhouseCoopers**  
The Financial Services Centre  
Bishop's Court Hill  
P.O. Box 111  
St. Michael BB14004  
Barbados, West Indies  
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Facsimile (246) 436-1275

## INDEPENDENT AUDITORS' REPORT

### To the Board of Governors Caribbean Development Bank

We have audited the accompanying special purpose financial statements of the **Special Development Fund** of the **Caribbean Development Bank** as set out on pages 105 to 125. These special purpose financial statements are the responsibility of the Bank's management. Our responsibility is to express an opinion on these statements based on our audit.

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

In our opinion, the accompanying special purpose financial statements of the **Special Development Fund** of the **Caribbean Development Bank** as of December 31, 2008, have been properly prepared in all material respects, in accordance with the accounting policies set out in Note A.

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

  
Chartered Accountants  
April 2, 2009  
Bridgetown, Barbados

**CARIBBEAN DEVELOPMENT BANK**  
**SPECIAL FUNDS RESOURCES – SPECIAL DEVELOPMENT FUND**

**BALANCE SHEET**

**As of December 31, 2008**

(expressed in thousands of United States dollars)

	2008			2007		
	Unified	Other	Total	Unified	Other	Total
<b>Assets</b>						
Due from banks	\$ -	\$1,997	\$1,997	\$2,246	\$2,933	\$5,179
Investments - Trading (Schedule 1)	248,313	63,834	312,147	170,944	67,476	238,420
Loans (Schedule 2)	380,602	22,538	403,140	375,790	22,573	398,363
<b>Receivables – other</b>						
Accounts receivable including interfund receivables	907	51	958	384	81	465
	<b>629,822</b>	<b>88,420</b>	<b>718,242</b>	<b>549,364</b>	<b>93,063</b>	<b>642,427</b>
<b>Receivable from contributors</b>						
Non-negotiable demand notes (Schedule 3)	54,548	-	54,548	94,718	-	94,718
Contribution in arrears	5,655	-	5,655	10,380	-	10,380
	<b>60,203</b>	<b>-</b>	<b>60,203</b>	<b>105,098</b>	<b>-</b>	<b>105,098</b>
<b>Total assets</b>	<b>\$690,025</b>	<b>\$88,420</b>	<b>\$778,445</b>	<b>\$654,462</b>	<b>\$93,063</b>	<b>\$747,525</b>
<b>Liabilities and Funds</b>						
<b>Liabilities</b>						
Bank overdraft	\$ 373	\$ -	\$ 373	\$ -	\$ -	\$ -
Accounts payable including interfund payables	59,038	1,137	60,175	60,243	1,086	61,329
Accrued charges on contributions	-	18	18	-	21	21
	<b>59,411</b>	<b>1,155</b>	<b>60,566</b>	<b>60,243</b>	<b>1,107</b>	<b>61,350</b>

The accompanying notes on pages 110 to 125 are an integral part of these financial statements.

**CARIBBEAN DEVELOPMENT BANK**  
**SPECIAL FUNDS RESOURCES – SPECIAL DEVELOPMENT FUND**

**BALANCE SHEET**

**As of December 31, 2008**

(expressed in thousands of United States dollars)

<b>Funds</b>	<b>2008</b>			<b>2007</b>		
	<b>Unified</b>	<b>Other</b>	<b>Total</b>	<b>Unified</b>	<b>Other</b>	<b>Total</b>
Contributed resources (Schedule 3)						
Contributions	\$757,180	\$46,308	\$803,488	\$762,919	\$48,263	\$811,182
Less amounts not yet made available	(8,564)	-	(8,564)	(48,394)	-	(48,394)
Amounts made available	748,616	46,308	794,924	714,525	48,263	762,788
Allocation to technical assistance and grant resources	(217,000)	(2,266)	(219,266)	(217,000)	(2,266)	(219,266)
	531,616	44,042	575,658	497,525	45,997	543,522
Accumulated net income (Schedule 4)	35,462	42,317	77,779	28,054	44,870	72,924
Technical assistance and grant resources – Note E	63,536	906	64,442	68,640	1,089	69,729
	\$630,614	\$87,265	\$717,879	\$594,219	91,956	686,175
<b>Total liabilities and funds</b>	<b>\$690,025</b>	<b>\$88,420</b>	<b>\$778,445</b>	<b>\$654,462</b>	<b>\$93,063</b>	<b>\$747,525</b>

The accompanying notes on pages 110 to 125 are an integral part of these financial statements.

**CARIBBEAN DEVELOPMENT BANK**  
**SPECIAL FUNDS RESOURCES – SPECIAL DEVELOPMENT FUND**

**STATEMENT OF INCOME AND ACCUMULATED NET INCOME**

For the year ended December 31, 2008

(expressed in thousands of United States dollars)

	2008			2007		
	Unified	Other	Total	Unified	Other	Total
<b>Income</b>						
From loans	\$8,664	\$518	\$9,182	\$8,510	\$532	\$9,042
From investments and cash balances	9,418	2,991	12,409	8,519	3,533	12,052
<b>Gross income</b>	<b>18,082</b>	<b>3,509</b>	<b>21,591</b>	<b>17,029</b>	<b>4,065</b>	<b>21,094</b>
<b>Expenses</b>						
Administrative expenses	10,640	1,077	11,717	10,014	1,177	11,191
Charges on contributions	-	176	176	-	214	214
Exchange	34	1,209	1,243	1,988	(376)	1,612
<b>Total expenses</b>	<b>10,674</b>	<b>2,462</b>	<b>13,136</b>	<b>12,002</b>	<b>1,015</b>	<b>13,017</b>
<b>Net income for the year</b>	<b>\$7,408</b>	<b>\$1,047</b>	<b>\$8,455</b>	<b>\$ 5,027</b>	<b>\$ 3,050</b>	<b>\$8,077</b>
<b>Accumulated Net Income</b>						
Accumulated net income – beginning of year	428,054	\$44,870	\$72,924	\$23,027	\$41,820	\$64,847
Appropriations for technical assistance	-	(3,600)	(3,600)	-	-	-
Net income for the year	7,408	1,047	8,455	5,027	3,050	8,077
<b>Accumulated net income – end of year</b>	<b>\$35,462</b>	<b>\$42,317</b>	<b>\$77,779</b>	<b>\$28,054</b>	<b>\$44,870</b>	<b>\$72,924</b>

The accompanying notes on pages 110 to 125 are an integral part of these financial statements.

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

**STATEMENT OF CASH FLOWS**

**For the year ended December 31, 2008**

(expressed in thousands of United States dollars)

	<u>2008</u>	<u>2007</u>
<b>Operating activities</b>		
Net income for the year	\$7,408	\$5,027
Adjustments for non-cash items		
Unrealised gain on trading portfolio	(1,382)	(606)
Interest income	<u>(16,700)</u>	<u>(16,423)</u>
Total cashflows from operating profits before changes in operating assets and liabilities	(10,674)	(12,002)
Changes in operating assets and liabilities		
Decrease/(increase) in loans resulting from exchange rate fluctuations	48	(57)
Increase in accounts receivable	(523)	(220)
Decrease in accounts payable	<u>(1,205)</u>	<u>(3,646)</u>
Cash from operating activities	(12,354)	(15,925)
Disbursements on loans	(20,835)	(27,671)
Principal repayments to the Bank on loans	16,030	15,383
Interest received	16,313	15,363
Net increase in trading securities	(76,478)	(49,085)
Technical assistance disbursements	<u>(5,156)</u>	<u>(9,225)</u>
Net cash used in operating activities	(82,480)	(71,160)
<b>Financing activities</b>		
Contributions		
Increase in contributions for loans	48,198	42,323
Increase in contributions resulting from exchange rates fluctuations	(14,108)	11,947
Decrease in receivables from contributors	44,895	24,552
Technical assistance allocation	<u>52</u>	<u>39</u>
Net cash provided by financing activities	<u>79,037</u>	<u>78,861</u>
Net (decrease)/ increase in cash and cash equivalents	(3,443)	7,701
Cash and cash equivalents at beginning of year	<u>28,914</u>	<u>21,213</u>
Cash and cash equivalents at end of year	<u>\$25,471</u>	<u>\$28,914</u>
<b>Represented by</b>		
Due from banks	\$ (373)	\$ 2,246
Time deposits	<u>25,844</u>	<u>26,668</u>
	<u>\$25,471</u>	<u>\$28,914</u>

The accompanying notes on pages 110 to 125 are an integral part of these financial statements.

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

**STATEMENT OF CASH FLOWS**

**For the year ended December 31, 2008**

(expressed in thousands of United States dollars)

	<b>2008</b>	<b>2007</b>
<b>Operating activities</b>		
Net income for the year	<b>\$1,047</b>	\$3,050
Adjustments for non-cash items		
Unrealised gain on trading portfolio	<b>(419)</b>	(140)
Interest income	<b>(3,090)</b>	(3,925)
Interest expense	<b>176</b>	214
Total cash flows from operating profits before changes in operating assets and liabilities	<b>(2,286)</b>	(801)
Changes in operating assets and liabilities		
Decrease/(increase) in loans resulting from exchange rates fluctuations	<b>15</b>	(31)
Decrease/(increase) in accounts receivable	<b>30</b>	(55)
Increase in accounts payable	<b>51</b>	612
Cash from operating activities	<b>(2,190)</b>	(275)
Disbursements on loans	<b>(921)</b>	(397)
Principal repayments to the Bank on loans	<b>941</b>	904
Interest received	<b>3,214</b>	3,867
Interest paid	<b>(179)</b>	(217)
Net decrease/(increase) in trading securities	<b>4,379</b>	(1,831)
Technical assistance disbursements	<b>(183)</b>	(209)
Net cash provided by operating activities	<b>5,061</b>	1,842
<b>Financing activities:</b>		
Contributions		
Repayments of contributions	<b>(1,208)</b>	(1,467)
(Decrease)/increase in contributions resulting from exchange rates fluctuations	<b>(747)</b>	361
Net cash used in financing activities	<b>(1,955)</b>	(1,106)
Appropriations of accumulated net income	<b>(3,600)</b>	-
Net increase in cash and cash equivalents	<b>(494)</b>	736
Cash and cash equivalents at beginning of year	<b>9,630</b>	8,894
Cash and cash equivalents at end of year	<b>\$9,136</b>	\$9,630
<b>Represented by</b>		
Due from banks	<b>\$1,997</b>	\$2,933
Time deposits	<b>7,139</b>	6,697
	<b>\$9,136</b>	\$9,630

The accompanying notes on pages 110 to 125 are an integral part of these financial statements.

**CARIBBEAN DEVELOPMENT BANK**  
**SPECIAL FUND RESOURCES – SPECIAL DEVELOPMENT FUND**

**SUMMARY STATEMENTS OF INVESTMENTS**

**December 31, 2008**

(expressed in thousands of United States dollars)

**SCHEDULE 1**

	<b>2008</b>			<b>2007</b>		
	<b>Market value</b>			<b>Market value</b>		
	<b>Unified</b>	<b>Other</b>	<b>Total</b>	<b>Unified</b>	<b>Other</b>	<b>Total</b>
Government and Agency Obligations	\$204,416	\$52,585	\$257,001	\$139,013	\$58,470	\$197,483
Supranationals	12,119	1,054	13,172	3,038	1,344	4,382
Time deposits	25,844	7,139	32,983	26,668	6,697	33,365
Euro Commercial Paper	3,377	2,215	5,592	-	-	-
Sub-total	245,756	62,993	308,748	168,719	66,511	235,230
Accrued interest	2,557	841	3,398	2,225	965	3,190
<b>Total</b>	<b>\$248,313</b>	<b>\$63,834</b>	<b>\$312,147</b>	<b>\$170,944</b>	<b>\$67,476</b>	<b>\$238,420</b>

**Residual term to contractual maturity**

	<b>2008</b>	<b>2007</b>
<b>One month to three months</b>	\$69,042	\$65,744
<b>Over three months to one year</b>	97,404	56,038
<b>From one year to five years</b>	136,452	96,624
<b>From five years to ten years</b>	9,249	20,014
<b>Total</b>	<b>\$312,147</b>	<b>\$238,420</b>

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

**SUMMARY STATEMENT OF LOANS**

**December 31, 2008**

(expressed in thousands of United States dollars)

**SCHEDULE 2**

<b>Member countries in which loans have been made</b>	<b>Total loans approved <sup>1/</sup></b>	<b>Loans approved but not yet effective</b>	<b>Signed agree- ments</b>	<b>Principal repaid to bank</b>	<b>Undis- bursed</b>	<b>Out- standing <sup>2/</sup></b>	<b>% of total loans out- stand- ing</b>
Anguilla	\$ 9,707	\$ 270	\$9,437	\$ 4,992	\$ 302	\$ 4,143	1.1
Antigua and Barbuda	10,978	-	10,978	6,122	1,206	3,650	1.0
Bahamas	1,600	-	1,600	1,600	-	-	0.0
Barbados	5,281	-	5,281	4,632	500	149	0.0
Belize	64,479	-	64,479	19,167	14,718	30,594	8.1
British Virgin Islands	10,942	-	10,942	8,427	300	2,215	0.6
Cayman Islands	4,167	-	4,167	3,804	363	-	0.0
Dominica	81,796	8,700	73,096	24,470	3,368	45,258	11.9
Grenada	91,030	-	91,030	21,728	15,523	53,779	14.2
Guyana	128,194	7,500	120,694	16,986	6,749	96,959	25.6
Jamaica	136,142	40,385	95,757	25,255	29,598	40,904	10.8
Montserrat	7,831	-	7,831	4,444	-	3,387	0.9
St. Kitts and Nevis	56,719	-	56,719	15,630	7,558	33,531	8.8
St. Lucia	77,224	12,000	65,224	19,164	13,724	32,336	8.5
St. Vincent & the Grenadines	47,723	2,431	45,292	19,189	4,519	21,584	5.7
Trinidad & Tobago	5,018	1,000	4,018	4,018	-	-	0.0
Turks & Caicos Islands	11,440	500	10,940	3,059	1,615	6,266	1.6
Regional	8,855	-	8,855	4,444	-	4,411	1.2
<b>Sub-total</b>	<b>759,126</b>	<b>72,786</b>	<b>686,340</b>	<b>207,131</b>	<b>100,043</b>	<b>379,166</b>	<b>100.0</b>
Accrued interest	-	-	-	-	-	1,436	
<b>Total – December 31, 2008</b>	<b>\$760,562</b>	<b>\$72,786</b>	<b>\$687,776</b>	<b>\$207,131</b>	<b>\$100,043</b>	<b>\$380,602</b>	
<b>Total – December 31, 2007</b>	<b>\$683,067</b>	<b>\$21,536</b>	<b>\$661,531</b>	<b>\$199,516</b>	<b>\$86,225</b>	<b>\$375,790</b>	

1/ Net of lapses and cancellations

2/ Includes overdue installments of principal amounting to \$254 (2007 - \$144)

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

**SUMMARY STATEMENT OF LOANS...continued**

**December 31, 2008**

(expressed in thousands of United States dollars)

**SCHEDULE 2**

<b>Member countries in which loans have been made</b>	<b>Total loans approved <sup>1/</sup></b>	<b>Loans approved but not yet effective</b>	<b>Signed agree- ments</b>	<b>Principal repaid to bank</b>	<b>Undis- bursed</b>	<b>Out- standing <sup>2/</sup></b>	<b>% of total loans out- stand- ing</b>
Anguilla	\$1,386	\$ -	\$1,386	\$1,386	\$ -	\$ -	0.0
Antigua and Barbuda	3,813	-	3,813	3,248	-	565	2.5
Bahamas	774	-	774	774	-	-	0.0
Barbados	1,604	-	1,604	1,604	-	-	0.0
Belize	27,911	-	27,911	18,596	-	9,315	41.5
British Virgin Islands	4,728	-	4,728	4,367	-	361	1.6
Cayman Islands	619	-	619	619	-	-	0.0
Dominica	14,288	-	14,288	12,161	-	2,127	9.5
Grenada	4,997	-	4,997	4,829	-	168	0.8
Guyana	22	-	22	22	-	-	0.0
Jamaica	6,872	-	6,872	4,671	-	2,201	9.8
Montserrat	782	-	782	782	-	-	0.0
St. Kitts and Nevis	11,763	-	11,763	5,514	642	5,607	25.0
St. Lucia	21,994	-	21,994	20,440	677	877	3.9
St. Vincent & the Grenadines	12,320	-	12,320	10,875	240	1,205	5.4
Turks & Caicos Islands	1,502	-	1,502	1,502	-	-	0.0
Regional	2,519	-	2,519	2,519	-	-	0.0
<b>Sub-total</b>	<b>117,894</b>	<b>-</b>	<b>117,894</b>	<b>93,909</b>	<b>1,559</b>	<b>22,426</b>	<b>100.0</b>
Accrued interest	-	-	-	-	-	112	
<b>Total – December 31, 2008</b>	<b>\$118,806</b>	<b>\$ -</b>	<b>\$118,806</b>	<b>\$93,909</b>	<b>\$1,559</b>	<b>\$22,538</b>	
<b>Total – December 31, 2007</b>	<b>\$119,978</b>	<b>\$ -</b>	<b>\$119,978</b>	<b>\$95,079</b>	<b>\$2,326</b>	<b>\$22,573</b>	

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

<sup>2/</sup> There were no overdue installments of principal (2007-50)

**CARIBBEAN DEVELOPMENT BANK**  
**SPECIAL FUNDS RESOURCES – SPECIAL DEVELOPMENT FUND**

**SUMMARY STATEMENT OF LOANS...continued**

**December 31, 2008**

(expressed in thousands of United States dollars)

**SCHEDULE 2**

<b>Analysis by Contributor</b>	<b>Total loans approved<sup>1/</sup></b>	<b>Loans approved but not yet effective</b>	<b>Signed agreements</b>	<b>Principal repaid to bank</b>	<b>Undisbursed</b>	<b>Outstanding<sup>2/</sup></b>	<b>% of total loans outstanding</b>
<b>Special Development Fund – Unified</b>							
Members/Contributors	\$759,126	\$72,786	\$686,340	\$207,131	\$100,043	\$379,166	100.0
Accrued interest	-	-	-	-	-	1,436	
<b>Total SDF – (Unified)</b>	<b>\$760,562</b>	<b>\$72,786</b>	<b>\$687,776</b>	<b>\$207,131</b>	<b>\$100,043</b>	<b>\$380,602</b>	
<b>Special Development Fund – Other</b>							
<b>Members</b>							
Colombia	\$ 8,535	\$ -	\$ 8,535	\$ 8,039	\$ -	\$ 496	2.2
Germany	20,182	-	20,182	20,059	-	123	0.6
Mexico	8,816	-	8,816	6,205	-	2,611	11.6
Venezuela	52,798	-	52,798	32,074	1,559	19,165	85.5
	90,331	-	90,331	66,377	1,559	22,395	
<b>Other contributors</b>							
Sweden	4,732	-	4,732	4,701	-	31	0.1
United States of America	22,831	-	22,831	22,831	-	-	-
	27,563	-	27,563	27,532	-	31	100.0
Sub-total	117,894	-	117,894	93,909	1,559	22,426	
Accrued interest	-	-	-	-	-	112	
<b>Total – SDF (Other)</b>	<b>\$118,806</b>	<b>\$ -</b>	<b>\$118,806</b>	<b>\$93,909</b>	<b>\$1,559</b>	<b>\$22,538</b>	
<b>Total SDF – December 31, 2008</b>	<b>\$878,680</b>	<b>\$72,786</b>	<b>\$805,894</b>	<b>\$301,040</b>	<b>\$101,602</b>	<b>\$403,140</b>	
<b>Total SDF – December 31, 2007</b>	<b>\$803,157</b>	<b>\$21,536</b>	<b>\$781,621</b>	<b>\$294,595</b>	<b>\$88,551</b>	<b>\$398,363</b>	

1/ Net of lapses and cancellations

2/Includes overdue installments of principal amounting to \$254 (2007 - \$144)

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

**SUMMARY STATEMENT OF LOANS...continued**

**For the year ended December 31, 2008**

(expressed in thousands of United States dollars)

**SCHEDULE 2**

<b>Currencies Receivable</b>	<b>Loans out- standing 2007</b>	<b>Trans- lation adjust- ment</b>	<b>Disburse- ments</b>	<b>Sub- total</b>	<b>Repay- ments</b>	<b>Loans out- standing 2008</b>
<b>(a) Special Development Fund - Unified</b>						
Canadian dollars	\$ 140	\$ (28)	\$ -	\$ 112	\$ (112)	\$ -
Pounds sterling	23	(6)	-	17	(17)	-
Euros	283	(14)	-	269	(269)	-
United States dollars	373,963	-	20,835	394,798	(15,632)	379,166
<b>Sub-total</b>	<b>374,409</b>	<b>(48)</b>	<b>20,835</b>	<b>395,196</b>	<b>(16,030)</b>	<b>379,166</b>
Accrued interest	1,381	-	-	-	-	1,436
<b>Total – December 31, 2008</b>	<b>\$375,790</b>	<b>\$ (48)</b>	<b>\$20,835</b>	<b>\$395,196</b>	<b>\$(16,030)</b>	<b>\$380,602</b>
<b>Total – December 31, 2007</b>	<b>\$363,334</b>	<b>\$ 57</b>	<b>\$27,671</b>	<b>\$389,792</b>	<b>\$(15,383)</b>	<b>\$375,790</b>
<b>(b) Special Development Fund - Other</b>						
Euros	\$ 141	\$ (8)	\$ -	\$ 133	\$ (133)	\$ -
Swedish kroners	38	(7)	-	31	(31)	-
United States dollars	22,282	-	921	23,203	(777)	22,426
<b>Sub-total</b>	<b>22,461</b>	<b>(15)</b>	<b>921</b>	<b>23,367</b>	<b>(941)</b>	<b>22,426</b>
Accrued interest	112	-	-	-	-	112
<b>Total – December 31, 2008</b>	<b>\$22,573</b>	<b>\$(15)</b>	<b>\$ 921</b>	<b>\$ 23,367</b>	<b>\$ (941)</b>	<b>\$22,538</b>
<b>Total – December 31, 2007</b>	<b>\$23,049</b>	<b>\$ 31</b>	<b>\$ 397</b>	<b>\$ 23,477</b>	<b>\$ (904)</b>	<b>\$22,573</b>

**Maturity structure of loans outstanding**

January 1, 2009 to December 31, 2009	\$16,833
January 1, 2010 to December 31, 2010	16,836
January 1, 2011 to December 31, 2011	16,833
January 1, 2012 to December 31, 2012	18,050
January 1, 2013 to December 31, 2013	16,236
January 1, 2014 to December 31, 2018	95,256
January 1, 2019 to December 31, 2023	87,686
January 1, 2024 to December 31, 2028	67,193
January 1, 2029 to December 31, 2042	68,217
<b>TOTAL</b>	<b>\$403,140</b>

**CARIBBEAN DEVELOPMENT BANK**  
**SPECIAL FUNDS RESOURCES – SPECIAL DEVELOPMENT FUND**

**STATEMENT OF CONTRIBUTED RESOURCES**

**December 31, 2008**

(expressed in thousands of United States dollars)

**SCHEDULE 3**

<b>Contributors</b>	<b>Total approved</b> <small><sup>1/</sup></small>	<b>Approved but not yet effective</b> <small><sup>2/</sup></small>	<b>Total contribution agreed</b>	<b>Amounts not yet made available</b>	<b>Amounts made available</b>	<b>Receivable from members non-negotiable demand notes</b>
<b>Special Development Fund</b>						
<b>- Unified</b>						
<b>Members</b>						
Trinidad & Tobago	\$25,200	\$ -	\$25,200	\$ -	\$25,200	\$4,875
Bahamas	14,144	-	14,144	-	14,144	7,089
Barbados	14,140	-	14,140	-	14,140	2,090
Jamaica	23,020	-	23,020	-	23,020	7,337
Guyana	14,145	4,215	9,930	-	9,930	2,337
Antigua and Barbuda	1,652	-	1,652	-	1,652	32
Belize	3,740	-	3,740	-	3,740	1,277
Dominica	3,480	-	3,480	-	3,480	1,001
St. Kitts and Nevis	3,740	-	3,740	-	3,740	1,624
St. Lucia	3,740	-	3,740	-	3,740	1,100
St. Vincent & the Grenadines	3,752	-	3,752	-	3,752	1,647
Grenada	2,740	-	2,740	-	2,740	2,107
Montserrat	1,440	-	1,440	-	1,440	28
British Virgin Islands	1,440	-	1,440	-	1,440	169
Turks & Caicos Islands	1,440	-	1,440	-	1,440	-
Cayman Islands	1,340	-	1,340	-	1,340	111
Anguilla	1,440	740	700	-	700	160
Colombia	23,533	-	23,533	-	23,533	-
Venezuela	18,382	-	18,382	-	18,382	-
Canada	196,518	-	196,518	-	196,518	-
United Kingdom	153,810	-	153,810	8,564	145,246	12,756
Germany	66,849	-	66,849	-	66,849	8,808
Italy	56,390	4,946	51,144	-	51,144	-
China	33,200	-	33,200	-	33,200	-
Haiti	650	-	650	-	650	-
Mexico	14,000	-	14,000	-	14,000	-
	683,925	9,901	674,024	8,564	665,460	54,548
<b>Other contributors</b>						
France	58,254	-	58,254	-	58,254	-
Netherlands	24,902	-	24,902	-	24,902	-
	767,081	9,901	757,180	8,564	748,616	54,548
Technical assistance allocation	(217,000)	-	(217,000)	-	(217,000)	-
<b>Sub-total</b>	<b>\$550,081</b>	<b>\$9,901</b>	<b>\$540,180</b>	<b>\$8,564</b>	<b>\$531,616</b>	<b>\$54,548</b>

**CARIBBEAN DEVELOPMENT BANK**  
**SPECIAL FUNDS RESOURCES – SPECIAL DEVELOPMENT FUND**

**STATEMENT OF CONTRIBUTED RESOURCES...continued**

**December 31, 2008**

(expressed in thousands of United States dollars)

**SCHEDULE 3**

<b>Contributors</b>	<b>Total approved</b> <sup>1/</sup>	<b>Approved but not yet effective</b> <sup>2/</sup>	<b>Total contribution agreed</b>	<b>Amounts not yet made available</b>	<b>Amounts made available</b>	<b>Receivable from members non-negotiable demand notes</b>
<b>Sub-total b/fwd</b>	\$550,081	\$9,901	\$540,180	\$8,564	\$531,616	\$54,548
<b>Special Development Fund – Other</b>						
<b>Members</b>						
Colombia	\$ 5,000	\$ -	\$ 5,000	\$ -	\$ 5,000	\$ -
Germany <sup>3/</sup>	-	-	-	-	-	-
Mexico <sup>4/</sup>	13,067	-	13,067	-	13,067	-
Venezuela	17,473	-	17,473	-	17,473	-
	35,540	-	35,540	-	35,540	-
<b>Other contributors</b>						
Sweden	3,330	-	3,330	-	3,330	-
United States of America <sup>3/</sup>	5,172	-	5,172	-	5,172	-
	8,502	-	8,502	-	8,502	-
<b>Sub-total</b>	44,042	-	44,042	-	44,042	-
<b>Total - SDF - 2008</b>	<b>\$594,123</b>	<b>\$ 9,901</b>	<b>\$584,222</b>	<b>\$ 8,564</b>	<b>\$575,658</b>	<b>\$54,548</b>
<b>Summary</b>						
Members	\$502,465	\$ 9,901	\$492,564	\$ 8,564	\$484,000	\$54,548
Other contributors	91,658	-	91,658	-	91,658	-
<b>Total - SDF - 2008</b>	<b>\$594,123</b>	<b>\$ 9,901</b>	<b>\$584,222</b>	<b>\$ 8,564</b>	<b>\$575,658</b>	<b>\$54,548</b>
<b>Total - SDF - 2007</b>	<b>\$606,147</b>	<b>\$14,441</b>	<b>\$591,706</b>	<b>\$48,184</b>	<b>\$543,522</b>	<b>\$94,718</b>

1/Net of repayments

2/Contributions not yet firmly pledged by Governments

3/Contributions with fixed repayment dates

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

**CARIBBEAN DEVELOPMENT BANK**  
**SPECIAL FUNDS RESOURCES – SPECIAL DEVELOPMENT FUND**

**STATEMENT OF CONTRIBUTED RESOURCES...continued**

**December 31, 2008**

(expressed in thousands of United States dollars)

**SCHEDULE 3**

<b>Currencies</b>	<b>Amounts made available 2007</b>	<b>Translation adjustment</b>	<b>Draw-downs/ Appropriations from Capital<sup>2/</sup></b>	<b>Sub-total</b>	<b>Repay-ments</b>	<b>Amounts made available 2008</b>
<b>(a) Special Development Fund - Unified</b>						
Canadian dollars	\$ 188	\$ (37)	\$ -	\$ 151	\$ -	\$ 151
Euros	14,859	(772)	(4,935)	9,152	-	9,152
Pounds sterling	48,669	(13,299)	(22,650)	12,720	-	12,720
United States dollars	433,809	-	75,783	509,593	-	509,593
<b>Total – December 31, 2008</b>	<b>\$497,525</b>	<b>\$(14,108)</b>	<b>\$48,198</b>	<b>\$531,616</b>	<b>\$ -</b>	<b>\$531,616</b>
<b>Total – December 31, 2007</b>	<b>\$443,255</b>	<b>\$ 11,947</b>	<b>\$42,323</b>	<b>\$497,525</b>	<b>\$ -</b>	<b>\$497,525</b>
<b>(b) Special Development Fund – Other</b>						
Euros	\$ 293	\$ (15)	\$ -	\$ 278	\$ (278)	\$ -
Swedish kroners	4,062	(732)	-	3,330	-	3,330
United States dollars	41,642	-	-	41,642	(930)	40,712
<b>Total – December 31, 2008</b>	<b>\$45,997</b>	<b>\$ (747)</b>	<b>\$ -</b>	<b>\$45,250</b>	<b>\$(1,208)</b>	<b>\$44,042</b>
<b>Total – December 31, 2007</b>	<b>\$47,102</b>	<b>\$ 361</b>	<b>\$ -</b>	<b>\$47,463</b>	<b>\$(1,466)</b>	<b>\$45,997</b>

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

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

**Maturity structure of repayable contributions outstanding\***

January 1, 2009 to December 31, 2009	\$ 958
January 1, 2010 to December 31, 2010	987
January 1, 2011 to December 31, 2011	1,017
January 1, 2012 to December 31, 2012	1,047
January 1, 2013 to December 31, 2014	1,163
<b>TOTAL</b>	<b>\$5,172</b>

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

**CARIBBEAN DEVELOPMENT BANK**  
**SPECIAL FUNDS RESOURCES – SPECIAL DEVELOPMENT FUND**

**STATEMENT OF ACCUMULATED NET INCOME**

**December 31, 2008**

(expressed in thousands of United States dollars)

**SCHEDULE 4**

<b>Contributors</b>	<b>Brought forward 2007</b>	<b>Net income 2008</b>	<b>Appropriations</b>	<b>Carried forward 2008</b>
<b>Special Development Fund – Unified</b>	<b>\$28,054</b>	<b>\$ 7,408</b>	<b>\$ -</b>	<b>\$35,462</b>
<b>Special Development Fund - Other</b>				
<b>Members</b>				
Colombia	\$ 2,107	\$ 194	\$ -	\$ 2,301
Germany	(414)	(101)	-	(515)
Mexico	5,882	691	-	6,573
Venezuela	20,528	490	(3,600)	17,418
	28,103	1,274	(3,600)	25,777
<b>Other contributors</b>				
Sweden	6,558	(694)	-	5,864
United States of America	10,209	467	-	10,676
	16,767	(227)	-	16,540
	44,870	1,047	(3,600)	42,317
<b>Total SDF</b>	<b>\$72,924</b>	<b>\$8,455</b>	<b>\$(3,600)</b>	<b>\$77,779</b>
<b>Summary</b>				
Members	\$56,157	\$8,682	\$(3,600)	\$61,239
Other contributors	16,767	(227)	-	16,540
<b>Total SDF – December 31, 2008</b>	<b>\$72,924</b>	<b>\$8,455</b>	<b>\$(3,600)</b>	<b>\$77,779</b>
<b>Total SDF – December 31, 2007</b>	<b>\$64,847</b>	<b>\$8,077</b>	<b>\$ -</b>	<b>\$72,924</b>

# **CARIBBEAN DEVELOPMENT BANK**

## **SPECIAL FUNDS RESOURCES – SPECIAL DEVELOPMENT FUND**

### **NOTES TO THE FINANCIAL STATEMENTS**

**December 31, 2008**

(expressed in thousands of United States dollars)

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#### **A. Nature of operations and summary of significant accounting policies**

##### **Nature of operations**

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

##### **Summary of significant accounting policies**

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

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

##### **Translation of currencies**

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

Assets and liabilities in currencies other than United States dollars are translated into United States dollars either at the par values established for those currencies with the International Monetary Fund, or where no par values are maintained, at rates which have been determined by the Bank to be appropriate for translation. In general, the rates so determined will be the approximate market rates of exchange prevailing at the dates of the financial statements.

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

##### **Investments**

All investment securities are in a portfolio designated at fair value through profit or loss and reported at fair market value. Securities are initially recognised at fair value (which excludes transaction costs) and subsequently re-measured at fair value based on quoted market prices. All related realised and unrealised gains and losses are included in investment income. Interest earned whilst holding securities is reported as interest income.

# CARIBBEAN DEVELOPMENT BANK

## SPECIAL FUNDS RESOURCES – SPECIAL DEVELOPMENT FUND

### NOTES TO THE FINANCIAL STATEMENTS

December 31, 2008

(expressed in thousands of United States dollars)

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

##### **Investments...*continued***

Regular purchases and sales of securities are recognised at trade date, which is the date that the Bank commits to purchase or sells the asset.

##### **Loans**

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

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

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

##### **Cash and cash equivalents**

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

##### **Technical assistance and grants**

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

##### **Administrative expenses**

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

# CARIBBEAN DEVELOPMENT BANK

## SPECIAL FUNDS RESOURCES – SPECIAL DEVELOPMENT FUND

### NOTES TO THE FINANCIAL STATEMENTS

December 31, 2008

(expressed in thousands of United States dollars)

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#### B. Investments

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 4.83% (2007 - 5.64%). Net realised loss on investments traded during 2008 totalled \$192 (2007 - gains of \$140) while net unrealised gains totalled \$1,801 (2007 - losses of \$746).

#### C. Funds

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

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

##### (i) Special Development Fund – Unified

	<u>2008</u>	<u>2007</u>
Contributions (as per Schedule 3)	\$531,616	\$497,525

**CARIBBEAN DEVELOPMENT BANK**  
**SPECIAL FUNDS RESOURCES – SPECIAL DEVELOPMENT FUND**

**NOTES TO THE FINANCIAL STATEMENTS**

**December 31, 2008**

(expressed in thousands of United States dollars)

**C. Funds...continued**

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

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

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

**(ii) Special Development Fund - Other**

	<u>2008</u>	<u>2007</u>
<b>Colombia</b>	<b>\$5,000</b>	\$5,000

The contribution is interest-free and was not repayable before 2000. The agreement with the contributor provides that not less than 5% or more than 10% of the contribution may be used for technical assistance. To date \$39,000 (2007 - \$39,000) has been incurred on technical assistance and has been charged against the income from the contribution.

	<u>2008</u>	<u>2007</u>
<b>Germany</b>		
First Contribution	\$11,776	\$9,960
Less repayments	( 11,776)	(9,960)
	<u>-</u>	<u>-</u>
Second Contribution	8,307	8,759
Less repayments	(8,307)	(8,466)
	<u>-</u>	<u>293</u>
	<u>\$ -</u>	<u>\$ 293</u>

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

**CARIBBEAN DEVELOPMENT BANK  
SPECIAL FUNDS RESOURCES – SPECIAL DEVELOPMENT FUND**

**NOTES TO THE FINANCIAL STATEMENTS**

**December 31, 2008**

(expressed in thousands of United States dollars)

**C. Funds...continued**

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

	<u>2008</u>	<u>2007</u>
<b>Mexico</b>		
First contribution	\$7,000	\$7,000
Less technical assistance	<u>(2,266)</u>	<u>(2,266)</u>
	<u>4,734</u>	<u>4,734</u>
Second contribution	5,000	5,000
Third contribution	<u>3,333</u>	<u>3,333</u>
	<u>\$13,067</u>	<u>\$13,067</u>
Technical assistance resources	<u>\$ 2,266</u>	<u>\$ 2,266</u>

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

	<u>2008</u>	<u>2007</u>
<b>Venezuela</b>		
First contribution	\$10,000	\$10,000
Less technical assistance	<u>(176)</u>	<u>(176)</u>
	<u>9,824</u>	<u>9,824</u>
Second contribution	<u>7,650</u>	<u>7,650</u>
	<u>\$17,474</u>	<u>\$17,474</u>

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

**CARIBBEAN DEVELOPMENT BANK**  
**SPECIAL FUNDS RESOURCES – SPECIAL DEVELOPMENT FUND**

**NOTES TO THE FINANCIAL STATEMENTS**

**December 31, 2008**

(expressed in thousands of United States dollars)

**C. Funds...continued**

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

	<u>2008</u>	<u>2007</u>
<b>Sweden</b>	<b>\$3,330</b>	\$4,061

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

	<u>2008</u>	<u>2007</u>
<b>United States of America</b>		
First contribution	<b>\$10,000</b>	\$10,000
Less repayments	<b>(8,118)</b>	(7,682)
	<u><b>1,882</b></u>	<u>2,318</u>
Second contribution	<b>12,000</b>	12,000
Less repayments	<b>8,710</b>	(8,216)
	<u><b>3,290</b></u>	<u>3,784</u>
	<u><b>\$5,172</b></u>	<u>\$ 6,102</u>

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

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

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

**CARIBBEAN DEVELOPMENT BANK**  
**SPECIAL FUNDS RESOURCES – SPECIAL DEVELOPMENT FUND**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**December 31, 2008**

(expressed in thousands of United States dollars)

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**E. Technical assistance and grant resources**

In accordance with paragraph 4.9.2 of the Rules for the Special Development Fund, allocations/appropriations of income and capital of the Fund may be made for the purpose of the Bank's technical assistance and grant operations. The movements (expressed in thousands of United States dollars) during the years ended December 31, 2008 and 2007 were as follows:

Balance at January 1, 2007	\$79,124
Allocations for the year	39
Expenditure for the year	<u>(9,434)</u>
Balance at December 31, 2007	69,729
Allocations for the year	52
Expenditure for the year	<u>(5,339)</u>
<b>Balance at December 31, 2008</b>	<b><u>\$64,442</u></b>

**F. Loans**

The average interest rate earned on loans outstanding was 2.31% (2007 -2.31 %). There were no impaired loans at December 31, 2008 and 2007.

## INDEPENDENT AUDITORS' REPORT

### To the Board of Governors Caribbean Development Bank

We have audited the accompanying special purpose financial statements of the **Other Special Funds** of the **Caribbean Development Bank** as set out on pages 127 to 147. These special purpose financial statements are the responsibility of the Bank's management. Our responsibility is to express an opinion on these statements based on our audit.

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

In our opinion, the accompanying special purpose financial statements of the **Other Special Funds** of the **Caribbean Development Bank** as of December 31, 2008, have been properly prepared in all material respects, in accordance with the accounting policies set out in Note A.

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



Chartered Accountants  
April 2, 2009  
Bridgetown, Barbados

**CARIBBEAN DEVELOPMENT BANK**  
**SPECIAL FUND RESOURCES - OTHER SPECIAL FUNDS**

**BALANCE SHEET**  
**As of December 31, 2008**

(expressed in thousands of United States dollars)

	<b>2008</b>	<b>2007</b>
<b>Assets</b>		
Due from banks	<b>\$3,921</b>	\$3,102
Investments (Schedule 1)	<b>91,318</b>	88,002
Loans (Schedule 2)	<b>91,972</b>	84,275
<b>Receivables – other</b>		
Accounts receivable – Note E	<b>53,124</b>	50,179
<b>Total assets</b>	<b>\$240,335</b>	<b>\$225,558</b>
<b>Liabilities and Funds</b>		
<b>Liabilities</b>		
Accounts payable including interfund payables – Note F	<b>4,420</b>	1,014
Accrued charges on contributions	<b>265</b>	310
	<b>4,685</b>	1,324
<b>Funds</b>		
Contributed resources (Schedule 3)		
Contributions	<b>\$85,910</b>	\$89,920
Less amounts not yet made available	<b>2,304</b>	8,173
Amounts made available	<b>83,606</b>	81,747
Accumulated net income (Schedule 4)	<b>43,788</b>	43,388
	<b>127,394</b>	125,135
Technical assistance and other grant resources (Schedule 5)	<b>108,256</b>	99,099
<b>Total liabilities and funds</b>	<b>\$240,335</b>	<b>\$225,558</b>

The accompanying notes on pages 130 to 147 are an integral part of these financial statements.

**CARIBBEAN DEVELOPMENT BANK**  
**SPECIAL FUNDS RESOURCES – OTHER SPECIAL FUNDS**  
**STATEMENT OF INCOME AND ACCUMULATED NET INCOME**  
**For the year ended December 31, 2008**

(expressed in thousands of United States dollars)

	<b>2008</b>	<b>2007</b>
<b>Income</b>		
From loans	<b>\$1,746</b>	\$1,392
From investments and cash balances	<b>1,506</b>	5,944
	<b>3,252</b>	7,336
<b>Expenses</b>		
Administrative expenses	<b>2,089</b>	1,773
Charges on contributions	<b>1,010</b>	1,068
Exchange	<b>(247)</b>	147
<b>Total expenses</b>	<b>2,852</b>	2,988
<b>Net income for the year</b>	<b>\$400</b>	\$4,348
<b>Accumulated Net Income</b>		
<b>Accumulated net income - beginning of year</b>	<b>\$43,388</b>	\$39,311
Appropriations	-	(271)
Net income for the year	<b>400</b>	4,348
<b>Accumulated net income - end of year</b>	<b>\$43,788</b>	\$43,388

The accompanying notes on pages 130 to 147 are an integral part of these financial statements.

**CARIBBEAN DEVELOPMENT BANK**  
**SPECIAL FUND RESOURCES - OTHER SPECIAL FUNDS**

**STATEMENT OF CASH FLOWS**

**For the year ended December 31, 2008**

(expressed in thousands of United States dollars)

	<u>2008</u>	<u>2007</u>
<b>Operating activities</b>		
Net income for the year	<b>\$400</b>	\$4,348
Adjustments for non-cash items		
Unrealised gain on trading portfolio	(930)	(417)
Interest income	(2,636)	(6,919)
Interest expense	(1,010)	1,068
Total cash flows from operating profits before changes in operating assets and liabilities	(2,156)	(1,920)
Decrease/(increase) in loans resulting from exchange rates fluctuations	705	(1,521)
(Increase)/decrease in accounts receivable	(2,945)	8,329
Increase in accounts payable	3,406	131
Cash from operating activities	(990)	5,019
Disbursements on loans	(11,423)	(16,718)
Principal repayments on loans	3,097	2,516
Interest received	2,991	7,203
Interest paid	(1,055)	(1,065)
Net (increase)/decrease in trading securities	(9,721)	12,441
Technical assistance disbursements	(9,200)	(11,094)
Net cash used in operating activities	(26,301)	(1,698)
<b>Financing activities</b>		
Contributions		
Increase in contributions for loans	6,848	5,272
Repayments	(3,517)	(3,451)
(Decrease)/increase in contributions resulting from exchange rates fluctuations	(1,472)	2,365
Technical assistance contributions	18,357	5,068
Net cash provided by financing activities	20,216	9,254
Appropriation of accumulated net income	-	(271)
Net (decrease)/increase in cash and cash equivalents	(6,085)	7,285
Cash and cash equivalents at beginning of year	15,372	8,087
Cash and cash equivalents at end of year	<u>\$9,287</u>	<u>(15,372)</u>
Represented by:		
Due from banks	3,921	3,102
Time deposits	5,366	12,270
	<u>\$9,287</u>	<u>\$15,372</u>

The accompanying notes on pages 130 to 147 are an integral part of these financial statements.

**CARIBBEAN DEVELOPMENT BANK**  
**SPECIAL FUND RESOURCES - OTHER SPECIAL FUNDS**

**SUMMARY STATEMENT OF INVESTMENTS**

**December 31, 2008**

(expressed in thousands of United States dollars)

**SCHEDULE 1**

	<b>2008</b>	<b>2007</b>
	<b>Market value</b>	<b>Market value</b>
<b>Financial assets at fair value through profit or loss</b>		
Government and Agency obligations	\$53,667	\$58,856
Supranationals	6,610	4,138
Time Deposits	5,366	12,270
Euro Commercial Paper	4,373	-
Mutual Funds	6,308	7,117
Managed Funds	10,423	-
	<b>86,747</b>	82,381
<b>Available for sale</b>		
Equity investments	3,937	4,556
Sub-total	90,684	86,937
Accrued interest	634	1,065
Total	<b>\$91,318</b>	<b>\$88,002</b>
<b>Residual Term to Contractual Maturity</b>		
	<b>2008</b>	<b>2007</b>
One month to three months	\$23,058	\$27,945
From three months to one year	26,821	23,835
From one year to five years	16,269	20,046
From five years to ten years	4,502	4,503
Total – Note 1 <sup>1</sup>	<b>\$70,650</b>	<b>\$76,329</b>

<sup>1</sup> Note 1 – Total excludes Equity investments, Managed funds and Mutual funds.

**CARIBBEAN DEVELOPMENT BANK**  
**SPECIAL FUND RESOURCES - OTHER SPECIAL FUNDS**

**SUMMARY OF STATEMENT OF LOANS**

**December 31, 2008**

(expressed in thousands of United States dollars)

**SCHEDULE 2**

<b>Member countries in which loans have been made</b>	<b>Total loans approved <sup>1/</sup></b>	<b>Un- committed loans</b>	<b>Signed agree- ments</b>	<b>Principal repaid to bank</b>	<b>Undis- bursed</b>	<b>Out- standing <sup>2/</sup></b>	<b>% of total loans out- stand- ing</b>
Anguilla	\$ 500	\$ -	\$ 500	\$325	\$ -	\$175	0.2
Antigua and Barbuda	8,504	-	8,504	2,572	1,419	4,513	4.9
Barbados	26,151	-	26,151	17,550	2,138	6,463	7.1
Belize	8,727	-	8,727	8,727	-	-	0.0
British Virgin Islands	1,878	-	1,878	1,878	-	-	0.0
Cayman Islands	2,963	-	2,963	2,963	-	-	0.0
Dominica	35,062	-	35,062	12,503	4,227	18,332	20.0
Grenada	30,769	-	30,769	6,001	2,403	22,365	24.5
Guyana	20,805	-	20,805	15,986	-	4,819	5.3
Jamaica	69,147	30,000	39,147	37,482	-	1,665	1.8
Montserrat	1,243	-	1,243	1,243	-	-	0.0
St. Kitts and Nevis	8,544	-	8,544	4,055	95	4,394	4.8
St. Lucia	37,980	-	37,980	12,921	8,602	16,457	18.0
St. Vincent & the Grenadines	21,727	-	21,727	11,428	431	9,868	10.8
Trinidad and Tobago	3,651	-	3,651	1,977	-	1,674	1.8
Regional	2,268	-	2,268	1,466	36	766	0.8
<b>Sub-total</b>	<b>\$279,919</b>	<b>\$30,000</b>	<b>\$249,919</b>	<b>\$139,077</b>	<b>\$19,351</b>	<b>\$91,491</b>	<b>100</b>
Accrued interest	-	-	-	-	-	481	
<b>Total – December 31, 2008</b>	<b>\$280,419</b>	<b>\$30,000</b>	<b>\$250,419</b>	<b>\$139,077</b>	<b>\$19,351</b>	<b>\$91,972</b>	
<b>Total – December 31, 2007</b>	<b>\$249,312</b>	<b>\$ -</b>	<b>\$249,312</b>	<b>\$138,920</b>	<b>\$26,117</b>	<b>\$84,275</b>	

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

<sup>2/</sup> There are no overdue installments of principal at December, 2008 (2007 - Nil)

**CARIBBEAN DEVELOPMENT BANK**  
**SPECIAL FUND RESOURCES - OTHER SPECIAL FUNDS**

**SUMMARY STATEMENT OF LOANS...continued**

**December 31, 2008**

(expressed in thousands of United States dollars)

**SCHEDULE 2**

<b>Analysis by Special Fund</b>	<b>Total Loans approved</b>	<b>Un-committed loans</b>	<b>Signed agreements</b>	<b>Principal repaid to Bank</b>	<b>Undisbursed</b>	<b>Out-standing<sup>2/</sup></b>	<b>% of total loans out-standing</b>
<b>Members</b>							
Trinidad & Tobago	\$ 1,331	\$ -	\$ 1,331	\$ 1,328	\$ -	\$ 3	0.0
<b>Other contributors</b>							
Caribbean Development Bank	74,542	30,000	44,542	9,925	10,803	23,814	26.0
Nigeria	9,636	-	9,636	4,061	-	5,575	6.1
United States of America	93,005	-	93,005	92,658	-	347	0.4
Inter-American Development Bank	57,412	-	57,412	14,299	8,136	34,977	38.2
European Union	11,430	-	11,430	7,380	36	4,014	4.4
International Development Association	32,563	-	32,563	9,426	376	22,761	24.9
Sub-total	\$279,919	\$30,000	\$249,919	\$139,077	\$19,351	\$91,491	100
Accrued interest	500	-	-	-	-	481	
<b>Total – December 31, 2008</b>	<b>\$280,419</b>	<b>\$30,000</b>	<b>\$250,419</b>	<b>\$139,077</b>	<b>\$19,351</b>	<b>\$91,972</b>	
<b>Total – December 31, 2007</b>	<b>\$249,312</b>	<b>\$ -</b>	<b>\$249,312</b>	<b>\$138,920</b>	<b>\$26,117</b>	<b>\$84,275</b>	

1/ Net of lapses and cancellations

2/ There are no overdue installments of principal at December 31, 2008 (2007 – nil).

**CARIBBEAN DEVELOPMENT BANK**  
**SPECIAL FUND RESOURCES - OTHER SPECIAL FUNDS**

**SUMMARY STATEMENT OF LOANS...continued**

**December 31, 2008**

(expressed in thousands of United States dollars)

**SCHEDULE 2**

<b>Currencies receivable</b>	<b>Loans out- standing 2007</b>	<b>Trans- lation adjust- ment</b>	<b>Disburse- ments</b>	<b>Sub- total</b>	<b>Repay- ments</b>	<b>Provision for losses</b>	<b>Loans out- standing 2008</b>
Canadian dollars	\$ 109	\$ (22)	\$ -	\$ 87	\$ (87)	\$-	\$ -
Euros	4,999	(259)	-	4,740	(729)	-	4,011
Pounds sterling	188	(51)	-	137	(137)	-	-
Special drawing rights	19,075	(372)	-	18,703	(650)	-	18,053
Trinidad & Tobago dollars	3	-	-	3	(3)	-	-
United States dollars	59,477	-	11,423	70,900	(1,473)	-	69,427
Others	19	(1)	-	18	(18)	-	-
Sub-total	83,870	(705)	11,423	94,588	(3,097)	-	91,491
Accrued interest	405	-	-	-	-	-	481
<b>Total – December 31, 2008</b>	<b>\$84,275</b>	<b>\$(705)</b>	<b>\$11,423</b>	<b>\$95,088</b>	<b>\$(3,097)</b>	<b>\$-</b>	<b>\$91,972</b>
<b>Total – December 31, 2007</b>	<b>\$68,494</b>	<b>\$1,521</b>	<b>\$16,718</b>	<b>\$86,791</b>	<b>\$(2,516)</b>	<b>\$-</b>	<b>\$84,275</b>

**Maturity structure of loans outstanding**

January 1, 2009 to December 31, 2009	\$1,043
January 1, 2010 to December 31, 2010	2,735
January 1, 2011 to December 31, 2011	3,589
January 1, 2012 to December 31, 2012	4,164
January 1, 2013 to December 31, 2013	3,810
January 1, 2014 to December 31, 2018	8,471
January 1, 2019 to December 31, 2023	21,712
January 1, 2024 to December 31, 2028	19,255
January 1, 2029 to December 31, 2033	13,927
January 1, 2034 to December 31, 2107	13,266
	<u>\$91,972</u>

**CARIBBEAN DEVELOPMENT BANK**  
**SPECIAL FUND RESOURCES - OTHER SPECIAL FUNDS**

**STATEMENT OF CONTRIBUTIONS**

**December 31, 2008**

(expressed in thousands of United States dollars)

**SCHEDULE 3**

<b>Contributors</b>	<b>Contributions</b>		
	<b>Total<sup>1/</sup></b>	<b>Amounts not yet made available</b>	<b>Amounts made available</b>
<b>Members</b>			
Canada <sup>2/</sup>	\$1,635	\$ -	\$1,635
<b>Other contributors</b>			
Inter-American Development Bank <sup>2/</sup>	43,866	2,304	41,562
European Investment Bank	1,395	-	1,395
United States of America	9,119	-	9,119
European Union	5,757	-	5,757
International Development Association	24,138	-	24,138
	84,275	2,304	81,971
<b>Total – December 31, 2008</b>	<b>\$85,910</b>	<b>\$2,304</b>	<b>\$83,606</b>
<b>Total – December 31, 2007</b>	<b>\$89,920</b>	<b>\$8,173</b>	<b>\$81,747</b>

1/Net of cancellations and repayments

2/Contributions with no fixed date of repayment - \$2,530

**Maturity structure of repayable contributions outstanding**

January 1, 2009 to December 31, 2009	\$3,124
January 1, 2010 to December 31, 2010	3,165
January 1, 2011 to December 31, 2011	3,088
January 1, 2012 to December 31, 2012	3,314
January 1, 2013 to December 31, 2017	17,763
January 1, 2018 to December 31, 2022	14,910
January 1, 2023 to December 31, 2027	12,246
January 1, 2028 to December 31, 2047	23,498
<b>Total</b>	<b>\$81,108</b>

**CARIBBEAN DEVELOPMENT BANK**  
**SPECIAL FUND RESOURCES - OTHER SPECIAL FUNDS**

**SUMMARY STATEMENT OF CONTRIBUTIONS...continued**

**December 31, 2008**

(expressed in thousands of United States dollars)

**SCHEDULE 3**

<b>Currencies repayable</b>	<b>Contributions made available 2007</b>	<b>Trans-lation adjust-ment</b>	<b>Draw-downs/ Appro-riations from Capital</b>	<b>Sub-total</b>	<b>Repay-ments</b>	<b>Contributions made available 2008</b>
Canadian dollars	\$ 2,429	\$ (480)	\$-	\$1,949	\$(42)	\$1,907
Euros	8,468	(439)	-	8,029	(411)	7,618
Japanese yen	245	59	-	304	(24)	280
Pounds sterling	664	(182)	-	482	(52)	430
Special Drawing Rights	20,498	(400)	-	20,098	(639)	19,459
Swedish kroners	160	(29)	-	131	(17)	114
Trinidad & Tobago dollars	133	(1)	-	132	(132)	-
United States dollars	49,150	-	6,848	55,998	(2,200)	53,798
<b>Total – December 31, 2008</b>	<b>\$81,747</b>	<b>\$(1,472)</b>	<b>\$6,848</b>	<b>\$87,123</b>	<b>\$(3,517)</b>	<b>\$83,606</b>
<b>Total – December 31, 2007</b>	<b>\$77,561</b>	<b>\$2,365</b>	<b>\$5,272</b>	<b>\$85,198</b>	<b>\$(3,451)</b>	<b>\$81,747</b>

**CARIBBEAN DEVELOPMENT BANK  
SPECIAL FUND RESOURCES - OTHER SPECIAL FUNDS**

**STATEMENT OF ACCUMULATED INCOME**

**December 31, 2008**

(expressed in thousands of United States dollars)

**SCHEDULE 4**

<b>Contributors</b>	<b>Accumulated Net Income</b>				
	<b>Brought forward 2007</b>	<b>Trans- lation adjust- ments</b>	<b>Net Income 2008</b>	<b>Appro- priations</b>	<b>Carried forward 2008</b>
General Funds	\$5,692	\$-	\$(412)	\$15,000	\$20,280
European Investment Bank	(647)	-	76	-	(571)
European Union	2,280	-	126	-	2,406
Inter-American Development Bank	1,124	-	(200)	-	924
International Development Association	275	-	(19)	-	256
Nigeria	6,769	-	38	-	6,807
United States of America	27,895	-	791	(15,000)	13,686
<b>Total – December 31, 2008</b>	<b>\$43,388</b>	<b>\$-</b>	<b>\$400</b>	<b>\$ -</b>	<b>\$43,788</b>
<b>Total – December 31, 2007</b>	<b>\$39,311</b>	<b>\$-</b>	<b>\$4,348</b>	<b>\$(271)</b>	<b>\$43,388</b>

**CARIBBEAN DEVELOPMENT BANK**  
**SPECIAL FUND RESOURCES - OTHER SPECIAL FUNDS**

**STATEMENT OF TECHNICAL ASSISTANCE AND OTHER GRANT RESOURCES**  
**December 31, 2008**

(expressed in thousands of United States dollars)

**SCHEDULE 5**

<b>Contributors</b>	<b>Contributors</b>				
	<b>Total<sup>1/</sup></b>	<b>Amounts not yet made available</b>	<b>Amounts made available</b>	<b>Amounts utilised</b>	<b>Net Amounts available</b>
<b>Members</b>					
Canada	\$40,067	\$10,052	\$30,015	\$19,431	\$10,584
United Kingdom	4,043	-	4,043	3,210	833
Italy	514	-	514	252	262
	44,624	10,052	34,572	22,893	11,679
<b>Other contributors</b>					
Caribbean Development Bank	177,035	-	177,035	81,849	95,186
United States of America	1,407	-	1,407	1,405	2
Inter-American Development Bank	2,127	-	2,127	1,923	204
China	673	-	673	111	562
Venezuela	578	-	578	-	578
Nigeria	193	-	193	148	45
Sub-total	182,013	-	182,013	85,436	96,577
<b>Total – December 31, 2008</b>	<b>\$226,637</b>	<b>\$10,052</b>	<b>\$216,585</b>	<b>\$108,329</b>	<b>\$108,256</b>
<b>Total – December 31, 2007</b>	<b>\$215,874</b>	<b>\$17,646</b>	<b>\$198,228</b>	<b>\$99,129</b>	<b>\$99,099</b>
<b>Summary</b>					
Basic Needs Trust Fund	\$103,750	\$ -	\$103,750	\$53,194	\$50,556
Other resources	122,887	10,052	112,835	55,135	57,700
<b>Total – December 31, 2008</b>	<b>\$226,637</b>	<b>\$10,052</b>	<b>\$216,585</b>	<b>\$108,329</b>	<b>\$108,256</b>
Basic Needs Trust Fund	\$103,750	\$ -	\$103,750	\$48,552	\$55,198
Other resources	112,124	17,646	94,478	50,577	43,901
<b>Total – December 31, 2007</b>	<b>\$215,874</b>	<b>\$17,646</b>	<b>\$198,228</b>	<b>\$99,129</b>	<b>\$99,099</b>

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

**CARIBBEAN DEVELOPMENT BANK**  
**SPECIAL FUND RESOURCES - OTHER SPECIAL FUNDS**  
**NOTES TO SPECIAL PURPOSE FINANCIAL STATEMENTS**  
**December 31, 2008**

(expressed in thousands of United States dollars)

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

**Nature of operations**

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

**Summary of significant accounting policies**

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

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

**Translation of currencies**

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

Assets and liabilities in currencies other than United States dollars are translated into United States dollars either at the par values established for those currencies with the International Monetary Fund, or where no par values are maintained, at rates which have been determined by the Bank to be appropriate for translation. In general, the rates so determined will be the approximate market rates of exchange prevailing at the dates of the financial statements.

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

# CARIBBEAN DEVELOPMENT BANK

## SPECIAL FUND RESOURCES - OTHER SPECIAL FUNDS

### NOTES TO SPECIAL PURPOSE FINANCIAL STATEMENTS

December 31, 2008

(expressed in thousands of United States dollars)

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

##### **Investments**

Investment securities held in a portfolio are designated at fair value through profit or loss and reported at fair market value. Securities are initially recognised at fair value (which excludes transaction costs) and subsequently re-measured at fair value based on quoted market prices. All related realised and unrealised gains and losses are included in investment income in the statement of income. Interest earned whilst holding trading securities is reported as interest income.

All purchases and sales of securities are recognised at trade date, which is the date that the Bank commits to purchase or sell the asset.

The investment is assessed for impairment 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. Available for sale investments are reported at cost less amounts provided for impairment as there investments are made for development purposes. Amounts distributed to the Fund are recorded as a return on investment until such investments are written off and are subsequently recorded as income.

##### **Loans**

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

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

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

##### **Cash and cash equivalents**

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

##### **Technical assistance and grants**

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

**CARIBBEAN DEVELOPMENT BANK**  
**SPECIAL FUND RESOURCES - OTHER SPECIAL FUNDS**  
**NOTES TO SPECIAL PURPOSE FINANCIAL STATEMENTS**  
**December 31, 2008**

(expressed in thousands of United States dollars)

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**A. 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 Ordinary Capital Resources, the Other Special Funds and the Special Development Fund in accordance with a method of allocation notified to the Board of Directors.

**B. Investments**

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

The unrealised rate of return on the average investments held during the year, including unrealised and unrealised gains and losses was 1.22% (2007 – 5.35%). Net realised losses on investments amounted to \$332 (2007 – gain of \$1,340), while net unrealised losses amounted to \$930 (2007 – gain of \$417).

**C. Funds**

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

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

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

**CARIBBEAN DEVELOPMENT BANK**  
**SPECIAL FUND RESOURCES - OTHER SPECIAL FUNDS**

**SUMMARY OF STATEMENT OF LOANS**

**December 31, 2008**

(expressed in thousands of United States dollars)

**C. Funds...continued**

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

	<u>2008</u>	<u>2007</u>
<b>Canada</b>		
Agricultural <sup>2</sup>	\$1,635	\$2,039
Technical assistance resources	<u>\$30,015</u>	<u>\$22,736</u>
<b>Italy</b>		
Technical assistance resources	<u>\$514</u>	<u>\$504</u>
<b>Trinidad &amp; Tobago</b>		
Counterpart contribution <sup>3</sup>	\$1,313	\$1,318
Less repayments	<u>1,313</u>	<u>1,186</u>
	<u>\$ -</u>	<u>\$ 132</u>
	<u>2008</u>	<u>2007</u>
<b>Nigeria</b>		
Contribution	\$5,000	\$5,000
Less repayments	<u>(5,000)</u>	<u>(4,800)</u>
	<u>\$ -</u>	<u>\$200</u>
Technical assistance resources	<u>\$ -</u>	<u>\$193</u>

<sup>2</sup> The contributions are interest-free with no date for repayment

<sup>3</sup> The contribution is subject to interest at the rate of 2.5% and is repayable during the period 1985-2010

**CARIBBEAN DEVELOPMENT BANK**  
**SPECIAL FUND RESOURCES - OTHER SPECIAL FUNDS**

**NOTES TO SPECIAL PURPOSE FINANCIAL STATEMENTS**

**December 31, 2008**

(expressed in thousands of United States dollars)

**C. Funds...continued**

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

	<u>2008</u>	<u>2007</u>
<b>United Kingdom</b>		
Technical assistance resources	<u>\$4,043</u>	<u>\$4,030</u>
<b>Inter-American Development Bank</b>		
First Global loan	<u>\$8,469</u>	<u>\$8,464</u>
Less repayments	<u>(8,469)</u>	<u>(8,464)</u>
	<u>-</u>	<u>-</u>
Second Global loan	<u>4,655</u>	<u>5,184</u>
Less repayments	<u>(3,292)</u>	<u>(3,476)</u>
	<u>1,363</u>	<u>1,708</u>
Pre-investment loan	<u>454</u>	<u>454</u>
Less repayments	<u>(454)</u>	<u>(454)</u>
	<u>-</u>	<u>-</u>
975/SF-RG	<u>14,211</u>	<u>14,211</u>
Less repayments	<u>(2,689)</u>	<u>(2,270)</u>
	<u>11,522</u>	<u>11,941</u>
1108/SF-RG Global Credit	<u>18,676</u>	<u>12,751</u>
1637/SF-RG Credit	<u>10,000</u>	<u>9,077</u>
	<u>\$41,562</u>	<u>\$35,477</u>
Technical assistance resources	<u>\$ 2,127</u>	<u>\$ 2,052</u>

# CARIBBEAN DEVELOPMENT BANK

## SPECIAL FUND RESOURCES - OTHER SPECIAL FUNDS

### SUMMARY OF STATEMENT OF LOANS

December 31, 2008

(expressed in thousands of United States dollars)

#### C. Funds...continued

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

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

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

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

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

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

	<u>2008</u>	<u>2007</u>
<b>European Investment Bank</b>		
Global loan II – B	<u>\$1,395</u>	<u>\$1,472</u>

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

	<u>2008</u>	<u>2007</u>	<u>Due dates</u>
<b>United States of America</b>			
Contributions			
Agricultural	\$7,052	\$7,052	1988-2018
Less repayments	<u>(4,140)</u>	<u>(3,879)</u>	
	<u>2,912</u>	3,173	
Basic Human Needs	2,000	2,000	1991-2001
Less repayments	<u>(2,000)</u>	<u>(2,000)</u>	
	<u>-</u>	<u>-</u>	

**CARIBBEAN DEVELOPMENT BANK**  
**SPECIAL FUND RESOURCES - OTHER SPECIAL FUNDS**

**NOTES TO SPECIAL PURPOSE FINANCIAL STATEMENTS**

**December 31, 2008**

(expressed in thousands of United States dollars)

**C. Funds...continued**

	<b>2008</b>	<b>2007</b>	<b>Due dates</b>
<b>United States of America...continued</b>			
Caribbean Development Facility			
First contribution			
Part 1	<b>17,870</b>	17,870	1988-1988
Part 2	<b>2,000</b>	2,000	1988-2008
Sub-total	<b>19,870</b>	19,870	
Less repayments	<b>(19,870)</b>	(19,750)	
	-	120	
Second contribution			
Less repayments	-	17,500	1990-2000
	-	(17,500)	
		-	
Third contribution			
Less repayments	-	16,000	1991-2001
	-	(16,000)	
		-	
Fourth contribution			
Less repayments	-	12,000	1992-2001
	-	(12,000)	
	-	-	
	-	120	
Employment Investment Promotion			
Less repayments	<b>6,732</b>	6,732	1990-2000
	<b>(3,462)</b>	(3,226)	
	<b>3,270</b>	3,506	
Housing			
Less repayments	<b>8,400</b>	8,400	1983-2012
	<b>(6,453)</b>	(6,097)	
	<b>1,947</b>	2,303	

**CARIBBEAN DEVELOPMENT BANK**  
**SPECIAL FUND RESOURCES - OTHER SPECIAL FUNDS**

**SUMMARY OF STATEMENT OF LOANS**

**December 31, 2008**

(expressed in thousands of United States dollars)

**C. Funds...continued**

	<u>2008</u>	<u>2007</u>	<u>Due dates</u>
<b>United States of America...continued</b>			
Regional Agri-business Development	6,300	6,300	1991-2021
Less repayments	<u>(5,310)</u>	<u>(4,935)</u>	
	990	1,365	
	<u>\$9,119</u>	<u>\$10,467</u>	
Technical assistance resources	<u>\$1,407</u>	<u>\$1,407</u>	

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

	<u>2008</u>	<u>2007</u>
<b>European Union</b>		
First contribution	\$8,163	\$8,610
Less repayments	<u>(4,378)</u>	<u>(4,327)</u>
	3,785	4,283
Second Contribution	3,460	3,649
Less repayments	<u>(1,488)</u>	<u>(1,450)</u>
	1,972	2,199
	<u>\$5,757</u>	<u>\$6,482</u>

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

**CARIBBEAN DEVELOPMENT BANK**  
**SPECIAL FUND RESOURCES - OTHER SPECIAL FUNDS**

**NOTES TO SPECIAL PURPOSE FINANCIAL STATEMENTS**

**December 31, 2008**

(expressed in thousands of United States dollars)

**C. Funds...continued**

**International Development Association**

	<b>2008</b>		<b>2007</b>		<b>Due dates</b>
Credit No. 960/CRG	<b>\$6,481</b>		\$6,481		1990-2029
Less repayments	<u><b>(2,398)</b></u>	<b>\$4,083</b>	<u>(2,203)</u>	\$4,278	
Credit No. 37/CRG (EEC)	<b>947</b>		1,065		
Less repayments	<u><b>(351)</b></u>	<b>596</b>	<u>(363)</u>	702	
Credit No. 1364/CRG	<b>8,621</b>		8,563		
Less repayments	<u><b>(1,465)</b></u>	<b>7,156</b>	<u>(2,012)</u>	6,551	1993-2033
Credit No. 1785/CRG	<b>7,172</b>		7,314		
Less repayments	<u><b>1,040</b></u>	<b>6,132</b>	<u>(841)</u>	6,473	1997-2030
Credit No. 2135/CRG	<b>8,396</b>		8,793		2000-2030
Less repayments	<u><b>(2,225)</b></u>	<b>6,171</b>	<u>(1,319)</u>	7,474	
Credit No. 2640/CRG	<b>-</b>		-	-	2004-2034
	<u><b>\$24,138</b></u>		<u>\$25,478</u>		

The credits are subject to a service charge of 0.75% per annum on amounts outstanding. In addition, the credits totaling \$43,646 (2007 - \$44,515) representing \$28,200 Special Drawing Rights are subject to a commitment fee not exceeding 0.5% per annum on amounts eligible for withdrawal but remain undrawn.

The credit of \$596 (2007 - \$702) consisting of various currencies represents resources from the Special Action Credit of the European Commission.

	<b>2008</b>	<b>2007</b>
<b>Caribbean Development Bank</b>		
Technical assistance resources	<u><b>\$177,035</b></u>	<u>\$166,087</u>

# CARIBBEAN DEVELOPMENT BANK

## SPECIAL FUND RESOURCES - OTHER SPECIAL FUNDS

### SUMMARY OF STATEMENT OF LOANS

December 31, 2008

(expressed in thousands of United States dollars)

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

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

#### D. Loans

The average interest rates earned on loans outstanding was 2% (2007 – 1.89%). There were no impaired loans at December 31, 2008 and 2007.

#### E. Accounts receivables

	<u>2008</u>	<u>2007</u>
Accounts receivable	\$53,058	\$55,173
Interest receivable	66	-
Total	<u>\$53,124</u>	<u>\$55,173</u>

#### F. Accounts payable including interfund payables

	<u>2008</u>	<u>2007</u>
Accounts payable	\$1,270	\$,5770
Interfund payables	2,437	-
Unallocated receipts	713	238
Total	<u>\$4,420</u>	<u>\$6,008</u>

# PROJECT PROFILE

## HAITI: EMPOWERING URBAN COMMUNITIES

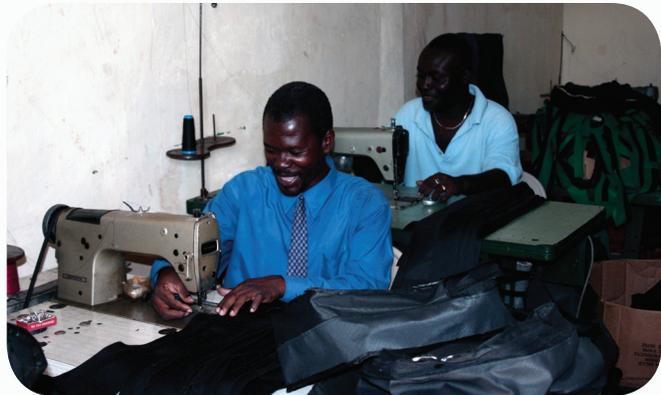
A visit to disadvantaged communities in the Haitian capital, Port-au-Prince, in the company of Kerline Rock is a revelation. When the vehicle carrying Madame Rock stops, she is immediately besieged by residents of these communities. They are the ones running and benefiting from sub-projects being funded under an urban community-driven development project co-financed by CDB and the World Bank.

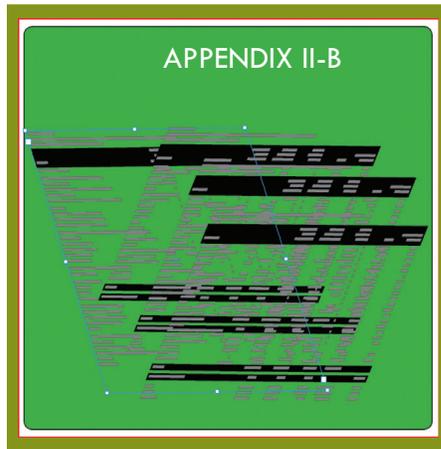
Madame Rock is the face of the Pan-American Development Foundation, the agency which managed the pilot phase of the project. The eager residents who approach the vehicle ply her with progress reports, requests for further assistance, or just friendly greetings.

Community-based organisations identify, submit requests for funding and implement sub-projects for their neighbourhoods. Residents of communities like Solino, Bel Air and Cité Soleil are operating sub-projects such as a community grocery store, a beauty salon, a fishing cooperative, a barber shop, leatherworks, a T-shirt manufacturing operation and a cyber café.

In November, an agreement was signed between municipal officials of Cité Soleil and Bel Air with a private sector firm for a modern poultry-processing plant.

This project has brought new hope and enthusiasm to these communities, some of which still bear the bullet-riddled evidence of less hopeful recent times. Above all, the project is helping to instil a new sense of pride which having a say in the development of one's own community brings.





APPENDIX I-A

DISTRIBUTION OF LOANS, SECONDARY MORTGAGE, EQUITY AND GRANTS APPROVED (NET)

BY COUNTRY AND BY FUND - 2008 (\$'000)

Country	Ordinary Capital Resources	Special Develop- ment Fund	Other Special Funds	Total	Percentage of Total
Anguilla	18,000	469	-	18,469	5.4
Antigua and Barbuda	-	364	-	364	0.1
Bahamas	-	3	-	3	0.0
Barbados	-	41	8	49	0.0
Belize	4,500	7,825	-	12,325	3.6
British Virgin Islands	-	-	-	-	-
Cayman Islands	-	52	-	52	0.0
Dominica	4,054	11,207	-	15,261	4.5
Grenada	2,000	5,955	-	7,955	2.3
Guyana	-	13,669	-	13,669	4.0
Haiti	-	11,055	-	11,055	3.2
Jamaica	86,027	44,790	30,000	160,817	47.1
Montserrat	-	1,108	-	1,108	0.3
St. Kitts and Nevis	5,557	852	-	6,409	1.9
St. Lucia	18,000	22,803	3,979	44,782	13.1
St. Vincent and the Grenadines	8,000	4,199	-	12,199	3.6
Trinidad and Tobago	(1,106)	18	-	(1,088)	(0.3)
Turks and Caicos Islands	-	937	-	937	0.3
Regional :					
LDC Focus	-	391	350	741	0.2
LDC/MDC	25,000	11,166	100	36,266	10.6
<b>Total</b>	<b>170,032</b>	<b>136,904</b>	<b>34,437</b>	<b>341,373</b>	
<b>Percentage of Total</b>	<b>49.8</b>	<b>40.1</b>	<b>10.1</b>		<b>100.0</b>
LDCs	60,111	66,826	3,979	130,916	38.3
MDCs	84,921	58,521	30,008	173,450	50.8
Regional	25,000	11,557	450	37,007	10.8

APPENDIX I-B

**DISTRIBUTION OF LOANS, SECONDARY MORTGAGE, EQUITY AND GRANTS APPROVED (NET)  
BY SECTOR AND BY FUND - 2008 (\$'000)**

<b>Sector</b>	<b>Ordinary Capital Resources</b>	<b>Special Develop- ment Fund</b>	<b>Other Special Funds</b>	<b>Total</b>
<b>Total All Sectors</b>	<b>170,032</b>	<b>136,904</b>	<b>34,437</b>	<b>341,373</b>
<b>Agriculture, Forestry and Fishing</b>	<b>(2,973)</b>	<b>(921)</b>	-	<b>(3,894)</b>
Crop Farming	(2,973)	(971)	-	(3,944)
Agriculture (excluding Crop Farming)	-	50	-	50
Mixed Farming	-	-	-	-
Land Settlement and Rural Development	-	-	-	-
<b>Tourism</b>	-	<b>144</b>	-	<b>144</b>
Hotels and Lodging Places	-	(5)	-	(5)
Tourism Supporting Services	-	150	-	150
Integrated Tourism Facilities	-	(1)	-	(1)
<b>Transportation, Communication and Sea Defence</b>	<b>27,000</b>	<b>3,621</b>	-	<b>30,621</b>
<b>Transport:</b>				
Road Transport	-	3,190	-	3,190
Water Transport	18,000	431	-	18,431
Air Transport	9,000	-	-	9,000
<b>Sea Defence</b>	-	-	-	-
<b>Power, Energy and Water</b>	<b>(643)</b>	-	-	<b>(643)</b>
Electric Power	(643)	-	-	(643)
<b>Social Services</b>	-	<b>28,058</b>	-	<b>28,058</b>
Housing	-	-	-	-
Health	-	86	-	86
Education	-	27,972	-	27,972
<b>Multi-Sector and Other</b>	<b>130,454</b>	<b>96,203</b>	<b>34,437</b>	<b>261,094</b>
Urban Development	-	4,000	-	4,000
Disaster Rehabilitation	18,560	36,368	-	54,928
Policy-Based Loans	88,000	8,136	34,000	130,136
Other	23,894	47,699	437	72,030
<b>Financing and Distribution</b>	<b>16,194</b>	<b>9,799</b>	-	<b>25,993</b>
Agriculture	(6)	7,799	-	7,793
Industry and Tourism	-	-	-	-
Micro and Small Scale Enterprises	-	-	-	-
Housing	-	-	-	-
Education	16,200	2,000	-	18,200

APPENDIX I-C

DISTRIBUTION OF LOANS, CONTINGENT LOANS, EQUITY AND GRANTS APPROVED (NET)  
BY COUNTRY AND BY SECTOR - 2008 (\$'000)

Country	Directly Productive Sector				Economic Infrastructure & Other							Multi-Sector	Total
	Agri-culture, Forestry & Fishing	Manu-fac-turing	Tour-ism	Sub-Total	Power & Energy	Water	Trans- portation & Commu- nication	Housing	Education (includ- ing Student	Health & Sanita- tion	Sub- Total		
Anguilla	-	-	-	-	-	-	18,000	-	390	-	18,390	79	18,469
Antigua and Barbuda	-	-	-	-	-	-	-	-	400	-	-	(36)	364
Bahamas	-	-	-	-	-	-	-	-	-	-	-	3	3
Barbados	-	-	-	-	-	-	-	-	-	-	-	49	49
Belize	-	-	-	-	-	-	-	-	-	-	-	12,325	12,325
British Virgin Islands	-	-	-	-	-	-	-	-	-	-	-	-	-
Cayman Islands	-	-	150	143	-	-	3,100	-	27	-	3,127	11,991	15,261
Dominica	(7)	-	-	-	-	-	-	-	2,000	-	2,000	5,955	7,955
Grenada	-	-	-	-	-	-	-	-	7,500	-	7,500	6,169	13,669
Guyana	-	-	-	-	-	-	-	-	6,171	-	6,171	4,884	11,055
Haiti	-	-	-	3,856	-	-	8,967	-	-	-	8,967	147,994	160,817
Jamaica	3,856	-	-	3,856	-	-	-	-	-	-	-	1,108	1,108
Montserrat	-	-	-	-	-	-	-	-	-	-	-	-	-
St.Kitts and Nevis	-	-	-	-	-	-	-	(643)	6,200	(59)	5,498	911	6,409
St. Lucia	-	-	-	-	-	-	-	-	12,000	-	12,000	32,782	44,782
St.Vincent and the Grenadines	-	-	-	-	-	-	431	-	10,000	-	10,431	1,768	12,199
Trinidad and Tobago	-	-	-	-	-	-	-	-	-	-	-	(1,088)	(1,088)
Turks and Caicos Islands	-	-	-	-	-	-	-	-	-	-	-	937	937
Regional :													
LDC Focus	-	-	-	-	-	-	-	-	(6)	-	(6)	747	741
LDC/MDC Focus	50	-	(6)	44	-	-	123	-	1,490	145	1,758	34,464	36,266
<b>Total</b>	<b>3,899</b>	<b>-</b>	<b>144</b>	<b>4,043</b>	<b>-</b>	<b>-</b>	<b>30,621</b>	<b>(643)</b>	<b>46,172</b>	<b>86</b>	<b>76,236</b>	<b>261,094</b>	<b>341,373</b>

## APPENDIX I-D

## DISTRIBUTION OF LOANS APPROVED (NET) BY COUNTRY AND BY FUND - 2008 (\$'000)

Country	Ordinary Capital Resources	Special Develop- ment Fund	Other Special Funds	Total	Percentage of Total
Anguilla	18,000	267	-	18,267	6.3
Belize	4,500	4,800	-	9,300	3.2
Dominica	4,054	8,699	-	12,753	4.4
Grenada	2,000	3,700	-	5,700	2.0
Guyana	-	7,500	-	7,500	2.6
Jamaica	86,027	39,864	30,000	155,891	53.4
St. Kitts and Nevis	5,557	-	-	5,557	1.9
St. Lucia	18,000	20,000	4,000	42,000	14.4
St. Vincent and the Grenadines	8,000	2,431	-	10,431	3.6
Trinidad and Tobago	(1,106)	-	-	(1,106)	(0.4)
Turks and Caicos Islands	-	500	-	500	0.2
Regional	25,000	-	-	25,000	8.6
<b>Total</b>	<b>170,032</b>	<b>87,761</b>	<b>34,000</b>	<b>291,793</b>	
<b>Percentage of Total</b>	<b>58.3</b>	<b>30.1</b>	<b>11.7</b>		<b>100.0</b>
LDCs	60,111	40,397	4,000	104,508	35.8
MDCs	84,921	47,364	30,000	162,285	55.6
Regional	25,000	-	-	25,000	8.6

APPENDIX I-E

DISTRIBUTION OF LOANS APPROVED (NET) BY SECTOR AND BY FUND - 2008 (\$'000)

Sector	Ordinary Capital Resources	Special Develop- ment Fund	Other Special Funds	Total
<b>Total All Sectors</b>	<b>170,032</b>	<b>87,761</b>	<b>34,000</b>	<b>291,793</b>
<b>Agriculture, Forestry and Fishing</b>	<b>(2,973)</b>	<b>(1,021)</b>	<b>-</b>	<b>(3,994)</b>
Crop Farming	(2,973)	(1,021)	-	(3,994)
Mixed Farming	-	-	-	-
Land Settlement and Rural Development	-	-	-	-
<b>Tourism</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Integrated Tourism Facilities	-	-	-	-
<b>Power, Energy and Water</b>	<b>(643)</b>	<b>-</b>	<b>-</b>	<b>(643)</b>
Electric Power	(643)	-	-	(643)
<b>Transportation, Communication and Sea Defence</b>	<b>27,000</b>	<b>3,531</b>	<b>-</b>	<b>30,531</b>
<b>Transport:</b>				
Road Transport	-	3,100	-	3,100
Water Transport	18,000	431	-	18,431
Air Transport	9,000	-	-	9,000
<b>Social Services</b>	<b>-</b>	<b>19,770</b>	<b>-</b>	<b>19,770</b>
Housing	-	-	-	-
Health	-	-	-	-
Education	-	19,770	-	19,770
<b>Multi-Sector and Other</b>	<b>130,454</b>	<b>55,682</b>	<b>34,000</b>	<b>220,136</b>
Disaster Rehabilitation	18,560	35,600	-	54,160
Policy-Based Loans	88,000	8,000	34,000	130,000
Other	23,894	12,082	-	35,976
<b>Financing and Distribution</b>	<b>16,194</b>	<b>9,799</b>	<b>-</b>	<b>25,993</b>
Agriculture	(6)	7,799	-	7,793
Education	16,200	2,000	-	18,200

APPENDIX I-F

LOAN APPROVALS – 2008 CDB COST COMPONENT AND CHANNEL (\$'000)

Country	No. of Loan Projects	Estimated Project Cost	Financing			Channel			
			CDB	Local	Other Foreign	Public	Private Direct	Indirect	
Anguilla	2 a/	26,695	18,270	8,425	-	18,270	-	-	-
Belize	2	11,405	9,300	2,105	-	9,300	-	-	-
Dominica	3	15,599	12,760	2,839	-	12,760	-	-	-
Grenada	2	6,308	5,700	608	-	3,700	-	-	2,000
Guyana	1	9,622	7,500	2,122	-	7,500	-	-	-
Jamaica	7	894,107	159,885	34,222	700,000	152,085	-	-	7,800
St. Kitts and Nevis	1	6,200	6,200	-	-	-	-	-	6,200
St. Lucia	2	43,996	42,000	1,996	-	42,000	-	-	-
St. Vincent and the Grenadines	2 a/	10,506	10,431	75	-	431	-	-	10,000
Turks and Caicos Islands	1	615	500	115	-	500	-	-	-
Regional	1	25,000	25,000	-	-	-	-	-	25,000
<b>Total</b>	<b>24</b>	<b>1,050,053</b>	<b>297,546</b>	<b>52,507</b>	<b>700,000</b>	<b>246,546</b>	<b>-</b>	<b>-</b>	<b>51,000</b>
LDCs	15	121,324	105,161	16,163	-	86,961	-	-	18,200
MDCs	8	903,729	167,385	36,344	700,000	159,585	-	-	7,800
Regional	1	25,000	25,000	-	-	-	-	-	25,000

a/ Technical Assistance loans.

APPENDIX 1-G

GROSS LOAN APPROVALS BY PROJECT AND LOAN EQUIVALENT - 2008 (\$'000)

Project Name	Country	OCR		SDF Unified		Other Special Funds		Total
		Amount	Loan Equivalent	Amount	Loan Equivalent	Amount	Loan Equivalent	
1. Feasibility Study for the establishment of a Hospitality Training Institute - TA	Anguilla	-	-	270	1.00	-	-	270
2. Blowing Point Ferry Port Development	Anguilla	18,000	1.00	-	-	-	-	18,000
3. Natural Disaster Management Bridge Rehabilitation - Tropical Storm Arthur	Belize	4,500	0.51	4,300	0.49	-	-	8,800
4. Natural Disaster Management Immediate Response Loan - Tropical Storm Arthur	Belize	-	-	500	1.00	-	-	500
5. Road Improvement and Maintenance (Additional Loan)	Dominica	-	-	3,100	1.00	-	-	3,100
6. Natural Disaster Management Rehabilitation of Sea Defences, Hurricane Omar	Dominica	4,060	0.44	5,100	0.56	-	-	9,160
7. Natural Disaster Management Immediate Response Loan, Hurricane Omar	Dominica	-	-	500	1.00	-	-	500
8. Disaster Mitigation and Restoration, Landslide and Rockfall (Additional Loan)	Grenada	-	-	3,700	1.00	-	-	3,700
9. Student Loan	Grenada	2,000	1.00	-	-	-	-	2,000
10. Enhancement of Technical and Vocational Education and Training	Guyana	-	-	7,500	1.00	-	-	7,500
11. Natural Disaster Management Immediate Response Loan	Jamaica	-	-	500	1.00	-	-	500
12. Community Investment Project	Jamaica	-	-	12,085	1.00	-	-	12,085
13. Natural Disaster Management Immediate Response Loan - Tropical Storm Gustav	Jamaica	-	-	500	1.00	-	-	500
14. Policy-Based Loan	Jamaica	70,000	0.70	-	-	30,000	0.30	100,000
15. Upgrading and Expansion of Norman Manley International Airport (Additional Loan)	Jamaica	9,000	1.00	-	-	-	-	9,000
16. Agricultural Support	Jamaica	-	-	7,800	1.00	-	-	7,800
17. Natural Disaster Management Kingston Metropolitan Area Drainage Rehabilitation Work	Jamaica	10,000	0.33	20,000	0.67	-	-	30,000

APPENDIX 1-G cont'd

GROSS LOAN APPROVALS BY PROJECT AND LOAN EQUIVALENT - 2008 (\$'000)

Project Name	Country	OCR		SDF Unified		Other Special Funds		Total
		Amount	Loan Equivalent	Amount	Loan Equivalent	Amount	Loan Equivalent	
18. Student Loan	St. Kitts and Nevis	6,200	1.00	-	-	-	-	6,200
19. Policy-Based Loan	St. Lucia	18,000	0.60	8,000	0.27	4,000	0.13	30,000
20. Basic Education Enhancement Project	St. Lucia	-	-	12,000	1.00	-	-	12,000
21. Student Loan Scheme	St. Vincent and the Grenadines	8,000	0.80	2,000	0.20	-	-	10,000
22. Port Rationalisation and Development Study - TA	St. Vincent and the Grenadines	-	-	431	1.00	-	-	431
23. Natural Disaster Management Immediate Response Loan, Hurricane Ike	Turks and Caicos Islands	-	-	500	1.00	-	-	500
24. Corporation Interamericana Para El Financiamiento	Regional	25,000	1.00	-	-	-	-	25,000
<b>Total</b>		<b>174,760</b>	<b>8.39</b>	<b>88,786</b>	<b>15.18</b>	<b>34,000</b>	<b>0.43</b>	<b>297,546</b>
Distribution by Country Groups								
LDCs		60,760	5.35	40,401	9.51	4,000	0.13	105,161
MDCs		89,000	2.03	48,385	5.67	30,000	0.30	167,385
Regional		25,000	1.00	-	-	-	-	25,000
Proportion of Lending by Country Groups								
LDCs		0.35		0.46		0.12		0.35
MDCs		0.51		0.54		0.88		0.56
Regional		0.14		-		-		0.08
<b>Total</b>		<b>0.59</b>		<b>0.30</b>		<b>0.11</b>		

## APPENDIX II-A

### SUMMARY OF TOTAL FINANCING APPROVED (NET) (1970 - 2008) LOANS, CONTINGENT LOANS, EQUITY AND GRANTS (\$'000)

Financing Type	1970-2007	2008	Total
Loans	2,646,489	291,793	2,938,282
Contingent Loans	4,281	-	4,281
Equity	33,193	-	33,193
Grants	252,438	49,580	302,018
<b>Total</b>	<b>2,936,401</b>	<b>341,373</b>	<b>3,277,774</b>

## APPENDIX II-B

### SUMMARY OF TOTAL FINANCING APPROVED (NET) BY SECTOR (1970-2008) LOANS, CONTINGENT LOANS, EQUITY AND GRANTS (\$'000)

Sector	1970-2007	2008	Total
Agriculture, Forestry and Fishing	118,431	(3,894)	114,537
Mining and Quarrying	35,534	-	35,534
Manufacturing	154,312	-	154,312
Tourism	88,811	144	88,955
Transportation, Communication and Sea Defence	722,615	30,621	753,236
Power, Energy and Water	202,117	(643)	201,474
Social Services	348,475	28,058	376,533
Multi-Sector and Other	718,655	261,094	979,749
Financing and Distribution	547,451	25,993	573,444
<b>Total</b>	<b>2,936,401</b>	<b>341,373</b>	<b>3,277,774</b>

APPENDIX II-C

**DISTRIBUTION OF LOANS, CONTINGENT LOANS, EQUITY AND GRANTS APPROVED (NET)  
BY SECTOR AND BY FUND (1970 - 2008) (\$'000)**

Sector	Ordinary Capital Resources	Venezuelan Trust Fund	Special Develop- ment Fund	Other Special Funds	Total
<b>Total All Sectors</b>	<b>1,767,549</b>	<b>17,412</b>	<b>1,076,181</b>	<b>416,632</b>	<b>3,277,774</b>
<b>Agriculture, Forestry and Fishing</b>	<b>28,490</b>	<b>-</b>	<b>64,313</b>	<b>21,734</b>	<b>114,537</b>
Crop Farming	12,960	-	18,498	8,828	40,286
Agriculture (excluding Crop Farming)	207	-	692	3,371	4,270
Mixed Farming	-	-	8,514	-	8,514
Drainage and Irrigation	11,283	-	6,923	409	18,615
Fishing	-	-	2,478	872	3,350
Land Settlement and Rural Development	367	-	2,094	342	2,803
Forestry	-	-	348	-	348
Feeder Roads	3,673	-	24,766	7,912	36,351
<b>Mining and Quarrying</b>	<b>31,409</b>	<b>-</b>	<b>3,570</b>	<b>555</b>	<b>35,534</b>
Fossil Fuels	30,862	-	-	-	30,862
Metal Ores	547	-	31	-	578
Non-Metallic Minerals	-	-	3,539	555	4,094
<b>Manufacturing</b>	<b>58,145</b>	<b>2,206</b>	<b>52,055</b>	<b>41,906</b>	<b>154,312</b>
Food, Beverages and Tobacco	93	-	5,261	32,941	38,295
Sugar	29,988	1,500	17,872	2,521	51,881
Textile, Wearing Apparel and Leather Goods	-	260	200	51	511
Wood and Wood Products	4,566	-	499	79	5,144
Paper and Paper Products	3,502	-	-	10	3,512
Chemical and Chemical Products	-	446	13	47	506
Non-Metallic Mineral Products	2,985	-	73	130	3,188
Miscellaneous Manufacturing and Repairs	-	-	-	43	43
Industrial Estates	17,011	-	28,137	6,084	51,232
<b>Tourism</b>	<b>67,488</b>	<b>4,722</b>	<b>12,052</b>	<b>4,693</b>	<b>88,955</b>
Hotels and Lodging Places	30,179	4,722	274	1,172	36,347
Cruiseship Piers and Marinas	8,752	-	-	-	8,752
Integrated Tourism Facilities	25,200	-	8,140	2,396	35,736
Tourism Supporting Services	3,357	-	3,638	1,125	8,120
<b>Transportation, Communication and Sea Defence</b>	<b>517,117</b>	<b>-</b>	<b>163,010</b>	<b>73,109</b>	<b>753,236</b>
<b>Transport:</b>					
Road Transport	301,688	-	76,512	27,776	405,976
Water Transport	41,534	-	42,774	15,697	100,005
Air Transport	159,952	-	26,913	27,603	214,468
Communication	8,250	-	518	106	8,874
Sea Defence	5,693	-	16,293	1,927	23,913

## APPENDIX II-C cont'd

## DISTRIBUTION OF LOANS, CONTINGENT LOANS, EQUITY AND GRANTS APPROVED (NET)

BY SECTOR AND BY FUND (1970 - 2008) (\$'000)

Sector	Ordinary Capital Resources	Venezuelan Trust Fund	Special Develop- ment Fund	Other Special Funds	Total
<b>Power, Energy and Water</b>	<b>113,433</b>	<b>3,240</b>	<b>71,452</b>	<b>13,349</b>	<b>201,474</b>
<b>Power and Energy:</b>					
Electric Power	63,891	-	31,519	1,873	97,283
Alternative Energy	8,250	-	-	3,520	11,770
Water Supply	41,292	3,240	39,933	7,956	92,421
<b>Social Services</b>	<b>160,723</b>	<b>-</b>	<b>135,830</b>	<b>79,980</b>	<b>376,533</b>
Housing	4,101	-	8,462	19,982	32,545
Health	21,256	-	20,923	12,842	55,021
Education	135,366	-	106,445	47,156	288,967
<b>Multi-Sector and Other</b>	<b>395,981</b>	<b>-</b>	<b>433,414</b>	<b>150,354</b>	<b>979,749</b>
Urban Development	38,377	-	17,341	5,528	61,246
Disaster Rehabilitation	79,695	-	147,031	10,621	237,347
Distributive Trade	3,530	-	7,575	2,957	14,062
Structural Adjustment Programme	115,000	-	72,689	43,400	231,089
Other	159,379	-	188,778	87,848	436,005
<b>Financing and Distribution</b>	<b>394,763</b>	<b>7,244</b>	<b>140,485</b>	<b>30,952</b>	<b>573,444</b>
Agriculture	119,856	6,023	33,116	12,560	171,555
Industry and Tourism	149,166	1,221	26,642	15,311	192,340
Micro and Small-Scale Enterprises	-	-	6,074	-	6,074
Housing	65,894	-	22,725	3,081	91,700
Education	59,847	-	51,928	-	111,775

APPENDIX II-D

DISTRIBUTION OF LOANS, CONTINGENT LOANS, EQUITY AND GRANTS APPROVED (NET) BY COUNTRY AND BY SECTOR - 1970 - 2008 (\$'000)

Country	Directly Productive Sector										Economic Infrastructure & Other						Total	Multi-Sector	Total
	Agri-culture, Forestry & Fishing	Manu-fac-turing	Micro and Small-Scale En-terprise	Tour-ism	Mining	Total	Power & Energy	Water	Communi-cation & Commu-nication	Sea Defence	Housing	Health & Sani-tation	Educa-tion (includ-ing Student loans)						
Anguilla	2,871	5,865	200	773	-	9,709	11,996	288	20,287	-	2,050	-	3,149	37,770	5,191	52,670			
Antigua and Barbuda	3,455	5,723	1,000	1,922	-	12,100	272	-	28,494	-	3,483	-	20,052	52,301	7,391	71,792			
Bahamas	10,086	10,849	-	2,187	-	23,122	-	15,252	14,745	-	-	37	-	30,034	797	53,953			
Barbados	4,181	45,470	-	28,921	100	78,672	105	765	88,102	-	1,395	3,240	50,156	143,763	53,587	276,022			
Belize	23,437	12,504	1,654	1,172	-	38,767	28,050	22,945	55,045	-	13,546	6,032	22,120	147,738	73,776	260,281			
British Virgin Islands	3,503	4,951	-	349	-	8,803	4,812	-	36,018	-	3,500	-	7,778	52,108	724	61,635			
Cayman Islands	1,308	1,499	-	6,429	388	9,624	-	2,775	23,047	-	5,515	7,000	452	38,789	143	48,556			
Dominica	23,214	11,521	600	7,513	-	42,848	6,159	8,139	20,021	9,383	13,733	7,527	17,278	82,240	62,116	187,204			
Grenada	16,444	6,864	600	4,298	451	28,657	158	2,453	64,525	-	7,063	5,550	21,674	101,423	69,441	199,521			
Guyana	22,395	45,872	-	128	-	68,395	3,558	8,895	36,186	14,750	1,176	-	9,242	73,807	95,808	238,010			
Haiti	-	-	-	-	-	-	-	-	-	-	-	-	-	16,171	4,884	21,055			
Jamaica	81,139	86,498	-	15,626	578	183,841	8,791	6,177	105,995	-	17,602	2,000	46,811	187,376	315,371	686,588			
Montserrat	1,382	1,444	-	124	86	3,036	987	-	6,024	-	653	-	975	8,639	6,703	18,378			
St. Kitts and Nevis	5,699	9,116	900	1,731	123	17,569	16,439	126	40,723	-	10,919	7,600	42,681	118,488	47,006	183,063			
St. Lucia	24,171	23,200	575	14,197	62	62,205	1,376	18,978	75,983	-	18,195	8,517	55,932	178,981	68,913	310,099			
St. Vincent and the Grenadines	13,814	16,582	375	522	2,765	34,058	25,037	2,716	53,577	-	3,590	5,480	43,143	133,543	19,334	186,935			
Trinidad and Tobago	36,793	37,270	-	-	30,862	104,925	-	2,615	38,262	-	-	604	8,459	49,940	32,287	187,152			
Turks and Caicos Islands	1,580	2,394	300	1,302	-	5,576	-	-	3,147	-	10,217	240	7,565	21,169	4,018	30,763			
Regional :																			
LDC Focus	1,010	94	-	430	119	1,653	677	104	11,059	-	10,155	334	1,160	23,489	8,654	33,796			
MDC Focus	25	-	-	-	-	25	-	-	6,313	-	-	-	9,452	15,765	3,170	18,960			
MDC/LDC Focus	9,585	18,806	-	1,331	-	29,722	636	193	1,550	-	1,453	860	16,492	21,184	100,435	151,341			
<b>Total</b>	<b>286,092</b>	<b>346,522</b>	<b>6,204</b>	<b>88,955</b>	<b>35,534</b>	<b>763,307</b>	<b>109,053</b>	<b>92,421</b>	<b>729,103</b>	<b>24,133</b>	<b>124,245</b>	<b>55,021</b>	<b>400,742</b>	<b>1,534,718</b>	<b>979,749</b>	<b>3,277,774</b>			
LDCs	120,878	101,663	6,204	40,332	3,875	272,952	95,286	58,420	426,891	9,383	92,464	47,946	258,970	989,360	369,640	1,631,952			
MDCs	154,594	225,959	-	46,862	31,540	458,955	12,454	33,704	283,290	14,750	20,173	5,881	114,668	484,920	497,850	1,441,725			
Regional	10,620	18,900	-	1,761	119	31,400	1,313	297	18,922	-	11,608	1,194	27,104	60,438	112,259	204,097			

APPENDIX II-E

APPROVALS OF LOANS, CONTINGENT LOANS, EQUITY AND GRANTS (NET)

BY COUNTRY AND BY YEAR (1970 - 2008) (\$'000)

Country	1970-2002	2003	2004	2005	2006	2007	2008	Total
Anguilla	22,772	15	18	11,130	57	206	18,472	52,670
Antigua and Barbuda	46,949	2,204	8	21	44	22,083	483	71,792
Bahamas	53,618	114	147	27	22	22	3	53,953
Barbados	204,912	13,527	100	136	24,441	32,825	81	276,022
Belize	185,672	13,080	52	8,250	37,603	3,299	12,325	260,281
British Virgin Islands	51,368	5,267	-	-	-	5,000	-	61,635
Cayman Islands	48,492	-	-	-	-	12	52	48,556
Dominica	139,947	8,244	14,795	5,916	54	2,980	15,268	187,204
Grenada	130,259	8,049	9,371	25,248	11,107	7,532	7,955	199,521
Guyana	140,825	61,008	7,388	14,485	46	28	14,230	238,010
Haiti	-	-	-	-	-	10,000	11,055	21,055
Jamaica	333,472	28,819	30,802	54,224	12,839	61,538	164,894	686,588
Montserrat	16,362	658	81	9	105	55	1,108	18,378
St. Kitts and Nevis	124,585	15,588	6,364	842	28,551	22	7,111	183,063
St. Lucia	226,631	10,561	5,484	22,580	32	8	44,803	310,099
St. Vincent and the Grenadines	123,912	3,722	36,234	128	50	10,666	12,223	186,935
Trinidad and Tobago	130,316	31,616	123	7	46	25,026	18	187,152
Turks and Caicos Islands	22,103	461	254	8	7,000	-	937	30,763
Regional :								
LDC Focus	22,145	353	33	13	34	10,471	747	33,796
MDC Focus	18,810	-	-	-	150	-	-	18,960
LDC/MDC Focus	65,635	13,328	1,510	9,661	6,177	18,614	36,416	151,341
<b>Total</b>	<b>2,108,785</b>	<b>216,614</b>	<b>112,764</b>	<b>152,685</b>	<b>128,358</b>	<b>210,387</b>	<b>348,181</b>	<b>3,277,774</b>
LDCs	1,139,052	67,849	72,661	74,132	84,603	61,863	131,792	1,631,952
MDCs	863,143	135,084	38,560	68,879	37,394	119,439	179,226	1,441,725
Regional	106,590	13,681	1,543	9,674	6,361	29,085	37,163	204,097

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

APPENDIX II-F

DISTRIBUTION OF LOANS APPROVED (NET) BY COUNTRY AND BY FUND (1970 - 2008) (\$'000)

Country	Ordinary Capital Resources	Venezuelan Trust Fund	Special Development Fund	IDB	IDA	General Development Fund	Other Special Funds	Total	Percentage of Total
Anguilla	39,387	-	10,974	-	-	-	500	50,861	1.7
Antigua and Barbuda	41,338	-	15,057	-	558	5,779	3,009	65,741	2.2
Bahamas	47,520	3,240	2,376	-	-	-	-	53,136	1.8
Barbados	236,841	3,646	6,909	388	-	8,199	17,546	273,529	9.3
Belize	133,778	740	92,214	373	-	5,171	4,981	237,257	8.1
British Virgin Islands	43,870	-	14,791	-	-	300	1,594	60,555	2.1
Cayman Islands	40,009	-	4,994	2,132	-	313	868	48,316	1.6
Dominica	34,510	-	91,521	9,043	5,347	12,368	8,179	160,968	5.5
Grenada	54,223	-	95,881	20,961	5,628	369	3,729	180,791	6.2
Guyana	55,788	1,579	128,294	-	-	-	20,585	206,246	7.0
Jamaica	458,200	5,665	142,952	-	-	30,000	39,166	675,983	23.0
Montserrat	485	-	8,678	-	-	79	1,293	10,535	0.4
St. Kitts and Nevis	92,017	260	68,612	2,360	5,181	26	1,198	169,654	5.8
St. Lucia	154,804	676	97,738	17,940	5,625	7,358	6,120	290,261	9.9
St. Vincent and the Grenadines	85,652	1,606	60,801	6,302	4,497	2,105	7,521	168,484	5.7
Trinidad and Tobago	178,808	-	5,018	-	-	-	2,566	186,392	6.3
Turks and Caicos Islands	13,141	-	12,936	-	-	-	-	26,077	0.9
Regional :									
LDC Focus	10,000	-	5,232	-	-	-	2,626	17,858	0.6
MDC Focus	7,266	-	5,544	-	-	-	2,174	14,984	0.5
MDC/LDC Focus	39,912	-	742	-	-	-	-	40,654	1.4
<b>Total</b>	<b>1,767,549</b>	<b>17,412</b>	<b>871,264</b>	<b>59,499</b>	<b>26,836</b>	<b>72,067</b>	<b>123,655</b>	<b>2,938,282</b>	
Percentage of Total	60.2	0.6	29.7	2.0	0.9	2.5	4.2	100.0	
LDCs	733,214	3,282	574,197	59,111	26,836	33,868	38,992	1,469,500	50.0
MDCs	977,157	14,130	285,549	388	-	38,199	79,863	1,395,286	47.5
Regional	57,178	-	11,518	-	-	-	4,800	73,496	2.5

## APPENDIX II-G

## DISTRIBUTION OF LOANS (NET) BY SECTOR AND BY FUND (1970 - 2008) (\$'000)

Sector	Ordinary Capital Resources	Venezuelan Trust Fund	Special Develop- ment Fund	Other Special Funds	Total
<b>Total All Sectors</b>	<b>1,767,549</b>	<b>17,412</b>	<b>871,264</b>	<b>282,057</b>	<b>2,938,282</b>
<b>Agriculture, Forestry and Fishing</b>	<b>28,490</b>	<b>-</b>	<b>61,098</b>	<b>17,522</b>	<b>107,110</b>
Crop Farming	12,960	-	16,597	6,870	36,427
Agriculture (excluding Crop Farming)	207	-	100	1,421	1,728
Mixed Farming	-	-	8,514	-	8,514
Fishing	-	-	2,437	694	3,131
Drainage and Irrigation	11,283	-	6,803	409	18,495
Land Settlement and Rural Development	367	-	2,094	312	2,773
Feeder Roads	3,673	-	24,553	7,816	36,042
<b>Mining and Quarrying</b>	<b>31,409</b>	<b>-</b>	<b>3,294</b>	<b>436</b>	<b>35,139</b>
Fossil Fuels	30,862	-	-	-	30,862
Metal Ores	547	-	-	-	547
Non-Metallic Minerals	-	-	3,294	436	3,730
<b>Manufacturing</b>	<b>58,145</b>	<b>2,206</b>	<b>51,386</b>	<b>40,618</b>	<b>152,355</b>
Food, Beverages and Tobacco	93	-	5,086	32,318	37,497
Sugar	29,988	1,500	17,727	2,346	51,561
Textile, Wearing Apparel and Leather Goods	-	260	2	-	262
Wood and Wood Products	4,566	-	450	-	5,016
Paper and Paper Products	3,502	-	-	-	3,502
Chemical and Chemical Products	-	446	-	-	446
Non-Metallic Mineral Products	2,985	-	73	-	3,058
Industrial Estates	17,011	-	28,048	5,954	51,013
<b>Tourism</b>	<b>67,488</b>	<b>4,722</b>	<b>10,531</b>	<b>2,220</b>	<b>84,961</b>
Hotels and Lodging Places	30,179	4,722	47	-	34,948
Cruiseship Piers and Marinas	8,752	-	-	-	8,752
Integrated Tourism Facilities	25,200	-	7,830	2,220	35,250
Tourism Supporting Services	3,357	-	2,654	-	6,011
<b>Transportation, Communication and Sea Defence</b>	<b>517,117</b>	<b>-</b>	<b>158,796</b>	<b>68,857</b>	<b>744,770</b>
Transport:					
Main Roads and Bridges	301,688	-	75,994	27,752	405,434
Water Transport	41,534	-	41,218	15,041	97,793
Air Transport	159,952	-	25,254	24,137	209,343
Communication	8,250	-	37	-	8,287
Sea Defence	5,693	-	16,293	1,927	23,913

## APPENDIX II-G cont'd

## DISTRIBUTION OF LOANS (NET) BY SECTOR AND BY FUND (1970 - 2008) (\$'000)

Sector	Ordinary Capital Resources	Venezuelan Trust Fund	Special Develop- ment Fund	Other Special Funds	Total
<b>Power, Energy and Water</b>	<b>113,433</b>	<b>3,240</b>	<b>69,739</b>	<b>8,860</b>	<b>195,272</b>
Power and Energy:					
Electric Power	63,891	-	30,832	1,577	96,300
Alternative Energy	8,250	-	-	-	8,250
Water Supply	41,292	3,240	38,907	7,283	90,722
<b>Social Services</b>	<b>160,723</b>	<b>-</b>	<b>99,028</b>	<b>68,877</b>	<b>328,628</b>
Housing	4,101	-	6,657	19,803	30,561
Health	21,256	-	19,074	12,523	52,853
Education	135,366	-	73,297	36,551	245,214
<b>Multi-Sector and Other</b>	<b>395,981</b>	<b>-</b>	<b>276,907</b>	<b>54,162</b>	<b>727,050</b>
Urban Development	38,377	-	13,236	-	51,613
Disaster Rehabilitation	79,695	-	144,154	8,600	232,449
Distributive Trade	3,530	-	7,501	2,250	13,281
Structural Adjustment Programme	115,000	-	71,000	37,000	223,000
Other	159,379	-	41,016	6,312	206,707
<b>Financing and Distribution</b>	<b>394,763</b>	<b>7,244</b>	<b>140,485</b>	<b>20,505</b>	<b>562,997</b>
Agriculture	119,856	6,023	33,116	12,337	171,332
Manufacturing	149,166	1,221	26,642	5,087	182,116
Micro and Small-Scale Enterprises	-	-	6,074	-	6,074
Housing	65,894	-	22,725	3,081	91,700
Education	59,847	-	51,928	-	111,775

## APPENDIX II-H

## CONTINGENT LOANS APPROVED (NET) BY COUNTRY AND BY FUND (1970 - 2008) (\$'000)

Country	Special Development Fund	IDB/CDB Pre-Investment Fund	Technical Assistance Fund	Total
Anguilla	-	71	-	71
Barbados	384	-	156	540
Belize	784	-	152	936
British Virgin Islands	50	104	-	154
Dominica	-	-	771	771
Grenada	58	-	-	58
Montserrat	86	-	-	86
St. Kitts and Nevis	178	-	56	234
St. Lucia	145	-	50	195
Trinidad and Tobago	200	-	-	200
Turks and Caicos Islands	1,036	-	-	1,036
<b>Total</b>	<b>2,921</b>	<b>175</b>	<b>1,185</b>	<b>4,281</b>
MDCs	584	-	156	740
LDCs	2,337	175	1,029	3,541

## APPENDIX II-I

## CONTINGENT LOANS APPROVED (NET) BY SECTOR AND BY FUND (1970 - 2008) (\$'000)

Sector	Special Development Fund	IDB/CDB Pre-Investment Fund	Technical Assistance Fund	Total
<b>Total-All Sectors</b>	<b>2,921</b>	<b>175</b>	<b>1,185</b>	<b>4,281</b>
<b>Agriculture, Forestry and Fishing</b>	<b>181</b>	<b>-</b>	<b>147</b>	<b>328</b>
Crop Farming	113	-	51	164
Feeder Roads	68	-	96	164
<b>Mining and Quarrying</b>	<b>86</b>	<b>-</b>	<b>-</b>	<b>86</b>
Non-Metallic Minerals	86	-	-	86
<b>Tourism</b>	<b>48</b>	<b>-</b>	<b>-</b>	<b>48</b>
Hotels and Lodging Places	48	-	-	48
<b>Transportation and Communication</b>	<b>1,823</b>	<b>104</b>	<b>101</b>	<b>2,028</b>
Transport:				
Road Transport	145	-	-	145
Water Transport	1,094	104	-	1,198
Air Transport	584	-	101	685
<b>Power, Energy and Water</b>	<b>583</b>	<b>71</b>	<b>781</b>	<b>1,435</b>
Power and Energy:				
Electric Power	222	71	56	349
Alternative Energy	-	-	697	697
Water Supply	361	-	28	389
<b>Multi-Sector and Other</b>	<b>200</b>	<b>-</b>	<b>156</b>	<b>356</b>
Multi-Sector				
Urban Development	-	-	156	156
Other	200	-	-	200

## APPENDIX II-J

## GRANTS APPROVED (NET) BY COUNTRY AND BY FUND (1970-2008) (\$'000)

Country	Special Development Fund	IDB	Technical Assistance Fund	Other Special Funds	Total
Anguilla	932	39	60	707	1,738
Antigua and Barbuda	1,781	54	64	4,152	6,051
Bahamas	697	-	20	100	817
Barbados	931	-	112	463	1,506
Belize	14,090	85	166	6,305	20,646
British Virgin Islands	578	-	52	296	926
Cayman Islands	208	-	-	32	240
Dominica	10,390	307	227	14,541	25,465
Grenada	10,776	752	208	6,936	18,672
Guyana	27,287	-	1	4,476	31,764
Haiti	21,055	-	-	-	21,055
Jamaica	9,448	-	-	532	9,980
Montserrat	4,949	78	19	2,711	7,757
St. Kitts and Nevis	7,222	143	239	5,382	12,986
St. Lucia	11,553	316	247	7,527	19,643
St. Vincent and the Grenadines	9,956	763	291	7,051	18,061
Trinidad and Tobago	380	83	-	97	560
Turks and Caicos Islands	2,752	-	77	821	3,650
Regional:					
LDC Focus	6,914	973	416	4,535	12,838
MDC Focus	976	-	-	-	976
LDC/MDC Focus	58,913	6,552	659	20,563	86,687
<b>Total</b>	<b>201,788</b>	<b>10,145</b>	<b>2,858</b>	<b>87,227</b>	<b>302,018</b>
LDCs	96,242	2,537	1,650	56,461	156,890
MDCs	38,743	83	133	5,668	44,627
Regional	66,803	7,525	1,075	25,098	100,501

## APPENDIX II-K

## GRANTS APPROVED (NET) BY SECTOR AND BY FUND (1970 - 2008) (\$'000)

Sectors	Special Development Fund	IDB	Technical Assistance Fund	Other Special Funds	Total
<b>Total - All Sectors</b>	<b>201,788</b>	<b>10,145</b>	<b>2,858</b>	<b>87,227</b>	<b>302,018</b>
<b>Agriculture, Forestry and Fishing</b>	<b>3,034</b>	<b>805</b>	<b>515</b>	<b>1,303</b>	<b>5,657</b>
Crop Farming	1,788	594	355	958	3,695
Agriculture (excl. crop farming)	592	168	28	312	1,100
Fishing	41	43	132	3	219
Drainage and Irrigation	120	-	-	-	120
Land Settlement and Rural Development	-	-	-	30	30
Forestry	348	-	-	-	348
Feeder Roads	145	-	-	-	145
<b>Mining and Quarrying</b>	<b>190</b>	<b>-</b>	<b>-</b>	<b>119</b>	<b>309</b>
Metal Ores	31	-	-	-	31
Non-Metallic Minerals	159	-	-	119	278
<b>Manufacturing</b>	<b>480</b>	<b>184</b>	<b>264</b>	<b>469</b>	<b>1,397</b>
Food (excluding sugar)	175	155	-	97	427
Sugar	145	-	75	100	320
Textile, Wearing Apparel and Leather Goods	9	-	-	51	60
Wood and Wood Products	49	16	10	53	128
Paper and Paper Products	-	-	-	10	10
Chemicals and Chemical Products	13	-	-	47	60
Non-Metallic Mineral Products	-	13	49	68	130
Miscellaneous Manufacturing and Repairs	-	-	-	43	43
Industrial Estates	89	-	130	-	219
<b>Tourism</b>	<b>1,454</b>	<b>1,158</b>	<b>45</b>	<b>198</b>	<b>2,855</b>
Hotels and Lodging Places	160	-	-	100	260
Integrated Tourism Facilities	310	78	-	98	486
Tourism Supporting Services	984	1,080	45	-	2,109
<b>Transportation and Communication</b>	<b>2,391</b>	<b>361</b>	<b>406</b>	<b>3,280</b>	<b>6,438</b>
Transport:					
Main Roads and Bridges	373	24	-	-	397
Water Transport	462	-	327	225	1,014
Air Transport	1,075	256	79	3,030	4,440
Communication	481	81	-	25	587

## APPENDIX II-K cont'd

## GRANTS APPROVED (NET) BY SECTOR AND BY FUND (1970 - 2008) (\$'000)

Sectors	Special Development Fund	IDB	Technical Assistance Fund	Other Special Funds	Total
<b>Power, Energy and Water</b>	<b>1,130</b>	-	<b>367</b>	<b>3,270</b>	<b>4,767</b>
Power and Energy:					
Electric Power	465	-	81	88	634
Alternative Energy	-	-	-	2,823	2,823
Water Supply	665	-	286	359	1,310
Social Services	36,802	1,658	539	8,906	47,905
Housing	1,805	-	108	71	1,984
Health	1,849	-	10	309	2,168
Education	33,148	1,658	421	8,526	43,753
<b>Multi-Sector and Other</b>	<b>156,307</b>	<b>5,979</b>	<b>722</b>	<b>69,682</b>	<b>232,690</b>
Urban Development	4,105	-	-	5,372	9,477
Disaster Rehabilitation	2,877	662	-	1,359	4,898
Distributive Trade	74	-	208	499	781
Structural Adjustment Programme	1,689	-	-	6,400	8,089
Other	147,562	5,317	514	56,052	209,445

## APPENDIX II-L

## GRANTS APPROVED (NET) BY COUNTRY AND BY YEAR (1970-2008) (\$'000)

Country	1970-2002	2003	2004	2005	2006	2007	2008	Total
Anguilla	1,199	15	18	41	57	206	202	1,738
Antigua and Barbuda	5,227	4	8	21	44	264	483	6,051
Bahamas	482	114	147	27	22	22	3	817
Barbados	989	27	100	136	75	98	81	1,506
Belize	14,768	2307	13	-	-	533	3025	20,646
British Virgin Islands	926	-	-	-	-	-	-	926
Cayman Islands	176	-	-	-	-	12	52	240
Dominica	14,275	1,353	6,415	366	54	494	2,508	25,465
Grenada	13,798	1,427	791	269	76	56	2,255	18,672
Guyana	20,312	4,205	38	405	46	28	6,730	31,764
Haiti	-	-	-	-	-	10,000	11,055	21,055
Jamaica	3,434	119	222	124	679	393	5,009	9,980
Montserrat	5,741	658	81	9	105	55	1,108	7,757
St. Kitts and Nevis	10,843	828	22	242	118	22	911	12,986
St. Lucia	14,444	2,313	31	12	32	8	2,803	19,643
St. Vincent and the Grenadines	14,218	1,522	339	128	50	12	1,792	18,061
Trinidad and Tobago	324	16	123	7	46	26	18	560
Turks and Caicos Islands	2,730	461	14	8	-	-	437	3,650
Regional:								
LDC Focus	11,287	253	33	13	34	471	747	12,838
MDC Focus	826	-	-	-	150	-	-	976
LDC/MDC Focus	41,284	13,328	1,350	4,661	6,034	8,614	11,416	86,687
<b>Total</b>	<b>177,283</b>	<b>28,950</b>	<b>9,745</b>	<b>6,469</b>	<b>7,622</b>	<b>21,314</b>	<b>50,635</b>	<b>302,018</b>
LDCs	98,345	10,888	7,732	1,096	536	11,662	26,631	156,890
MDCs	25,541	4,481	630	699	868	567	11,841	44,627
Regional	53,397	13,581	1,383	4,674	6,218	9,085	12,163	100,501

Cancellations are applied to the year of approval.

## APPENDIX III

### RESOLUTIONS OF THE BOARD OF GOVERNORS DURING 2008

<b>NO.</b>	<b>Subject</b>	<b>Date of Adoption</b>
3/08	Audited Financial Statements and Reports of Independent Auditors	May, 28, 2008
4/08	Allocation of Net Income	May 28, 2008
5/08	Expenses of Governors and Alternates Attending Meetings of the Board of Governors	May 28, 2008
6/08	Admission of Brazil to Membership in the Caribbean Development Bank	May 28, 2008
7/08	Place and Date of Thirty-Ninth (2009) Annual Meeting	May 28, 2008
8/08	Election of Officers of the Board of Governors	May 28, 2008
9/08	Appreciation	May 29, 2008

**REGIONAL****BORROWING MEMBER COUNTRIES**

Anguilla  
 Antigua and Barbuda  
 The Bahamas  
 Barbados  
 Belize  
 British Virgin Islands  
 Cayman Islands  
 Dominica  
 Grenada  
 Guyana  
 Haiti  
 Jamaica  
 Montserrat  
 St. Kitts and Nevis  
 St. Lucia  
 St. Vincent and the Grenadines  
 Trinidad and Tobago  
 Turks and Caicos Islands

**OTHER**

Colombia  
 Mexico  
 Venezuela

**NON-REGIONAL**

Canada  
 China  
 Germany  
 Italy  
 United Kingdom

APEC	Audit and Post-Evaluation Committee
BMC	Borrowing Member Country
BNTF	Basic Needs Trust Fund
CARICOM	Caribbean Community
CDB	Caribbean Development Bank
CPAs	Country Poverty Assessments
CSME	CARICOM Single Market and Economy
CTCS	Caribbean Technological Consultancy Services Network
EU	European Union
FDI	Foreign Direct Investment
FI	Financial Institution
IDB	Inter-American Development Bank
LDCs	Less Developed Countries
MDCs	More Developed Countries
MDGs	Millennium Development Goals
mn	million
OCR	Ordinary Capital Resources
SDF	Special Development Fund
SDF(U)	Special Development Fund (Unified)
SFR	Special Funds Resources
TA	Technical Assistance
US	United States of America

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

**The Hon. Michael Foster**  
**The Hon. David J.H. Thompson**  
**The Hon. Alenjandro Andrade Cedeño**

**United Kingdom**  
**Barbados**  
**Italy**

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

**COUNTRY GROUP**

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

**GOVERNOR**

Dr. the Hon. Lowell L. Lewis  
 Chief Minister and Minister of Finance  
 and Economic Development  
 Montserrat

**ALTERNATE GOVERNOR**

Hon. Floyd B. Hall  
 Deputy Premier and  
 Minister of Finance, Economic Planning  
 and National Insurance Board  
 Turks and Caicos Islands

**COUNTRY  
 BARBADOS**

**GOVERNOR**

Hon David J. H. Thompson  
 Prime Minister and Minister of Finance,  
 Labour, Civil Service and Energy

**ALTERNATE GOVERNOR**

Mr. Grantley Smith  
 Director of Finance and, Economic Affairs

**COUNTRY  
 ANTIGUA AND BARBUDA**

**GOVERNOR**

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

**ALTERNATE GOVERNOR**

Mr. Whitfield Harris, Jr.  
 Financial Secretary

**COUNTRY  
 BELIZE**

**GOVERNOR**

Hon. Dean Barrow  
 Prime Minister and Minister of Finance

**ALTERNATE GOVERNOR**

Dr. Carla Barnett  
 Economic and Fiscal Policy Adviser  
 Office of the Prime Minister

**COUNTRY  
 THE BAHAMAS**

**GOVERNOR**

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

**ALTERNATE GOVERNOR**

Mr. Calvin Knowles  
 Managing Director  
 Bahamas Development Bank

**COUNTRY  
 CANADA**

**GOVERNOR**

Hon. Lawrence Cannon  
 Minister of Foreign Affairs

**ALTERNATE GOVERNOR**

Mr. James Haley  
 General Director of the  
 International Trade and Finance Branch  
 Department of finance  
 Canada

**COUNTRY**  
**COLOMBIA**

**GOVERNOR**

Mr. Oscar Ivan Zuluaga  
Minister of Finance and  
Public Credit

**ALTERNATE GOVERNOR**

Mr. José Darío Uribe  
Governor  
Banco de la Republica

**COUNTRY**  
**GUYANA**

**GOVERNOR**

H.E. Bharrat Jagdeo  
Executive President

**ALTERNATE GOVERNOR**

Dr. the Hon. Ashni Singh  
Minister of Finance

**COUNTRY**  
**DOMINICA**

**GOVERNOR**

Hon. Roosevelt Skerrit  
Prime Minister and Minister of Finance  
and Economic Planning and  
Overseas Nationals

**ALTERNATE GOVERNOR**

Mrs. Rosamund Edwards  
Financial Secretary

**COUNTRY**  
**HAITI**

**GOVERNOR**

Hon. Daniel Dorsainvil  
Minister of the Economy and Finance

**ALTERNATE GOVERNOR**

Mr. Raymond Magloire  
Governor  
Central Bank of Haiti

**COUNTRY**  
**GERMANY**

**GOVERNOR**

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

**ALTERNATE GOVERNOR**

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

**COUNTRY**  
**ITALY**

**GOVERNOR**

Hon. Giulio Tremonti  
Minister of the Economy and Finance  
Ministry of the Economy and Finance

**ALTERNATE GOVERNOR**

Mr. Carlo Monticelli  
Dir, Int'l Financial Relations  
Ministry of the Economy and Finance

**COUNTRY**  
**GRENADA**

**GOVERNOR**

Hon. V. Nazim Burke  
Minister of Finance, Economy, Planning,  
Energy, Foreign Trade and Cooperatives

**ALTERNATE GOVERNOR**

Vacant

**COUNTRY**  
**JAMAICA**

**GOVERNOR**

Hon. Audley Shaw  
Minister of Finance  
and the the Public Service

**ALTERNATE GOVERNOR**

Dr. Wesley Hughes  
Director General  
Planning Institute of Jamaica

**COUNTRY**  
**MEXICO**

**GOVERNOR**

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

**ALTERNATE GOVERNOR**

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

**COUNTRY**  
**ST. VINCENT AND THE GRENADINES**

**GOVERNOR**

Dr. the Hon. Ralph Gonsalves  
Prime Minister and Minister of Finance

**ALTERNATE GOVERNOR**

Hon. Sir Louis Straker  
Deputy Prime Minister  
Minister of Foreign Affairs,  
Commerce and Trade

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

**GOVERNOR**

Mr. Zhou Xiaochuan  
Governor  
People's Bank of China

**ALTERNATE GOVERNOR**

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

**COUNTRY**  
**TRINIDAD AND TOBAGO**

**GOVERNOR**

Senator the Hon. Dr. Emily Gaynor Dick-Forde  
Minister of Planning, Housing  
and the Environment

**ALTERNATE GOVERNOR**

Mr. Ewart Williams  
Governor  
Central Bank of Trinidad and Tobago

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

**GOVERNOR**

Dr. the Hon. Denzil Douglas  
Prime Minister and Minister of Finance'  
Information, Technology, Sustainable Development,  
Tourism, Sports and Culture

**ALTERNATE GOVERNOR**

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

**COUNTRY**  
**UNITED KINGDOM**

**GOVERNOR**

Tthe Rt. Hon. Douglas Alexander  
Secretary of State for International Development  
Department for International Development

**ALTERNATE GOVERNOR**

Hon. Michael Foster, M.P.  
Parliamentary Under-Secretary of State for  
Regional Development Banks  
Department for International Development

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

**GOVERNOR**

Hon. Stephenson King  
Prime Minister and Minister for Finance

**ALTERNATE GOVERNOR**

Mr. Isaac Anthony  
Permenant Secretary/Director Finance  
Ministry of Finance, International Financial Services  
and Economic Affairs

**COUNTRY**  
**VENEZUELA**

**GOVERNOR**

Mr. Alejandro Andrade Cedeño  
President  
Venezuelan Economic and Social Development Bank  
(BANDES)

**ALTERNATE GOVERNOR**

Mr. Francisco Arias Cardenas  
Vice Minister for Latin America  
Ministry of Popular Power for Foreign Affairs

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

**CHAIRMAN**

Dr. Compton Bourne

<b>DIRECTOR</b>	<b>ALTERNATE</b>	<b>COUNTRY OR GROUP OF COUNTRIES</b>
Mrs. Rose Lemonius-Stewart	Miss Sidjae Robinson	Jamaica
Mr Joseph Howard	Mr. Vashnu Dhanpaul Mr. Hancy Pierre-Louis (Adviser)	Trinidad and Tobago and Haiti
Mrs. Ruth R. Millar	Mr. Calvin Knowles	The Bahamas
Mr. Neermal Rekha	Mr. Keith Burrowes	Guyana
Mrs. Juanita Thorington-Powlett	Mr. Seibert Fredrick	Barbados
Mrs. Rosamund Edwards	Mr. Isaac Anthony	St. Lucia and Dominica
Mr. Maurice Edwards	vacant	Grenada and St. Vincent and the Grenadines
Mrs. Yvonne Hyde	Mr. Carl Harrigan	Belize, Anguilla, British Virgin Islands, Montserrat, and Turks and Caicos Islands
Mrs. Janet Harris	Mr. Whitfield Harris, Jr.	Antigua and Barbuda and St. Kitts and Nevis
Mr. Alberto de Brigard	Mr. Adolfo Meisel Roca	Colombia
Mr. Luis Arias	Mr. Carlos Pérez	Venezuela
Ms. Claudia Grayeb Bayata	Mr. Israel Camacho Bahena	Mexico
Mr. Douglas Williams	Ms. Lynne Racine	Canada
Ms. Elizabeth Carriere	Mr. Cedrik Schurich	United Kingdom
Mrs. Ludovica Soderini	Mr. Gaetano D'Onofrio	Italy
Mr. Holger Illi	Mr. Hady Riad	Germany
Ms. Jin Qi	Ms. Wang Lin	People's Republic of China

## PRINCIPAL OFFICERS of CDB

(As at December 31, 2008)

### OFFICE OF THE PRESIDENT

President

**DR. COMPTON BOURNE**

Deputy Director, Evaluation and Oversight

**MISS ANNE BRAMBLE**

### FINANCE and CORPORATE SERVICES

Vice-President

**MR. NEVILLE GRAINGER**

Director, Finance and Corporate Planning

**DR. WARREN SMITH**

Deputy Director, Finance

**MR. DENNIS SMELLIE**

Deputy Director, Corporate Planning

**MR. ADRIAN DEBIQUE**

Director, Information and Technology Solutions

**MR. MARK TAITT**

Deputy Director, Information and Technology Solutions

**DR. KATHLEEN GORDON**

Director, Human Resources and Administration

**MR. FRANK SAMPSON**

Deputy Director, Human Resources

**MISS JENNIFER COURTENAY**

General Counsel

**VACANT**

Deputy General Counsel

**MRS. YVETTE LEMONIAS-SEALE**

### OPERATIONS

Vice-President

**MR. P. DESMOND BRUNTON**

Director, Economics

**DR. DENNY LEWIS-BYNOE**

Director, Projects

**MR. CARLSON GOUGH**

Division Chief, Social Sector

**MRS. YVONNE MOSES GRANT**

Division Chief, Economic Infrastructure

**MRS. TESSA WILLIAMS-ROBERTSON**

Division Chief, Private Sector Development

**MR. C. J. ALFRED HELM**

Division Chief, Project Services

**MR. NORMAN CAMERON**

<b>COUNTRY</b>	<b>DEPOSITORY</b>	<b>CHANNEL</b>
Anguilla	*ECCB	Permanent Secretary, Finance
	P.O. Box 89	Office of the Permanent Secretary, Finance
	Headquarters Building	P.O. Box 60
	Basseterre	The Valley
	St. Kitts and Nevis	Anguilla
Antigua and Barbuda	ECCB	Permanent Secretary
	P.O. Box 89	Ministry of External Affairs and Defence
	Headquarters Building	St. John's
	Basseterre	Antigua and Barbuda
	St. Kitts and Nevis	
The Bahamas	Central Bank of The Bahamas	Financial Secretary
	P.O. Box N-4868	Ministry of Finance and Planning
	Nassau	P.O. Box 3017
	The Bahamas	Nassau
		The Bahamas
Barbados	Central Bank of Barbados	Director of Finance and Economic Affairs
	P.O. Box 1016	Ministry of Finance
	Bridgetown	Government Headquarters
	Barbados	Bay Street, St. Michael
		Barbados
Belize	Central Bank of Belize	Permanent Secretary
	P.O. Box 852	Ministry of National Development
	Belize City	P.O. Box 42, Administrative Building
	Belize	Belmopan
		Belize

\*Eastern Caribbean Central Bank

<b>COUNTRY</b>	<b>DEPOSITORY</b>	<b>CHANNEL</b>
British Virgin Islands	ECCB	Financial Secretary
	P.O. Box 89	Ministry of Finance
	Headquarters Building	Central Administration Building
	Basseterre	Road Town
	St. Kitts and Nevis	Tortola British Virgin Islands
Canada	Bank of Canada	President
	234 Wellington Street	Canadian International Development Agency
	Ottawa	200 Promenade du Portage
	Canada	Hull, Quebec K1A 0G4 Canada
Cayman Islands	ECCB	Financial Secretary
	P.O. Box 89	Office of the Financial Secretary
	Headquarters Building	Portfolio of Finance and Economic Development
	Basseterre	Government Administration Building
	St. Kitts and Nevis	George Town, Grand Cayman Cayman Islands
Colombia	Banco de la Republica	General Manager
	Carrera 7a, Numero 14-18	Carrera 7a, Numero 14-18
	Oficina Principal	Oficina Principal
	Bogota	Bogota
	Colombia	Colombia
Dominica	ECCB	Financial Secretary
	P.O. Box 89	Ministry of Finance, Industry and Planning
	Headquarters Building	Government Headquarters
	Basseterre	Kennedy Avenue
	St. Kitts and Nevis	Roseau Dominica

<b>COUNTRY</b>	<b>DEPOSITORY</b>	<b>CHANNEL</b>
Germany	Deutsche Bundesbank P.O. Box 10 06 02 Wilhelm-Epstein Strasse 14 Postfach 12 03 22 Deutschland	Bundesministerium für Wirtschaftliche Zusammenarbeit und Entwicklung(BMZ) Referat 402 D-53045 Bonn Deutschland
Grenada	ECCB P.O. Box 89 Headquarters Building Basseterre St. Kitts and Nevis	Permanent Secretary Ministry of Finance St. George's Grenada
Guyana	Bank of Guyana Avenue of the Republic Georgetown Guyana	Secretary to the Treasury Ministry of Finance P.O. Box 1073 Georgetown Guyana
Haiti	Banque de la République d'Haiti BP 1750 Rue des Mirades Port-au-Prince Haiti	Ministry of Economy and Finance 204, Palais des Ministères Rue Mgr. Guilloux Port-au-Prince Haiti
Italy	Bank of Italy Casella Postale 2484 00100 Rome Italy	Ministry of the Economy and Finance Via XX Settembre Rome Italy
Jamaica	Bank of Jamaica P.O. Box 621 Kingston Jamaica	Financial Secretary Ministry of Finance and Planning 30 National Heroes Circle Kingston 4 Jamaica

<b>COUNTRY</b>	<b>DEPOSITORY</b>	<b>CHANNEL</b>
Mexico	Banco de Mexico, S.A. Subgerencia de Control de Operaciones Area Internacional Edificio Guardiola, 2do Piso 0659 Mexico, D.F. Mexico	Director General of International Affairs Secretariat of Finance and Public Credit Plaza de la Constitucion No. 1 Palacio Nacional Cuarto Piso, Oficina 4037 Co. Centro., CP 06000 Mexico D.F. Mexico
Montserrat	ECCB P.O. Box 89 Headquarters Building Basseterre St. Kitts and Nevis	Financial Secretary Ministry of Finance, Economic Development and Trade Government Headquarters Brades Montserrat
People's Republic of China	International Department People's Bank of China 32 Cheng Fang Street West District Beijing 100800 China	CDB Desk Economist Division for International Financial Institutions International Department People's Bank of China 32 Cheng Fang Street West District Beijing 100800 China
St. Kitts and Nevis	ECCB P.O. Box 89 Headquarters Building Basseterre St. Kitts and Nevis	Director Planning Unit of St. Kitts P.O. Box 186 Basseterre St. Kitts and Nevis

<b>COUNTRY</b>	<b>DEPOSITORY</b>	<b>CHANNEL</b>
St. Lucia	ECCB P.O. Box 89 Headquarters Building Basseterre St. Kitts and Nevis	Director Finance Ministry of Finance and Economic Affairs Treasury Building Castries St. Lucia
St. Vincent and the Grenadines	ECCB P.O. Box 89 Headquarters Building Basseterre St. Kitts and Nevis	Director of Finance and Planning Ministry of Finance P.O. Box 608 Kingstown St. Vincent and the Grenadines
Trinidad and Tobago	Central Bank of Trinidad and Tobago P.O. Box 1250 Port of Spain Trinidad and Tobago	Permanent Secretary Ministry of Finance Eric Williams Finance Building Eric Williams Plaza Independence Square Port of Spain Trinidad and Tobago
Turks and Caicos Islands	First Caribbean Int'l. Bank Main Branch Grand Turk Turks and Caicos Islands	Permanent Secretary/Finance Ministry of Finance Front Street Grand Turk Turks and Caicos Islands
United Kingdom	Bank of England Threadneedle Street London EC2R 8AH England	Department for International Development 94 Victoria Street London SW1E 5JL England

**COUNTRY**

Venezuela

**DEPOSITORY**

Banco Central de Venezuela

Av. Urdaneta

Esquina Las Carmelitas

Caracas

Venezuela

**CHANNEL**

President

Venezuelan Economic and Social

Development Bank

Avenida Universidad

Traposos as Colón

Torre BANDES, Piso 7

Caracas 1010

Venezuela