CARIBBEAN DEVELOPMENT BANK

Annual Report 2012

THE CARIBBEAN DEVELOPMENT BANK (CDB) is a regional financial institution established by Agreement signed in Kingston, Jamaica, in 1969. It has a membership of 26 countries consisting of 18 regional borrowing members, three regional non-borrowing members and five non-regional non-borrowing members. Its founders included 16 English-speaking Caribbean countries as regional borrowing members, Canada and the United Kingdom as non-regional non-borrowing members. 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.

Of its 18 Borrowing Member Countries (BMCs), 13 are designated LDCs: Anguilla, Antigua and Barbuda, Belize, British Virgin Islands, Cayman Islands, Dominica, Grenada, Haiti, Montserrat, St. Kitts and Nevis, St. Lucia, St. Vincent and the Grenadines, Turks and Caicos Islands.

The Bahamas, Barbados, Jamaica, Guyana and Trinidad and Tobago are designated as More Developed Countries. The Bank's only non-English-speaking borrowing member is Haiti.

Colombia, Mexico and Venezuela are the regional non-borrowing members. Canada, People's Republic of China, Germany, Italy, and United Kingdom are non-regional, non-borrowing members.

MISSION STATEMENT

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

Note: $ used throughout refers to US dollars, unless otherwise indicated.

Wildey, St. Michael
Barbados, West Indies
March 21, 2013

Dr. The Honourable Kenny Anthony
Chairman
Board of Governors
Caribbean Development Bank

Dear Chairman:

I enclose the Annual Report of the Caribbean Development Bank for the year ended December 31, 2012, 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,

Wm. Warren Smith, Ph.D.
President

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PRESIDENT'S REVIEW

In 2012, there were modest but encouraging improvements in the Region's economic performance, for the second successive year. Belize and Guyana were the leaders, recording GDP growth of 5% and 3.3%, respectively. In most of the other Borrowing Member Countries (BMCs), growth was marginal or flat. CDB continued to emphasise that higher levels of growth is key to the sustainable development of the Region's economies.

Several BMCs made significant efforts at fiscal consolidation. Through new policy measures to expand revenue and contain expenditure growth, these BMCs also experienced lower fiscal deficits. In ongoing dialogue with the BMCs, CDB will continue to stress the importance of policies to generate fiscal surpluses and provide our economies the buffer needed to cope with exogenous shocks.

Consistent with the Bank's focus on enhancing development effectiveness, our programmes continued to emphasise initiatives to reduce vulnerability and provide BMCs with new coping mechanisms. Therefore, while total approvals of remained relatively stable at around $163 mn, there was a noticeable shift in emphasis towards community-driven, capacity building and other projects with a high poverty-reduction focus. We also made a major intervention in the area of citizen security through a youth and community transformation project in Belize.

Our ability to finance community-driven and other eligible sub-projects was significantly enhanced with Board approval of $46 mn for BNTF 7, the Bank's flagship poverty-reduction programme. Evaluations of the programme have shown that we were able to reach an estimated 70,000 beneficiaries in BNTF 5, and about 82,000 under BNTF 6. In BNTF 7, we expect to have increased impact in the areas of education and training; water and sanitation; and small transportation infrastructure, particularly in poor and underserved communities.

During the year, we implemented some key internal adjustments to improve the efficacy and effectiveness of Bank operations. We undertook fundamental changes in our risk management framework to improve resilience and creditworthiness. This followed decisions by two international rating agencies to downgrade the Bank's credit rating. Their decisions were influenced by the uncertain global environment; limits on the Region's ability to respond to exogenous shocks; declining creditworthiness of some BMCs; and the application of new rating criteria in the evaluation of multilateral lending institutions.

We reviewed the Bank's Managing for Development Results agenda, and developed an action plan to improve the results focus of our operations.

We strengthened existing partnerships and forged new ones with bilateral, multilateral and regional institutions which have similar interests in helping the Region to deal with issues of vulnerability. In this regard, noteworthy developments during the year included:

(a) the signing of two agreements between the European Union and CDB to manage the Economic Partnership Agreement (EPA) Facility and the CARICOM Single Market and Economy (CSME) Standby Facility;

(b) The launch of the Caribbean Growth Forum by the World Bank, Inter-American Development Bank, and CDB, in collaboration with the Canadian International Development Agency (CIDA) and the United Kingdom's Department for International Development; and

(c) The acceptance by CDB of a contribution from the United Kingdom Government in support of the Community Disaster Risk Reduction Fund. This Fund was established in 2012 with a contribution by the Government of Canada, through CIDA.

A major highlight of the Bank's 2012 work programme was the near completion of negotiations with Contributors for the Eighth Replenishment of the Special Development Fund (Unified) (SDF) (U) to support interventions which promote inclusive and sustainable growth; environmental sustainability and climate change; citizen security; and regional cooperation and integration. Gender equality, together with environmental sustainability and climate change, will be important cross-cutting themes for the new SDF. In addition, capacity building to strengthen good governance, will provide the underlying foundation for the entire programme.

We expect that 2013 will bring new and different challenges for the Bank and its BMCs. With the unwavering support of every member country, CDB will continue its efforts to build a more resilient, sustainable and secure Caribbean.

Wm. Warren Smith, Ph.D.
President

Early childhood development is an essential feature of CDB's social promotion programmes in the BMCs

PART I

THE CARIBBEAN ECONOMIES IN 2012

INTERNATIONAL ECONOMIC DEVELOPMENTS

Global Recovery Failed To Take Off In 2012

Growth in the global economy weakened in 2012 (3.2%, compared with 3.9% in 2011), resulting from depressed and, in many cases, declining economic performance in the major developed countries. Europe experienced a second recession in three years. There was just 1.3% growth in the developed economies, trailing the global average. Output in the developing economies expanded by 5.1% (6.3% in 2011).

In the Euro-Area, growth was undermined by the sovereign debt crisis, unsustainable fiscal balances and robust austerity measures; financial sector instability; and record levels of unemployment (11.7% in December). Output contracted by 0.4%. In the United States (US), output expansion was sluggish - 2.3%, partly reflecting uncertainty engendered by the protracted negotiations over the continuation of previously approved fiscal measures (the fiscal cliff). This further weakened market sentiments and adversely impacted investment decisions.

The slowdown in the advanced economies set the tone for the rest of the global economy. Consequently, output growth in developing countries and emerging markets either slowed appreciably or declined in direct response to weak market demand for their goods and services.

In Asia, growth was estimated at around 6.6% in 2012, compared with 8.0% in 2011. China's overall growth of 7.8%n 2012 was the weakest since 1999. Meanwhile, economic activity in India suffered a decline in private investment stemming from macroeconomic uncertainties created after implementation of structural reform agenda.

Real Gross Domestic Product (GDP) growth also decelerated in Latin America and the Caribbean (LAC) to around 3% in

In all of CDB's BMCs, fish stocks are a critical component of national food security

2012, precipitated primarily by continuing weaknesses in key trading partners.

The slowdown in global economic activity and concomitant demand slack in many advanced economies tempered inflationary pressures. Lower commodity prices led to reduced headline inflation (including food and energy prices) to around 1.9% in 2012, down from 2.7% in 2011. In emerging markets and developing economies headline inflation declined by almost 2 percentage points to slightly under 5.5%.

Financial Markets Remained Wary

The implementation of several policy initiatives led to significant improvement in the global financial markets, particularly during the second half of 2012. A consensus was finally reached regarding the creation of a Pan-European Banking Supervisory Agency, as well as the formation and funding of a Pan-European institution with powers to provide support and bail out European economies. The recapitalisation of banks in Europe and the US, together with the expansionary monetary policy stance of the major economies also contributed to the return of investor confidence in the global financial markets. Nevertheless, continuing weak fiscal profiles led to credit downgrades among a number of developed countries, including Greece, Spain, Italy and Portugal.

2013 Outlook Cautiously Optimistic

Considerable uncertainty remains and the projections for 2013 are less sanguine. World output is projected to increase by 3.3% even though the forecast is for economic activity in the US to slacken and for the Euro-Area to remain in recession. A US rebound is uncertain and the risk of a policy-induced recession remains real unless mitigated by appropriate adjustments to address the unsustainable public finance and debt situation. Similarly, the crisis in the Euro-Area remains delicately poised, requiring further fundamental structural changes and the right policy mix to address fiscal consolidation, unsustainable public debt levels, banking sector instability, the low-growth trap, and rising unemployment. Economic activity in emerging markets and developing countries is forecast to pick up, but not to attain the high levels reached in 2010-11. Momentum is expected to come from developing Asia, in particular China and India, where growth is projected to reach 8.0% and 5.7%, respectively. Latin America will also provide some impetus. Most notably, targeted fiscal spending and ongoing monetary policy accommodation are forecast to spur growth of 3.0% in Brazil, up from just over 1% a year earlier.

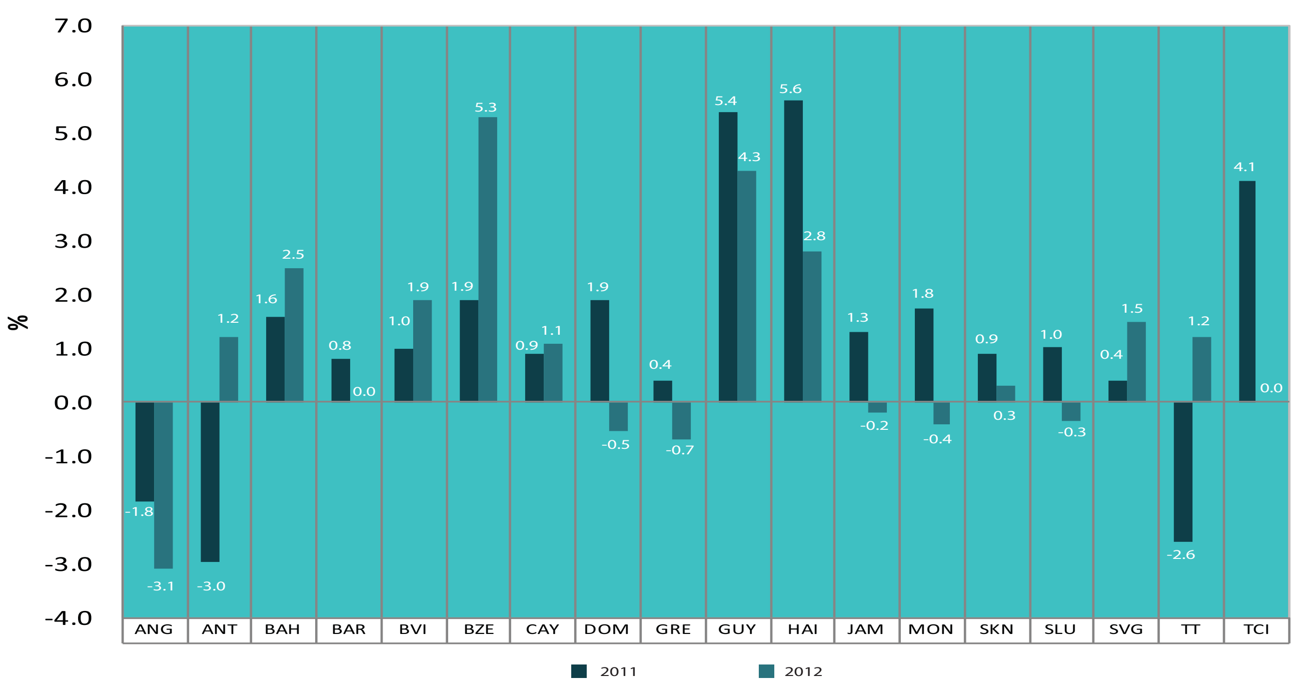
REGIONAL ECONOMIC DEVELOPMENTS

Growth Performance Weakened

The Region continued to struggle to find its economic footing as average output growth slipped to 1.0% in 2012 compared with 1.2% a year earlier. Growth stalled in nine BMCs, with Anguilla, Dominica, Grenada, St. Lucia, Montserrat and Jamaica recording actual decreases in economic activity. Output decline was associated with a falloff in private investment, alongside fiscal consolidation and a concomitant reduction in capital expenditure outlays.

Belize (5%) and Guyana (3.3%) were the Region's top growth performers, supported by strong outturns in agriculture and mining,

FIGURE I
REAL GDP GROWTH (%) 2011 and 2012



respectively. Increases in GDP were also recorded in The Bahamas, BVI, Haiti, Trinidad and Tobago. However, output in the East Caribbean Currency Union countries as a group contracted by 0.71%.

Mixed Tourism Growth

The modest recovery in main source markets, coupled with stronger destination marketing, provided impetus to the tourism sector in 2012. Arrivals from Europe remained depressed, with only four countries reporting increases from this source. Long-stay visitors increased, with very strong performances in Guyana (17%) and Belize (10%), and modest ones in others, including Antigua and Barbuda, The Bahamas, and Jamaica. There were declines in Grenada, Anguilla, and St. Lucia. This reflected a combination of reduced airlift, particularly out of the US; contraction in the UK economy; and the adverse effects of the Air Passenger Duty on flights out of the UK. The 2012 Olympic Games in London, and the run-up to the US Presidential Elections also had significant dampening effects on North-South travel over the period. In addition, high cost continued to adversely impact intra-regional travel.

Cruise passenger arrivals to destinations in the Southern Caribbean continued to be severely affected by the redeployment of several cruise vessels, particularly during the summer months, to more lucrative markets in Australia, New Zealand and the Mediterranean. As a consequence, apart from The Bahamas, the Cayman Islands, and Jamaica which registered growth ranging from 6.1% to 20.8%, most BMCs recorded falloffs in excess of 10% over the first 11 months of 2012.

Construction Activity Weak

Constrained by relatively low FDI inflows and weak public sector financing, construction activity was generally subdued. FDI in the Region has declined sharply since the global economic crisis unfolded: from around $6.8 bn in 2008, net FDI to CDB's BMCs dropped to around $2.7 bn by 2011.

FIGURE II
STAYOVER VISITORS ANNUAL (%) GROWTH 2011 and 2012

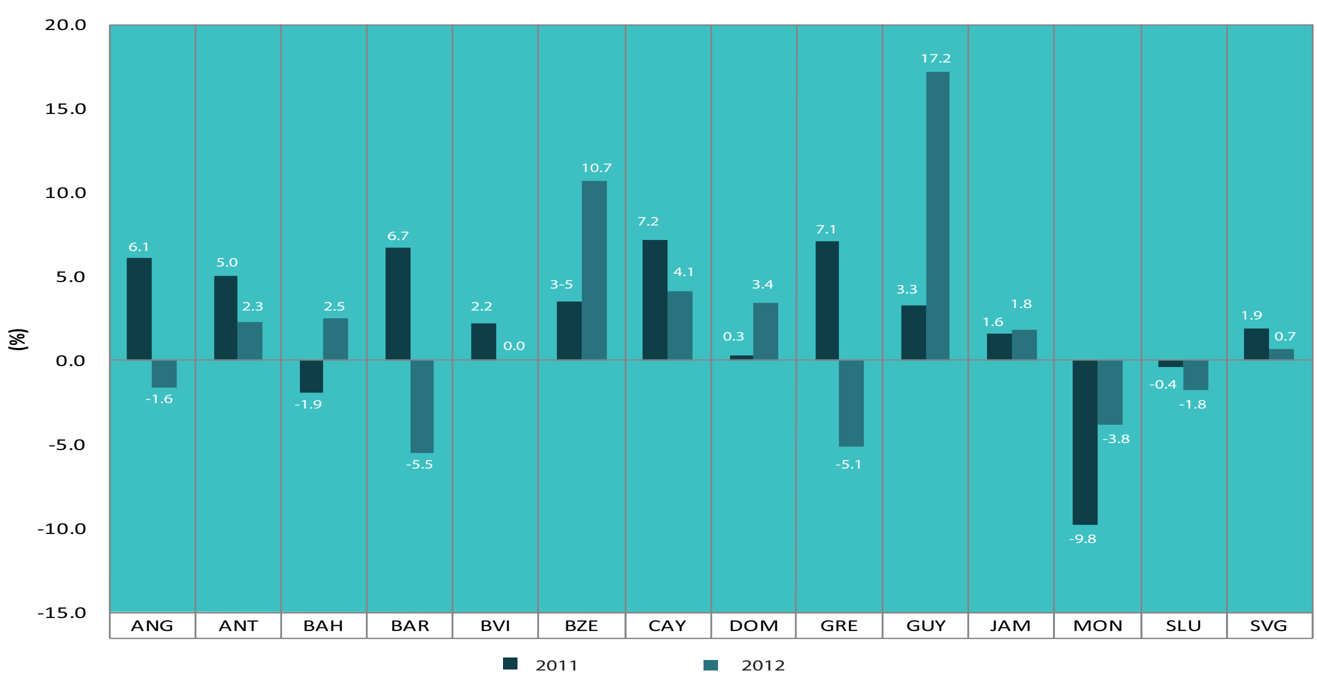
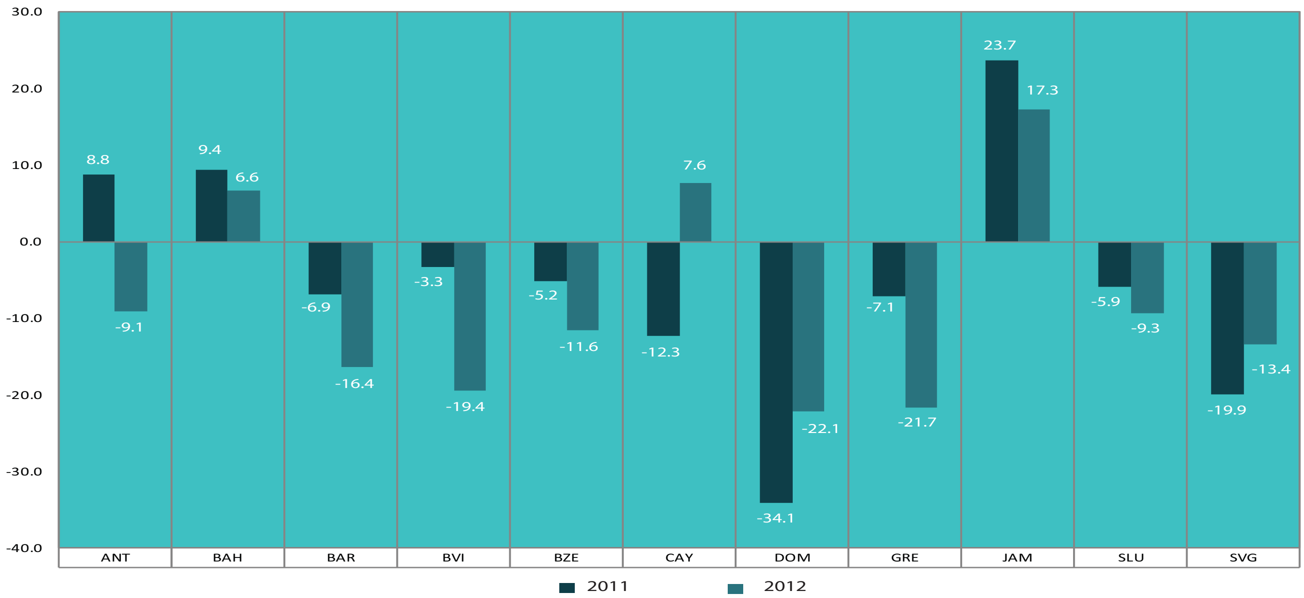


FIGURE III
CRUISE PASSENGER ARRIVALS (%) GROWTH 2011 and 2012



Construction activity which slowed because of low FDI inflows was partly dependent on CDB financing and domestically generated resources.

Preliminary data suggest little upward movement in 2012.

General Improvement in Agriculture

For the most part, the agriculture sector performed creditably in 2012. Belize and Guyana, the principal producers in the Region, registered relatively strong gains in sugar production, notwithstanding an unsettled industrial climate, particularly in Guyana, which led to work stoppages during the year. The sector expanded by 26.5% in Belize on account of robust citrus and bananas output, while Grenada benefited from a 20.3% increase in cocoa production for the first six months of the year. In St. Lucia, the sector was characterised by strong growth as the post-hurricane Tomas recovery, coupled with increased investment in fertilisers and other critical inputs, continued to pay dividends. In contrast, output in some BMCs was adversely affected by weather-related factors, including hurricane Sandy, which impacted production, particularly in Jamaica and Haiti, during the latter half of the year. In Trinidad and Tobago, excessive rainfall, pest infestation, increased cost of some livestock, and competition from cheaper imports resulted in a 4.9% decline in agricultural output.

Mixed Performances in Manufacturing and Mining

The Region continued to struggle with competitiveness issues in the manufacturing sector, with notable output declines in Barbados, Jamaica and Trinidad and Tobago. There was a rebound of soap production in Dominica. Light manufacturing, particularly electronic components production in St. Kitts and Nevis, was boosted by increased US demand. In Guyana, agro-processing in the manufacturing/milling activity expanded as rice output rose to record levels and production of rum and non-alcoholic beverages increased.

The mining sector's performance was generally weak, with most of the Region's main producers registering declines in 2012. In Jamaica, supply interruptions precipitated by mechanical problems at two plants led to a significant reduction in average capacity utilization and a concomitant 9% reduction in bauxite production. In Guyana however, solid performances in bauxite and gold led to a 32% increase in production. Bauxite performance was attributable to an increase in international demand while favourable international prices supported gold production. Meanwhile, Belize and Trinidad and Tobago recorded a petroleum-induced slump.

Price Increases Slowed; Unemployment High

Declining global commodity prices, weak consumer demand and few supply disruptions in the agriculture sector were primarily responsible for the relatively slower increase in prices in 2012. Unemployment, which has crept up since the crisis unfolded, remained elevated. Private sector employment was hard hit by still-sluggish external demand; weak foreign investment; and lingering uncertainty both at home and abroad.

Financial Sector Stayed Stable

The financial system was characterised by relatively soft credit demand; increased deposit growth; and high levels of liquidity. Notwithstanding the marginal increase in non-performing loans, the financial system in most BMCs remained generally well capitalised, with prudential indicators consistent within industry norms. On the other hand, weaknesses in the ECCU's financial sector remained on account of the knock-on effects of the continuing softness in the economies of the Currency Union which kept commercial banks' non-performing loans high and which

Small-scale retailers in Grenada will benefit from the Grenville Market project in Grenada.

CDB's social enhancement programmes establish centres for improved community health such as in Grand Riviere St. Lucia.

led to some impairment of capital. The focus remained on addressing sector vulnerabilities and undertaking urgent reforms to safeguard financial soundness and integrity, including the creation of a single financial space. While progress on many of these reforms was mixed, resolution efforts advanced for an insolvent bank that was placed under conservatorship in 2011.

Fiscal Outturns Improved Generally… but Capital Expenditure Reduced

Based on preliminary data for 2012, fiscal outturns, on average, were mixed but BMCs showed improvement. Several countries continued their efforts at fiscal consolidation. Overall deficits ranged from 1% to 5.5% of GDP in 2012, compared with 3% to 7% in 2011. Concerns remained about the sustainability of public finances, especially with at least 10 BMCs reporting debt-to-GDP ratios above 60%. Barbados' high debt levels and delays in dealing with rapid debt accumulation triggered credit downgrades during the year. Concerns about a weakening fiscal position prompted Jamaican authorities to take new policy measures to raise revenues and curtail expenditure growth. Also, shortfalls in grants and external loan financing, coupled with an increase in current expenditure on debt service payments, led to acute liquidity difficulties in Grenada. Attempts to provide fiscal stimulus through tax concessions and exemptions, and through employment creation programmes, resulted in widening overall balances and precipitated an uptick in St. Lucia's debt-to-GDP ratio. On the other hand, Antigua and Barbuda and St. Kitts and Nevis made progress with their IMF-supported adjustment programmes, having satisfied agreed fiscal and structural targets. Meanwhile, the authorities in Belize were, towards yearend, renegotiating with creditors the terms of a super bond.

In the Overseas Territories, UK-stipulated restrictions on borrowing, in order to balance budgets and restore compliance with fiscal and debt prudential limits, led to more favourable fiscal outcomes. During 2012, the UK moved to further anchor fiscal discipline as part of public finance management laws. Its broader

Framework for Fiscal Responsibility places emphasis on medium-term fiscal frameworks, stricter management of liabilities, improved project appraisal and evaluation, and more transparent procurement practices.

Outlook Positive But Still Subdued

The macroeconomic outlook for the Region is conditioned largely by developments in the international economy. Two additional sets of issues - improving international competitiveness and debt sustainability - will also shape the near-term outlook. Tourism dependent economies will have to pay careful attention to airlift logistics and balancing the deployment of marketing efforts between traditional, new and potential markets. The Region will have to be creative and collaborative in leveraging its combined efforts in accessing new source markets. Increasing competitiveness through sustained efforts to enhance service quality; reduce crime; and reduce cost of intra-regional travel will also be important.

Developments with respect to international business and the potential fallout from the imposition of the US Foreign Account Tax Compliance Act represent a downside risk to growth in some BMCs. In 2013, the US Treasury Department will engage the Caribbean and other jurisdictions in active dialogue towards concluding inter-governmental agreements to improve international tax compliance. A regional approach should be contemplated to mitigate the potential fallout in the sector.

The manufacturing sector is also facing additional challenges as subsidies being given to US-based rum producers could pose a major threat to the future viability of the sector.

Beyond these issues, the Region must pay close attention to avoiding its own "fiscal cliff" through a gradual but deliberate reduction of its mounting debt stock. In at least seven BMCs, debt levels are projected to be unsustainable. Anchoring investor confidence, both at home and abroad, will require governments to take corrective policy action. The fiscal policy agenda must include measures that can lead to improvements in tax yields by reassessing the range of exemptions and concessions being offered and by improving compliance and collection of arrears. Improvements in expenditure management systems should increase the focus on projects and programmes with high development impact and cost minimisation.

Growth in the Region is cautiously expected to be positive. Supported by stepped-up public sector investment and gains in agriculture, Guyana is forecast to lead the way with real GDP projected at around 5%. Haiti is also expected to register strong growth on account of reconstruction efforts, together with improvements from gains in the manufacturing and agriculture. Moderate growth of 1-2% is projected for most of the member countries of the Organisation of Eastern Caribbean States, reflecting ongoing efforts at fiscal consolidation. Marginal growth of less than 1% is projected for Barbados on the basis of an uptick in tourism based on anticipated growth in major markets, while in Jamaica, the outcome of IMF negotiations, which has the potential to release resources from other multilaterals, could boost output. In the OTs, growth is also expected to be positive based on the projected sustained recovery in offshore business activity, together with a pickup in leisure activity in 2013.

PART II
CARIBBEAN DEVELOPMENT BANK OPERATIONS IN 2012

CDB headquarters

INTRODUCTION

In 2012, CDB's operations continued to be influenced by the lingering effects of the global economic and financial crisis. As a consequence of the difficult economic environment, reduced fiscal space for undertaking capital expenditure, and strict control over public sector spending across the Region, demand for CDB financing declined, as had occurred in 2011. Loan approvals were $104 mn, and loan disbursements $85 mn, compared with $144 mn and $167 mn, respectively for the previous year.

The financing approvals supported a range of activities: road rehabilitation and upgrade (Guyana and St. Vincent and the Grenadines); education sector reform to enhance human capital (Belize); student loans (Jamaica); water and sewerage (Belize and Dominica) and disaster rehabilitation and emergency relief (The Bahamas, Dominica, Haiti and St. Lucia). The Bank's activities in part reflected its focus on supporting the BMCs' course towards the Millennium Development Goals of eradicating hunger and poverty; attaining universal primary education, gender equality and women's empowerment; reducing children's deaths, delivering better maternal health; combating major diseases; promoting environmental sustainability; and strengthening the global partnership for development.

The largest loan in 2012, for $34.2 mn, was made to Guyana for road improvement, and followed one of nearly $16.3 mn in 2010. A TA loan for $3.6 mn was approved to assist Barbados to improve the efficiency and effectiveness of revenue administration through the establishment of a Central Revenue Authority. A $5.2 mn loan and $105,000 grant were approved for Youth and Community Transformation in Belize.

Uncertainty in the global environment,

tentative economic growth across the Region, and declining creditworthiness of some of the BMCs were among major concerns raised by international credit rating agencies and influenced the credit downgrades of CDB by two of the leading agencies. Providing responses to concerns raised by the credit rating agencies about risk and risk management in CDB dominated the attention of Bank management during the year. The Bank moved swiftly to put in place a comprehensive risk management framework, including creating the supporting institutional framework and building internal capacity in that area.

PROGRAMMES AND INITIATIVES

(A) Enhancing Disaster Risk Management and Safeguards: Strengthening Environmental Sustainability

Natural hazards pose the gravest danger to the BMCs. Too often, limited resources earmarked for further development have to be diverted to finance reconstruction and restoration of infrastructure. The negative impact includes loss of revenue to maintain economic and social programmes and meet financial obligations. Overall, $14.75 mn in loans and grants was approved in 2012 for environmental, disaster and climate change-related projects throughout the Region. It is estimated that since 1988, major natural hazards have caused $18 bn in direct damage in 17 of the BMCs, including Haiti. In addition, the challenges posed by climate variability and climate change make adaptation to, and mitigation of, current and anticipated climate threats imperative if sustainable national development objectives are to be attained.

In addition to providing financing towards environmental sustainability, including disaster risk management and climate change, CDB approved a Climate Resilience Strategy for 2012-2017. Its objective is to enhance the resilience of Bank-financed investments to climate change impacts and to strengthen the capacity of BMCs and regional institutions to mobilise financing, design, and implement policies, strategies and investment programmes to address climate resilience, and deliver on their sustainable development objectives.

CDB's capacity in this area was further strengthened through a DFID-financed project with the Caribbean Community Climate Change Centre (5Cs) which provided for a Climate Finance Advisor and adaptation mainstreaming support, located in CDB, for the benefit of both institutions.

CDB also financed TA projects for Anguilla and Dominica to improve institutional and legislative frameworks for environmental governance and effective and coordinated land use planning and environmental conservation, protection and management; and to the St. Lucia Development Bank to strengthen its due diligence for the appraisal of environmental and social factors of credit lines. Approval was given for the establishment of a $23 mn multi-donor Trust Fund which will provide financing for activities to reduce natural hazard and climate change-associated risks to vulnerable populations at the community level during 2013 to 2018. CDB also approved TA to support enhanced mainstreaming of disaster risk management at the OECS Secretariat and in OECS member countries. (See Box 1).

CDB's focus on the continuous upgrading of skills and competencies of its Staff as well as personnel throughout the Region was again evident in 2012. In this regard, the Bank maintained full engagement with other development institutions on environmental sustainability issues. At a workshop on carbon financing, funded by CDB and the World Bank Institute and co-hosted with the OECS Secretariat, the immediate beneficiaries were 40 senior technical specialists from the Ministries of Finance, Environment and Planning in the OECS, as well as from Jamaica and regional organisations. The participants were exposed to financing mechanisms appropriate for climate change adaptation, mitigation and other low carbon initiatives, and introduced to "best practice" methodologies used to establish cost and benefits of adaptation and mitigation in the preparation and appraisal of investment projects.

Box 1: Strengthening Disaster Risk Reduction Community Planning Capacity in the OECS

The Mainstreaming Disaster Risk Management project in the Organisation of Eastern Caribbean States (OECS) was financed by CDB ($136,000) in collaboration with the IDB ($251,000). The specific objectives of the technical cooperation were to strengthen institutional capacity of the OECS Member countries and its Secretariat in community-based disaster risk management; and to enhance disaster resilience in vulnerable, low-income communities. The project concluded in August 2012 and achieved the following outcomes:

(i) Appropriate methodology for multi-hazard risk reduction in low-income communities;

(ii) OECS Community Vulnerability Benchmarking Tool; and

(iii) Multimedia Disaster Risk Reduction toolkit and Step-by-Step Manual on how to use new line resources within the toolkit.

The multi-hazard risk reduction and Community B-Tool were applied/piloted in two communities, one each in Anguilla and St. Kitts and Nevis. Activities were undertaken in collaboration with existing active community organisations. A total of 72 community residents and national representatives benefitted from basic training in Hazard Mapping; Vulnerability Analysis; Mitigation Planning; and Hazard-proofing through Housing Retrofitting and Safe Construction Techniques. Basic hazard maps and disaster risk reduction action plans were developed for each community.

The national emergency management offices as well as each participating community now have the following: pertinent information on risk profile; maps of hazard-prone areas within the communities; a community action plan which provides a structured approach to assist with reducing disaster risks; and some basic training to demonstrate practical and simple solutions to reduce these risks.

The OECS Secretariat and the participating institutions in Anguilla and St Kitts and Nevis are now equipped to identify and resolve some implementation challenges with community-based disaster risk management. They have a structured methodology to support community level disaster risk reduction planning that can be replicated nationally and across the OECS sub-region.

There was further action on capacity strengthening in 2012 when the World Bank Institute conducted two workshops to sensitise CDB's technical staff and senior management on climate change and climate finance issues and the implications for the Bank's Work Programme. Also, CDB collaborated with the Caribbean Disaster Emergency Agency on the development of a regional disaster risk management project proposal to access €20 mn in funds under the African Caribbean Pacific–European Union Natural Disaster Risk Reduction Programme. CDB provided financing to support the related consultancy.

ECONOMIC GROWTH, INCLUSIVE SOCIAL DEVELOPMENT

(B) Improving Prospects for Growth

The launch of the Caribbean Growth Forum represents a critical response by the Bank and its development partners to the important question of sustainable economic growth

Box 2: OECS Benefiting From Sustainable Energy

Member Countries of the OECS are receiving technical support to complement their on-going initiatives toward establishing a clearer path to a more sustainable energy future. CDB provided grant funding of $1.5 mn to the OECS Secretariat for a Sustainable Energy Technical Assistance Project. The general objective of the project is "to provide the guiding framework and create an enabling environment to support the efficient and sustainable production and use of energy in the member countries of the OECS". In addition, the Project aims to develop the capability of the member countries to use holistic approaches to energy management in support of the OECS' objective of integration of economies and coordination and harmonisation of policies.

The First Sub-Regional Workshop, held in July 2012, was attended by 20 key stakeholders drawn from the energy sector of each member state. The main outcomes of the two-day workshop included the establishment of a communication mechanism among stakeholders and the setting of objectives for national stakeholder consultations. The final outputs of this consultancy will be delivered by the end of the second quarter of 2013. The project will also develop materials to launch an energy efficiency public education and awareness campaign over six months commencing in the first quarter of 2013. The campaign will educate and sensitise the 636,000 population of the OECS to the specifics of renewable energy and energy efficiency. By the first quarter of 2014, the project will also develop model legislation, including regulations and rules for energy management to support the implementation of the final OECS Sub-Regional Energy Efficiency Strategy, complemented by National Energy Efficiency Strategies and Action Plans across the seven member countries of the OECS.

in the Region. Over the past several years, growth rates have been below average, falling well short of levels achieved during the nineties. Led by IDB, World Bank and CDB, in collaboration with DFID and CIDA, the Forum will identify policies and initiatives to stimulate growth and create jobs through analytical work, knowledge exchange and inclusive dialogue.

In May 2012, CDB hosted the first meeting of the Forum's Advisory Board. Afterwards, the partners signed a Memorandum of Understanding emphasizing the collaborative spirit and detailing the targets of this initiative. The Forum was launched in Jamaica in June, and facilitated a broad conversation on growth enablers in the Region. It focuses on these themes: logistics and connectivity; investment climate; and skills and productivity. National chapters were launched in Antigua and Barbuda and Grenada. By yearend,

Technology supports the new classrooms in the Caribbean to speed the process of learning - St. Marks Secondary, Grenada.

more than 500 stakeholders throughout the Region had participated in activities based on the three themes.

(i) Support for Education and Training

Enhancing policy development in education and training and supporting demand-driven work-force development were strong areas of focus for CDB in 2012, especially in Haiti for which the Bank approved further financing of $4.0 mn. Its objective is to support the improvement and expansion of the employability and labour-market participation of young people, through an enhanced and decentralised Technical and Vocational Education and Training (TVET) system with strong linkages to the private sector. TVET has been expanding the supply of skilled and employable labour with regionally acceptable certificates.

Over the next four years, the grant will benefit 3,700 persons, 740 of them females. Three TVET schools will be completed, the institutional frameworks for the TVET teacher-training system strengthened and TVET centres established throughout the country.

In Guyana, two TVET Institutes constructed with CDB funding became operational in 2012, providing approximately 400 additional post-secondary places in skill areas aligned to labour market needs. In St. Vincent and the Grenadines, a CDB-financed TVET project was launched with targeted beneficiaries being approximately 4,000 persons, including 1,000 unemployed and at-risk youth and adults.

At the regional level, in collaboration with other development partners, CDB supported the first regional conference on TVET in Montego Bay, Jamaica. All of these interventions were part of the continued thrust for improving the institutional framework for aligning education and training to labour market needs - a deliberate strategy to bridge the skills gap and enhance prospects for employment and entrepreneurship. This thrust will continue, as CDB during the year was engaged in discussions with a number of BMCs to continue development interventions in TVET.

Urban and rural areas focusing on the benefits of early childhood development - San Pedro Columbia School, Belize.

In other areas of education and training, CDB approved, under government guarantee, a loan of $20.0 mn to assist the Students' Loan Bureau of Jamaica for onlending to eligible students pursuing tertiary level skills in professional, technical and vocational programmes. The project facilitates access to education and training to students from poor households. The funding is projected to assist 5,000 eligible students in Jamaica enrolled at approved tertiary institutions there or at the University of the West Indies. Access to CDB's resources strengthens sustainable educational institutions and also reduces the need for government subventions.

The Bank is also providing a grant of $175,000 to cover consultancy services for institutional strengthening of the Bureau to address operational challenges, and for addressing issues relating to its long-term sustainability.

Belize is also benefitting, through a CDB loan of $2.0 mn, to assist the Government in financing its Education Sector Reform Project to expand and enhance learning outcomes across all sub-sectors by strengthening governance; improving quality and relevance; and increasing access. It is a comprehensive reform programme intended to improve the regulatory framework through the articulation of rules and regulations to support the Education and Training Act 2010, and improve the quality of leadership across the sector through the development of structures and programmes aimed at addressing capacity deficiencies. There will also be the development of a disaster risk management plan for the sector.

In addition, in keeping with the Bank's strategy to assist BMCs in making education and training more relevant to national development needs, there will be significant reform of the secondary curriculum; the articulation of a National Qualifications Framework, and the development of specific structures to enhance instructional quality and student achievement. There are also to be prototype designs to establish facilities standards for future infrastructural development of pre-primary, primary and secondary schools.
CDB continued its involvement to the point of finalisation of the new OECS Education Sector Strategy 2012-2021, which the sub-Region's Education Ministers approved in April. In

collaboration with development partners, CDB also commenced discussions with the OECS to provide support for implementation of the Strategy including areas to enhance teacher effectiveness and curricula, and to increase acces to ECD services and TVET.

Following the commitment of CARICOM's Council of Human and Social Development (COHSOD) to Early Childhood Development (ECD), CDB continued to work with regional development partners to assist BMCs in achieving standards set out in the Regional Guidelines for Early Childhood Development Services established by CARICOM. In April 2012, this partnership resulted in a CDB-organised regional conference, focusing on maximising returns to investment in ECD by establishing the appropriate enabling environment. The conference was attended by 79 participants from the 18 BMCs, and 11 regional organisations. By its end, country priorities in ECD were identified; an evaluation of the status of implementation of the Regional Plan of Action for ECD was done; and a policy brief for CARICOM ECD Ministers, including a dashboard on the status of the establishment of the ECD-enabling environment in all BMCs, was prepared. The Bank will present a publication incorporating these outputs to regional Education Ministers at the first meeting of COHSOD in 2013.

(ii) Promoting Improved Living Conditions

The Bank's current programme of support to BMCs in conducting Country Poverty Assessments (CPAs) and preparing National Poverty Reduction Strategies (NPRSs) entered its closing stages in 2012. CPAs were completed in eight of the targeted 10 BMCs.[1] NPRSs were completed and are being implemented in Antigua and Barbuda, Belize, Dominica, Grenada, St. Kitts and Nevis and St. Lucia. The NPRS for St. Vincent and the Grenadines is under preparation and scheduled to be completed by mid-2013.

The Turks and Caicos Islands' CPA, the second for the country, provided a unique opportunity for both the CPA and the national census to be done at the same time. This approach optimised the use of available human resources, reduced duplication of

Barbados Country Assessment of Living Conditions

The Barbados Country Assessment of Living Conditions (CALC) is the first comprehensive analysis of poverty and living conditions to be conducted in the country. It revealed that the features associated with the living conditions in Barbados, especially among the poor are not dissimilar to those in other Caribbean countries. The study reinforced the role of education in breaking the intergenerational transfer of poverty. Nevertheless, there is still a high percentage of the employed labour force in 'low skill' jobs (approximately 60 percent) and youth unemployment remains a challenge.

The Participatory Poverty Assessment component provided an opportunity to engage in discussions with a range of diverse vulnerable groups across Barbados. The analysis reinforced many of the conclusions of the community and household analysis and emphasised the stigma, discrimination and social exclusion experienced by respective group members.

As part of the review process, and in adherence to principles of good governance, the draft CALC report was discussed with the Cabinet Committee on Social Policy, and Cabinet. It was also laid in Parliament and benefited from bi-partisan discussion. This approach of laying the report in Parliament, the first time such has been done in the Eastern Caribbean, had the positive impact of de-politicising the report's findings by emphasising the importance of national effort in addressing poverty, well-being and wider human development issues.

The report also benefited from a number of town hall meetings that were convened at strategic points across Barbados. These meetings provided opportunities for the population to comment on the report and provide additional inputs. The empirical evidence of the CALC confirmed the myriad human development challenges facing Barbados in a time of protracted global recession. It also highlighted the imperative of facilitating socially-inclusive economic growth as a means of sustainably reducing poverty.

[1] Under the current programme, CPAs were conducted in Cayman Islands, Grenada and St. Kitts and Nevis -2008; Anguilla, Belize, Dominica and Montserrat – 2009; and Barbados - 2010. Field work for the Survey of Living Conditions component of the Turks and Caicos Islands' CPA started in the first quarter of 2012.

effort and minimised the risk of respondents' fatigue, thereby resulting in greater cost efficiency. Up-to-date demographic, social and poverty indicators required to prepare a poverty map will also be available. Such enhances the country's capability to assess prevailing socio-economic circumstances and to develop policies and programmes to improve the welfare of the population. At the end of the exercise, the country will have robust quantitative and qualitative data to facilitate evidence-based decision-making and address the multidimensional aspects of poverty specific to its tourism-based economy.

The CPAs' findings continue to show the important link between poverty measurement and holistic development planning. This is illustrated particularly in Participatory Poverty Assessment reports which give a unique perspective on poverty from the experience of the poor. As a qualitative analysis method, the PPA complements the quantitative approaches such as the Survey of Living Conditions, and, as such, is a key component of the multi-dimensional measurement of poverty.

The findings contain information on the meaning of poverty; causes and impact of poverty; needs of the communities and community members; survival strategies and coping mechanisms; and the effectiveness of programmes to address poverty. They also highlight the relationship between poverty measurement and development planning as one of the persistent governance and development gaps in the Region.

CDB is collaborating with several development partners to assist in bridging this gap by building on the CPAs' multi-dimensional approach to capture the other elements of deprivation and vulnerability essential to understanding the course of human development in the BMCs. This initiative, which involves the development of a multi-dimensional poverty measure for the Caribbean, was reactivated in 2012 with an Expert Group Meeting and Workshop in collaboration with UNDP and the OECS Secretariat. It will comprise the use of both quantitative and qualitative methods and census data and is expected to be a major part of CDB's continued contribution to the measurement of poverty and advancement of human and social development outcomes in the Caribbean.

All are involved in buttressing CDB financing to create additional community facilities - Crystal City, Jamaica.

(iii) Reducing Poverty Through Basic Needs Trust Fund (BNTF)

The BNTF Programme's community-led approach, which was begun in 1984, continued in 2012 as an example of development support, for its incorporation of beneficiary participation has been enabling communities to build capacity in sustainable ways.

BNTF combines emphasis on the creation of quality and sustainable infrastructure with supporting policy implementation for improving the social, economic and environmental situation. Through its regional coordination component, BNTF sought to broaden collaboration with regional partners to respond to poverty priorities.

Skills development and access to safe, children-friendly environments are among the ways in which the programme is responding to needs within the most vulnerable communities. An example in this regard is that of the 100 unemployed youths from poor and vulnerable families in one BMC who emerged with skills in electrical installation, livestock-rearing, agro-processing and other areas for beneficial engagement.

During the year, there was a sustained effort to ensure efficiency in project execution and reduce overlapping in Programme cycles. Significant achievements were Completion of BNTF 5; Mid-term evaluation of BNTF 6; and Design and Approval of BNTF 7. Beneficiaries and stakeholders from 10 BMCs participated in validating the content and recommendations of the final reports.

The programme approved $9.5 mn in 2012 to finance activities for improving living

TYPES OF BNTF SUB-PROJECTS / SECTORS	NUMBER OF PERSONS WHO DIRECTLY BENEFITED		
	BNTF 5	BNTF 6	Total
Access - Roads, Footpaths and Drains, Erosion Control	419	11,387	**11,806**
Early Childhood Development – Construction of Day Care Centres for Children, including Furniture	-	30	**30**
Education – Construction and Rehabilitation of Primary and Secondary School Facilities, including Furniture	7,421	12,161	**19,582**
Skills Training / Upgrading – Technical and Vocational Skills for Employability and Income-Generation (in manufacturing, agriculture, tourism sectors)	182	768	950
Health - Construction and Rehabilitation of Clinics, District Hospitals, including Equipment	58,447	31,478	**89,925**
Community Markets - Construction of Retail Facilities	32	4,079	**4,111**
Vulnerable Groups - Construction and Expansion of social centres, senior citizens homes, outreach programmes for the marginalised	60	269	**329**
Water And Sanitation - Piped Water, Water Storage, Supply and Distribution Lines, Water Treatment Facilities, Bathing and Laundry Facilities	3,924	21,877	**25,801**
TOTAL	**70,485**	**82,049**	**152,534**

conditions in the targeted communities. The principal allocations were $8.6 mn for sub-projects and $0.5 mn for TA, with the remainder apportioned for working with other development partners in the programme, for capacity-building efforts. Of the approved financing, which will benefit some 152,500 persons, 39.2% focused on enhanced access and quality of educational facilities and services benefitting 19,612 persons, inclusive of differently-abled youth and children; 14.4 % for improvement in quantity and quality of water services and attendant water management training in hinterland and remote communities - benefitting 25,800 persons; and 13.9 % to reduce risk to flooding, improve safety on community roads and access to emergency services, farms and livelihood activities, benefitting 11,806 persons. The trend of increasing demand in those sectors was maintained. A total of $11.0 mn was disbursed.

The Programme also continued to promote a change in culture to emphasise results, focusing on more comprehensive project planning, data quality and monitoring.

BNTF 7 was approved in October 2012 for $51.7 mn (including counterpart contributions). It builds on lessons learned from previous cycles, with a sharper focus on key current priorities and aims at working more closely with partners to broaden technical and financial resources for sustainable poverty-reduction efforts in communities. It focuses on three core sectors: education and human resource development; water and sanitation; and community access and drainage systems, within which selected interventions would be identified, consistent with individual country poverty strategies or action plans and the Bank's experience and comparative advantage.

Interventions will also reflect the special character of the BNTF in relation to community engagement and transformation and sustainable livelihoods. Projects in youth and microenterprise development will be piloted to strengthen access to markets and credit and address factors which might have inhibited full gender participation in project activities. Some BNTF trainees have been able to access internships, and in some rural areas, quality education services were integrated as part of infrastructure projects aimed at enhancing pre-schools.

CDB will suppport interventions in BMCs that improve citizen security by

a. Strengthening the role of the school as a socialisation and transformation agent;
b. enhancing community cohesiveness and resilience;
c. increasing resilience of at-risk youth (unemployed, those who have come in contact with the law as victims and perpetrators);
d. reducing domestic and gender-based violence;
e. improving living conditions through environmental design (upgrade settlements, provide safe green spaces for community activities); and
f. enhancing the policy and legislative frameworks for citizen security.

(iv) Seeking To Improve Citizen Security

As BMCs continue to seek effective strategies against escalating levels of crime and violence, particularly the worrying trend of gang-related crime and organized crime networks, CDB has recognized that citizen security is a central public policy issue that must be addressed comprehensively. To that end, the Board of Directors and Contributors to the SDF approved a strategic framework for enhancing citizen security in the Region. The framework is underpinned by a philosophy that promotes a preventative approach to crime and violence and comes within the scope of CDB's development mandate.

In keeping with this mandate, CDB approved

Learning to put agricultural land to good use - Alpha Boys' School, Jamaica.

an intervention in the area of citizen security with the provision of a loan of $5.2 mn and a TA grant of 105,000 to the Government of Belize. This will assist in financing a Youth and Community Transformation Project, which targets poor and vulnerable communities in the Southside of Belize City. These communities have been plagued by increasing levels of gang-related violent crime, which have had a deleterious impact on the quality of life of the residents.

The Project is expected to reduce the vulnerability of more than 1,500 children and youth to crime and gang membership. This will be achieved by providing services to enhance literacy and adaptive life skills, support conflict mediation and improve inter-linkages and the sharing of best practices among social sector support agencies. The overall impact will be enhanced citizen security in Southside and the wider Belize City community.

Coinciding with the Governors' Meeting in Cayman Islands in May, 2012, more than 50 of that country's youths participated in a debate on the theme of Youth and Security in the 2012 version of CDB's "VYBZING" Youth Outreach Programme. It incorporated a Video Challenge and Youth Forum, both on the theme "Citizen Security in the Community", and provided avenues for them to express their views on a very critical development challenge which also seriously affects youth across the Caribbean.

(v) Improving Productivity and Competitiveness in Agriculture

CDB in collaboration with regional and international development partners continued to support the development of agriculture in the BMCs by building the capacity of stakeholders to address emerging threats, and the development of measures to increase productivity. There were a number of notable interventions during 2012 to equip stakeholders with the tools to mitigate the impact of weather-related hazards and climate:

A workshop on the development of disaster risk management plans for the agriculture sector was held in Grenada, attended by 52 participants from the 18 BMCs. Further, facilitated by the FAO Investment Center, there was completion of Phase I of the

Belize Irrigation and Drainage Master Plan Study. A framework for water management is being developed. The government is being assisted towards the requisite strategy, development plans and systems to manage in a sustainable manner investments in irrigation and drainage, which is an area of particular relevance because of projections of an increase in precipitation levels in the already water-abundant and flood-prone country.

Additionally, the Caribbean Agricultural Research and Development Institute and the Chinese Academy of Agricultural Sciences conducted a Protected Agriculture researcher forum, attended by 23 participants from 10 BMCs, partly funded by CDB. This forum built on a CDB-financed study in 2009 and a 2011 CDB grant to CARDI in support of research and training in protected agriculture evaluation.

The Bank has adopted the conclusions of the forum and is partnering with CARDI to develop a platform for knowledge management among PA industry stakeholders. Such involvement in the sector help to accentuate the following: (1) CDB's focus on strengthening its partnerships with national, regional and international institutions to leverage existing technical and financial resources to continue its work in agriculture; (2) emphasis on increasing the use of technology in agricultural production to improve security in output production and quality and competitiveness; and (30 increased attention to climate change on weather patterns and resulting impact on the agriculture sector - hence concern about drainage and irrigation.

(C) IMPROVING ECONOMIC INFRASTRUCTURE

(i) Water

Strengthening and modernising public infrastructure and environmental sustainability is a CDB priority, and in 2012, the Bank financed two projects for the improvement and expansion of water and sanitation services. A loan and grant totalling $6.3 mn to Dominica will go towards an efficient, reliable, safe, sustainable, and well-managed potable water supply system. Belize received a $0.7 mn loan for a study, preparatory to a capital project for expanding water services on Ambergris Cay, which is near to the acclaimed Barrier Reef, a World Heritage Site.

(ii) Road Infrastructure

A major thrust of CDB's three road infrastructure initiatives in 2012 was in support of the United Nation's "Decade of Action for Road Safety". In that regard, a loan of $7.3 mn was made to Belize to address the increasing incidence of road fatalities and injuries on a major transit corridor. By improving the road infrastructure, increasing public awareness of road safety practices, improving post-crash response and enhancing the law enforcement framework, it is anticipated that there will be a reduction in traffic-related fatalities by 20% within two years of project completion. This was the first intervention of this type financed by CDB and it is anticipated that modified forms of this project will be repeated in several other BMCs in coming years.

The Guyana project, for which CDB approved a loan of $34.2 mn in 2012, will finance highway reconstruction along the Atlantic Ocean west of the Demerara River (an area where the Bank is also involved in the widespread reconstruction of village roads). Just as with the Belize project, this one is intended to result in fewer serious accidents and a reduction in deaths and grave injuries. Its education component includes a "demonstration corridor", counselling in changed user behaviour, more rigid enforcement of traffic laws, and enhanced road safety management capacity. It is also intended to improve commuter (including school children and bus drivers) awareness of road safety practices.

The St. Vincent and the Grenadines project loan of $13.6 mn and grant of $50,000 are to finance rehabilitation of 11.4 km of the South Leeward Highway between the capital Kingstown and the town of Layou, northwest of the capital, and also improve effectiveness of vehicle weight control and enforcement systems. The project road is the single major

New Kendal Bridge In Belize

The bridge, a critical link on the Southern Highway, was washed away by the raging waters of the Sittee river during Tropical Storm Arthur in 2008. Its loss made it difficult for the residents of the Stann Creek and Toledo districts (estimated population 60,000) to access health care, education and other social services. It also inhibited important economic activities such as the outward movement of export agricultural goods (citrus and banana) and oil to the Port of Big Creek, and the inward movement of containerised and bulk cargo such as fertiliser, animal feed, and construction materials.

CDB financed the new bridge under its Disaster Management and Strategy Operations Guidelines and it was constructed at a cost of $10.8 mn. Traffic was flowing well before yearend 2012, and it is estimated that more than 1,000 vehicles now cross the bridge daily.

traffic artery between the city and the town, and along its route are important services such as a container port, the industrial district of Campden Park, and most of the country's leading tourism sites and attractions.

RESTORING ECONOMIC INFRASTRUCTURE

New Roads in Guyana's Rural Communities

Guyana made encouraging progress, staying on target during 2012, with implementation of its widespread Community Roads Improvement Programme for which CDB in July 2010 approved a loan of $16.3 mn and a TA grant of $158,000. The government's counterpart contribution is equivalent to $2.3 mn, taking assessed total project cost to just above $18.75 mn. The project involves 240 roads totalling 95 km touching many peri-urban and rural communities in a large area along the Atlantic coast, west and east of the Demerara River; and will significantly affect the quality of life for 79,000 people.

The project is dramatically transforming transportation conditions in the affected areas. Pathways that had been often muddied and very difficult for vehicular and pedestrian traffic during frequent rainfall are being turned into fine all-weather roads. Work has proceeded as scheduled under the loan conditions. Completion remains targeted for the end of August 2013.

The project's institutional strengthening activities include the structural rehabilitation of offices of Neighbourhood Democratic Councils (financed by counterpart contributions). CDB resources will finance the supply of computer equipment, training of local and central government personnel, including trainers (guided by a needs assessment by the Federation of Canadian Municipalities). Additional training programmes will continue until early 2014 and will cover areas such as governance, administration and management, information technology, financial management, revenue generation, service delivery/customer service, community engagement and intergovernmental relations. Local government representatives and small contractors also benefited during 2012 from road maintenance training which was provided by the International Labour Organisation.

Increased Focus on Road Safety

Wider training in road safety matters, more

After decades as mostly unsatisfactory pedestrian/cycling dirt tracks the Sideline Dam, Utivlugt, Guyana is transformed into an all-weather road with CDB loan financing.

The small business "Bee Natural" thrives on handicraft, condiments and products from the honey bee - A BNTF assisted project for disabled people in St. Lucia.

rigid building standards in the Region, and improved management to reduce storm flooding were among the other areas of CDB's intervention in 2012. With a grant of $0.15 mn, the Bank financed attendance of participants from 18 public sector agencies across the Caribbean at workshops organised as part of the International Road Federation's regional congress held in Jamaica during the year. The focus was on increased understanding of asset management and road safety, two important issues related to road infrastructure in the BMCs. Following an earlier grant, CDB provided $0.9 mn to the CARICOM Regional Organisation for Standards and Quality towards financing the Preparation of Caribbean Building Standards. A grant of $148,000 was also provided to the Turks and Caicos Islands to finance a study to develop a framework for improved storm-water management and reduced flood risk.

(D) IMPROVING THE ENVIRONMENT FOR PRIVATE SECTOR DEVELOPMENT

Development of the private sector is an integral component of CDB's strategy for promoting broad-based economic growth, inclusive of social development and reducing poverty in its BMCs. Fiscal and debt management challenges now faced by the BMCs have signalled a need for greater support to the private sector as the main engine of growth. CDB's interventions to facilitate private sector development are focused on targeting key economic sectors by lending primarily through financial intermediaries and the provision of technical assistance to facilitate the creation of an enabling environment for private sector enterprises.

During the year, CDB disbursed approximately $22.5 mn to 11 financial intermediaries and continued the monitoring and supervision of existing lines of credit and investment loans. An estimated 54% of the loans disbursed were for consolidated lines of credit to assist in providing financing to small and mediumscale enterprises operating in the productive sectors, while 42% was targeted at student education and 4% towards low-income mortgage financing. Such disbursements facilitated access by 579 medium, small and micro enterprise beneficiaries, 1,910 students and 34 mortgage finance recipients.

CDB collaborated with partners to provide mechanisms to minimise some of the major hindrances to accelerated private sector development in the Caribbean. The Bank partnered with IDB for a technical cooperation consultancy to identify prevailing constraints to private sector development and recommend a comprehensive private sector development framework for the OECS. In pursuit of that objective, CDB engaged consultants to prepare private sector development strategies and action plans for Antigua and Barbuda, Dominica, Grenada, St. Lucia, St. Kitts and Nevis, and St. Vincent and the Grenadines. Further, a strategy is to be developed for the entire OECS sub-region.

Work was done by the Bank in its continuing role of Financial Agent for the OECS for Compete Caribbean (CC). This project focuses on supporting private sector development and competitiveness in the Caribbean, through a programme of technical assistance and investment funding within a comprehensive private sector development framework, and is being undertaken by IDB, DfID and CIDA.

CDB in 2012 remained actively involved through its role as a member of the Programme Advisory Group (which has responsibility for the strategic direction of Compete Caribbean) and the Technical Group, whose representatives are tasked with reviewing and monitoring operational issues related to the programme. CDB also was very actively involved in the Enterprise Innovation Challenge Fund component of the programme. The result was that four entrepreneurs were each awarded a $100,000 Compete Caribbean grant to further develop their business ideas.

Through Component 1 of this programme (Comprehensive Framework for Private Sector Development) much useful knowledge was developed and shared during 2012. It facilitated through financing the first ever inclusion of the Caribbean in the World Bank's "Enterprise Surveys", the results of which provide policymakers with data that had been lacking on how to do business in the Region. In addition, Component 1 commissioned very useful private sector assessment reports and donor matrices in 12 of the 15 BMCs involved in Compete Caribbean.

The Programme's Component 2 - its Business Climate and Competitiveness Enhancement Facility – also made great strides. Through this component, the programme provided technical assistance to support policy reform

(l-r) Mr. Howard Drake (UK High Commissoner, Jamaica), Ms. Marie Legault (CIDA), Ms. Sylvia Dohnert (Compete Caribbean), Ms. Flora Painter (IDB), Ms. Lisa Harding (CDB), Mr. Joel Branski (IDB), H.E. Dr. Carl B. W. Roberts (Ambassador for Antigua & Barbuda) and Mr. Robert Ready (Canadian High Commissioner, Jamaica).

to improve the business climate in a number of countries, supported competitiveness councils and/or their technical units, and sponsored 13 instances of public/private dialogue throughout the Region.

The programme assisted The Bahamas to reconfigure current public sector support for SME development; helped Belize to revise the framework to regulate the operations of the Belize Trade and Investment Service, enhance the institutional capacity of that Service, and to organise and conduct a Belize Trade and Investment Forum. It assisted Trinidad and Tobago to upgrade legislation to counter money laundering and to improve the regulation of insurance companies and credit unions. Jamaica was aided in the drafting of both a Secure Transactions Bill and a Cabinet Note for an institutional framework for PPPs. Further, Jamaica received assistance towards the strengthening of investment promotions institutions there.

CDB continued to serve as a member of the Programme Advisory Group, the steering body in charge of the strategic direction of Compete Caribbean, and on its Technical Group, a working body established to review and monitor operational issues. CDB also remained actively involved in two components of the programme - the Caribbean Idea Marketplace and the Innovation Window of the Enterprise Innovation Challenge Fund.

(iii) Caribbean Aid for Trade (CARTFund) Project

Caribbean nationals and businesses continued in 2012 to take advantage of opportunities for growth and expansion provided under the $15.7 mn CARTFund, established three years ago by CDB, with most of its financing (£10 mn) provided by the UK. The Fund enables CDB's BMCs and CARIFORUM countries (BMCs and the Dominican Republic) to pursue the goal of integration into the regional and global trading systems and advance implementation of the Economic Partnership Agreement with the European Union. Beneficiary groups and companies involved in providing services are assisted with improving their product quality and export readiness.

By the end of 2012, the Fund's resources had been fully committed, with 32 projects under implementation. Many enterprises, including 14 in Trinidad and Tobago and 10 in Jamaica, have benefited. The Fund also financed a trade mission of architects, engineers and cultural practitioners from Trinidad and Tobago to France, Germany, Malta, The Netherlands and the UK to explore opportunities. Further Fund support has been provided for follow-up mission activities to convert the identified prospects into actual business. Cultural practitioners in Dominica were financed to send a mission to Guadeloupe and Martinique.

Also, 20 service providers in St. Lucia were assisted with improving their export readiness and to penetrate targeted regional and international markets. Further, the Fund is supporting efforts to increase the Region's exports of goods and services through financing market research and linking potential suppliers with prospective markets by way of trade missions. Dominica's National Strategy Export Secretariat has also received assistance to develop more competitive production systems for increasing the export of agricultural crops, including roots and tubers, hot peppers and coconuts.

Through deployment of the CARTFund resources, to bolster the Regional EPA Implementation Unit, the CARICOM Secretariat and six national EPA Implementation Units, the Region has made progress in establishing the institutional framework (laws, policies, procedures and systems) to facilitate trade with the EU under the EPA and also the infrastructure required to trade with the rest of world.

By December, regional and national units had completed legislative gap analyses for Dominica, Guyana, Jamaica, St. Lucia, Trinidad and Tobago, and the preparation of draft legislation in the areas of International Maritime Transport Services, Professional Services, Telecommunication Services Regulatory Authority and Telecommunications Services Interconnection; as well as Occupational Health and Safety, Corruption Prevention, Metrology, Plant Protection and

Quarantine, Geographical Indications and Industrial Designs.

The Region's weak quality assurance infrastructure has been a major constraint to expanding trade, particularly extra-regional exports. CARTFund is assisting the CARICOM Regional Organisation for Standards and Quality with the accreditation of laboratories which can directly supply testing services required by exporters/priority export sectors.

The project reached a milestone with the completion of gap analysis and the development of accreditation action plans for 20 laboratories across the Region. CARTFund and its private and public sector partners will combine resources to support the accreditation of at least four of these laboratories by the end of 2014. Additional resources have been mobilised to assist other laboratories to obtain accreditation.

(iv) Caribbean Technological Consultancy Services Network (CTCS) - Supporting Small Enterprise Development

In 2012, CDB strategically refocused the CTCS operations to ensure that TA is delivered to the Region's Micro, Small and Medium-Scale Enterprises (MSMEs) in a more efficient, effective and sustainable manner. The Network's activities were concentrated primarily on the development of national capacity to deliver and sustain technical support to MSMEs through the deployment of well-trained, locally-based resource persons.

Train-the-trainer programmes in key areas were designed and delivered at the regional level to potential trainers from BMCs who would be tasked with the responsibility of delivering corresponding national programmes. Management of the national training programmes was entrusted to select Local Coordinating Institutions drawn from the CTCS Network of National Cooperating Institutions. Under this training strategy, CTCS activities comprising direct TA, preparation of CTCS Publications and Training Attachments were executed. In cases where such were most cost effective, requests for single attachments were converted to group attachments.

In 2012, almost \$1.2 mn was approved for TA, benefiting MSMEs in 17 BMCs. Total disbursements were \$0.83 mn, resulting in the execution of 49 TA activities (36 national workshops, three regional workshops, four delivered directly to beneficiary entities, two group attachments and four publications). CTCS participated in the Inter-American Forum for Microenterprise held in

CTCS assists small businesses and trains trainers to accelerate the process of national skills development.

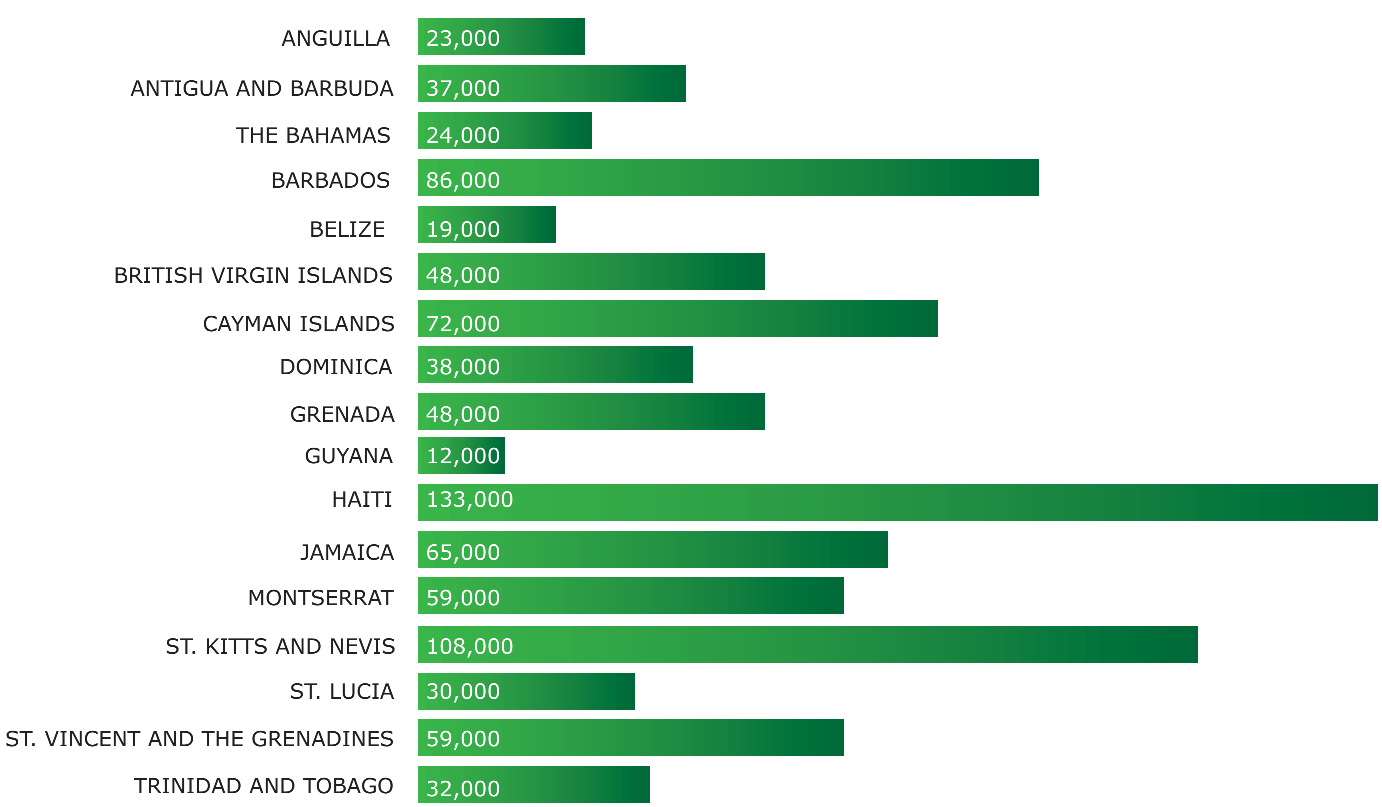
Barbados in support of the Forum's thrust to increase TA programmes to accelerate MSME development. The share of approvals in respect of each beneficiary BMC is provided at Diagram 1.

Approximately 1,000 persons (600 females) benefited from CTCS activities in 2012. This is consistent with CTCS's portfolio of MSMEs and entrepreneurs which indicates that 60-70% of micro and small businesses are operated by females.

There were various highlights to the programme's active involvement in regional development during the year: (i) launching the National Workshop Training Protocol; (ii) the Group Attachment Protocol which demonstrated the cost-effectiveness of such an approach, with resultant greater efficiency and increased cost savings; (iii) the Energy Efficiency/Standardised Energy Audit Protocols Workshop, with 10 women among the 47 participants. Its outcomes included the successful design and development of a Caribbean Energy Audit Protocol to for use in support of a proposed Energy Revolving Fund to be launched by CDB, in collaboration with UNDP under the SIDS DOCK programme (an initiative among member countries of the Alliance of Small Island States to provide the Small Island Developing States with a collective institutional mechanism to assist them in transforming their national energy sectors into a catalyst for sustainable economic development and help generate financial resources to address adaptation to climate change); (iv) establishment of a network of regional professionals working in the field of energy auditing.

Further, there was a five-day workshop in Barbados designed for the training of female entrepreneurs and attended by 40 participants. Applied Business Management and Modelling Techniques were developed for female MSME operators and entrepreneurs.

DIAGRAM 1: <u>BENEFICIARY BMCs $ SHARE OF CTCS 2012 APPROVALS</u>



(v) *Transformational Support for Microfinance Institutions (MFIs)*

CDB continued to supervise the Caribbean Regional Capacity Building Programme (CARIB-CAP), including the launch of Phase 2, through which microfinance institutions in the Region can improve their financial performance and outreach, sustainability and responsiveness to client needs through the provision of TA for capacity-building. Financing over the programme's two operational phases has been provided by CDB, the EU and IDB's Multilateral Investment Fund.

Phase 1 activities included the conduct of institutional assessments for 18 microfinance institutions, implementation of capacity-building plans by 10 microfinance institutions, and the conduct of three training sessions which focused on credit risk management, financial decision-making and strategic management and development. Studies on "Regulation of the Microfinance Sector in the Caribbean" and the "Demand for Micro-financial Services" for Belize, Grenada, Guyana, Jamaica, St. Lucia and Trinidad and Tobago have also been completed. Phase 2 is under implementation, focusing on enhanced capacity building to address constraints to the expansion of microfinance activity.

The specifics include product development, corporate governance & financial performance, and financial education for microfinance institution clients. There is emphasis on financial products, responsible borrowing and other related issues, and consolidation of the Caribbean Microfinance Alliance to strengthen its role in research, advocacy, policy dialogue and information-sharing among members. Approximately 15 microfinance institutions and 200 micro-entrepreneurs are the targeted beneficiaries.

In partnership with the Multilateral Investment Fund, the Bank also funded research for a new publication "Exogenous Risk Management in Financial Institutions That Serve the Most Vulnerable Segments of the Population". The outcome has been a "best practices" manual and case studies of experiences of microfinance institutions in Latin America and the Caribbean. The work draws on the experience of the CDB-partnered Caribbean Technical Support Facility, an ongoing programme to strengthen the risk management capabilities of microfinance institutions in the Latin America and Caribbean region.

(E) TOWARDS IMPROVED MACROECONOMIC MANAGEMENT

CDB remained actively engaged with its development partners and regional institutions during the year to address major challenges confronting its BMCs, as such joint approaches and collaboration are the most effective means of harnessing available resources to focus on the areas of greatest priority.

The Region became more acutely concerned about financial sector instability following the 2008-09 global financial/economic crisis; the subsequent collapse of one of its largest conglomerates, central bank intervention in two banks in the Eastern Caribbean Currency Union (ECCU); and the collapse of a bank in the Turks and Caicos Islands. Coping with the adverse effects of these developments has also pre-occupied the Region's policy-makers. Because of the cross-border nature of the financial difficulties and their serious resource implications, CDB urged a comprehensive regional approach to finding solutions.

The Bank took an active role in the work of a Joint Task Force on the ECCU Financial Sector established by the sub-Region's Monetary Council to identify vulnerabilities in its banking sector and recommend approaches for proactively addressing them. During 2012, the Task Force (CDB, World Bank, and government officials) completed diagnostics of all indigenous banks in the ECCU and made recommendations to the Council of Ministers for strengthening resilience of the ECCU's banking system.

CDB was involved also in attempts to resolve the financial obligations arising from the collapse of Colonial Life Insurance Company, Ltd. and its subsidiary British American Insurance Company Ltd. During 2012, a Regional Technical Committee (appointed by the ECCU Council of Ministers in February 2011 and chaired by the President of CDB) advanced a proposal for resolving the obligations of the subsidiary company.

In September, CDB in conjunction with the IMF organised a High Level Forum on Growth, attended by Prime Ministers, Ministers of Finance, Central Bank Governors, and other senior officials to examine the challenges of low growth and high debt in the Caribbean. CDB is also active within the ECCU Task Force on Debt, Growth and Development.

The Bank focused as well on the challenges of restoring fiscal balance and containing the Region's ballooning public debt. It commissioned a comprehensive study which probed the factors behind the rapid accumulation of public debt in the Region. The findings allowed a more accurate depiction of the process of debt accumulation - information critical for arriving at an optimal strategy to restore debt sustainability.

Through technical assistance interventions and the financing of regional endeavours such as the Caribbean Regional Technical Assistance Centre, CDB sought to directly improve public financial management and debt management in the BMCs.

(F) HAITI

Building Resilience in Haiti

CDB's interventions in Haiti have been in core areas that directly impact the wider public and build resilience to improve opportunities. Support to date has been through grants, with disbursements amounting to $38.5 mn by year-end. Feedback from school administrators, students and parents continued to point to significant impacts through the Education For All project, co-funded with the World Bank, the objective of which is to increase access to primary education for poor children and improve the quality and governance of the education sector. By the end of 2012, key outputs included:

(a) 180,000 students were supported with tuition in 1,206 participating schools;

(b) 85,387 students had benefitted from school lunches in 217 schools;

(c) 3,066 teachers are pursuing three-year training programmes in 12 colleges, and a further 1,500 were recruited for the third cohort in October 2012;

(d) 9,000 students in 100 schools had participated in literacy programmes; 245 teachers were trained and 150 are in training; 50 new principals were trained; teachers' manuals were developed; and 300 school libraries supplied; and

(e) School Management Committees were established and functioning in 1,236 of the Education For All project schools.

Since most families spend more than 45% of their annual income on sending their children to school, the provision of subsidies has removed a significant burden on the finances of the families affected. The hot meals, snacks and de-worming medication provided help to improve the students' health and alertness and so they benefit more from the instructions delivered. Disbursements for the Education For All project amounted to $7.5 mn in 2012.

After interruptions caused by the January 12, 2010, earthquake, work was begun on the construction of two TVET institutions located at Cap Haitien and Jeremie. These are scheduled to be completed by the end of 2013. Over 1,500 persons (300 women included) are to benefit annually from training programmes offered by these institutions. A third TVET institution, with the capacity to train 500 persons annually, will be constructed under an additional grant approved by CDB in December 2012.

In addition, Community-Driven Development initiatives financed jointly by CDB and the World Bank have continued to be an effective mechanism for fostering social inclusion, community participation and public/private sector partnerships, while improving community access to basic social and economic infrastructure and services. At the end of 2012, CDB was financing sub-projects in the four towns targeted under the Urban Community-Driven Development Project - PRODEPUR. Implementation was rated as highly satisfactory, with 14 planned Community Development Councils operational. There were approximately 300 sub-projects (a sub-project approval rate of 82%) at various stages of implementation, the majority of them in the area of basic infrastructure: 127 in drainage, and spot improvements to 60 km of community roads; 57 in social infrastucture; 51 sanitation and potable water supply systems; and 21 in community lighting.

Other interventions included support for ENAF (L'Ecole Nationale d'Administration Financière) to conduct public sector training in project cycle management, investment appraisal and risk analysis. Prior to January 12, 2010, CDB's financing had trained 37 public sector officials, 14 of whom are equipped to serve as trainers. The earthquake disrupted training services, necessitating additional CDB support, which facilitated the supply and installation of a secure, 112 sq m furnished air-conditioned container computer laboratory, and replacement computer equipment for what had been destroyed. Since completion in November 2011, this additional support has assisted the Government/ENAF to restore essential public sector training services.

Haiti also benefited from technical assistance under the CTCS Network. Nine staff from five leading Haitian hotels were trained in Barbados at two hotels and the Tourism Association. The small hotels involved were assisted in improving their customer service systems: how to sustain service levels to enhance customer satisfaction, ensure repeat business and heighten the potential for new business. CTCS also collaborated with the Haitian Financial Development Society to host in Haiti a workshop on Financial Management Techniques and another on Enhancing Customer Service Delivery - both over four days for micro, small, and medium enterprises, and facilitated by two Haitian nationals who had benefitted under CTCS's regional *train the trainer* workshops.

The Bank provided a grant of $2.57 mn to assist Haiti in meeting its commitment to the Caribbean Catastrophe Risk Insurance Facility for the 2012-2013 hurricane season. CCRIF, the world's first regional insurance fund, is a parametric insurance facility, owned, operated and registered in the Caribbean for governments. It insures government risk and is designed to provide short term liquidity in the event of the occurrence of a hurricane and earthquake of a defined magnitude.

One TA intervention in 2012 facilitated CDB's continued support of the "Micro Insurance Catastrophe Risk Organisation (Haiti)

Haitian hotel workers in Barbados for training and CDB staff. (l-r) Mrs.Tessa Williams-Robertson (CDB), Mr. Kenneth Harvey (CDB), Ms. Claude Valérie Louis, Mr. Ronald Bonne-Année, Mr. Girault Carl Emmanuel Jr., Ms. Pascale Marie-Josee St. Fleur, Ms. France Euphonise Vixamar, Ms. Martine Charles, Mr. Elizer Jean-Will, Ms. Marie Nathalie Pierre, Mr. Steeve Delva, Mr. Michel Thomas (CDB) and Mr. Clairvair Squires (CDB).

Fund" (MiCRO), through the approval of a contribution to the Trust Fund of $1.0 mn. It followed the Bank's approval in July 2011 of creation of the multi-donor trust fund, initially capitalised at $2.34 mn by DfID, to support the establishment and operations of a micro-insurance catastrophe risk facility.

Aim of the Trust Fund is to provide parametric insurance to protect micro-credit borrowers in Haiti against losses resulting from natural disasters. The Board of Directors also approved of CDB acting as trustee and administrator of the Fund.

Haiti's largest microfinance institution, Fonkoze, with an estimated 59,000 microcredit borrowers, now operates as the first microfinance institution facilitator for MiCRO. By yearend, MiCRO had made five parametric pay-outs and for nine basis risk events totalling $2.3 mn. Approximately 35% of the Trust Fund has been disbursed to MiCRO - pay-outs triggered primarily by rain and wind, including the passage of tropical storm Isaac. Approximately 8,500 clients have benefited directly from insurance pay-outs. The design and structure of MiCRO also provide a model catastrophe microcredit insurance scheme for replication within other Haitian microfinance institutions, as well as expansion to other BMCs. There were also three ongoing MiCRO projects among those responsible for generating total TA disbursements of $0.65 mn in 2012.

(G) FINANCING OPERATIONS

In 2012, CDB approved 11 loans amounting to $103.6 mn, and 77 grants totalling $59.9 mn.

Loans

Lending to the public sector accounted for all of the loans, with the OCR accounting for $39.6 mn and the SFR for $64.0 mn. Of the 11 loans approved during the year, one was entirely funded from the OCR, while 10 were a blend of OCR and SFR funding. Of the total approvals, loans to LDCs amounted to $45.9 mn, of which $16.8 came from OCR and $29.1 mn from SFR.

The largest two borrowers were Guyana (33%) and Jamaica (19%) Other significant borrowers were Belize (15%) and St. Vincent and the Grenadines (13%).

(i) ***Grants and Equity***

Grant and equity approvals amounted to $60.0 mn, with 62% to the LDCs. The two major beneficiaries were Regional Programmes ($8.6 mn) and Haiti ($6.7 mn).

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

	Gross Approvals ($ '000's)		Disbursements ($ '000's)	
	2011	2012	2011	2012
OCR Loans	69,484	39,606	94,867	49,481
SDF Loans	75,112	64,040	35,642	32,823
SDF Grants	16,839	58,858	14,332	16,204
SDF Total	91,951	122,898	49,974	49,027
OSF Loans	0	0	11,549	2,180
OSF Grants	5,090	1,023	11,390	15,651
OSF Total	5,090	1,023	22,939	17,831
Total	**166,525**	**163,527**	**167,780**	**116,339**

Table II:1 summarizes the levels of approvals and disbursements on loans, equity investments and grants during 2012, 2011 and 2010.

CDB's resources contribute towards the construction and rehabilitation of school buildings and training of teachers to effectively tutor the young

(ii) ***Portfolio Performance***

The performance of the portfolio of capital projects and policy-based loans continues to be rated Satisfactory. Projects/loans are therefore likely to fully meet or make adequate contribution to BMCs development objectives and realise most or some of their benefits, albeit deferred in some cases. Besides the challenging global economic environment, the recurring issues that continue to affect timely implementation, portfolio performance and project outcomes include (i) delays in loan effectiveness[2]; and (ii) inadequate project management capacity.

Notwithstanding, there was some improvement in the time taken from Board approval to loan effectiveness resulting from efforts made by CDB, in collaboration with BMCs, to advance project start-up activities. In addition, attempts are being made to address the issue of weak institutional capacity within BMCs through technical assistance grants as well as collaborative arrangements with other multilateral development banks. The Technical Cooperation Division in CDB is expected to partially address the issue by seeking to build capacity within BMCs through a combination of inter-related though separate interventions, including training in Public Policy and Analysis and Project Cycle Management.

(iv) Cumulative Approvals

Net cumulative approvals of loans, equity investments and grants at December 31, 2012, amounted to $4,082.2 mn. Of this amount, $2,407.5 mn (59.0%) went to the LDCs, and $2,080.6 mn (41.0%) to the MDCs, compared with $3,918.5 mn at the end of 2011, of which $2,316.0 (59.1%) went to the LDCs and $1,602.5 mn to the MDCs.

(v) Cumulative Disbursements

Cumulative disbursements, including grants, increased by 3.6% in 2012 to $3,366.3 mn, from $3,250.0 mn in 2011.

A comparative analysis of cumulative disbursements at the end of 2012 shows that CDB's Ordinary Operations accounted for 56% of total disbursements, compared with 57% at the end of 2011. At the end of 2012, total disbursements to MDCs increased to $1,419,5 mn from $1,368.2 mn in 2011 or by

2 A loan becomes effective when a Borrower satisfies the conditions precedent to first disbursement.

3.7%. Cumulative disbursements to the LDCs amounted to $1,946.8 mn, increasing by 3.5% from $1,881.8 mn in 2011. At December 31, 2012, the LDCs' share of cumulative disbursements was 58%, unchanged from 2011.

With respect to access to the Bank's two sources of funding, the MDCs accounted for 51%, and the LDCs 49% of disbursements from Ordinary Operations, whereas the LDCs received 69% of disbursements under Special Operations, and the MDCs 31%.

(vi) Cumulative Loan Repayments

At December 31, 2012, principal repayments on loans since inception of the Bank amounted to $1,447.7 mn ($1,340.8 mn in 2011). OCR principal repayments during the year amounted to $82.7 mn, while total repayments since inception were $912.6 mn, after taking into account the effects of currency translation. Total SFR principal repayments, after currency translation adjustments, were $535.1 mn at the end of 2012 ($510.0 mn in 2011).

(vii) Resource Transfers

The effects of the global recession on the capital programmes of BMCs and consequently on CDB's lending operations were evidenced in 2012 by a significant decrease in the transfer of resources from the Bank to its borrowers despite an increase in technical assistance flows. CDB's disbursements in loans and grants were $42.6 mn less than amounts paid by BMCs to the Bank in principal, interest and charges. The year's negative net transfer of resources had fallen substantially below the positive net transfer of $15.3 mn realised in 2011, primarily as a result of a significant decline in loan disbursements in 2012. As most of the BMCs struggled with unsustainable debt levels, declining growth and sharply reduced inflows of foreign direct investment – all contributing to lowered absorptive capacity for new loan financing - there was a considerable shift in the Bank's focus towards the provision of technical assistance financing. These interventions in 2012 which have been supported heavily by CDB's 'soft' resources reflect a strategy to lighten the effects of the externally-generated crisis in the Region following a surge in CDB's OCR project lending during 2010. Over the three-year period 2010-2012, CDB's gross approvals from all funds to the BMCs totalled $630.6 mn and disbursements were $611.02 mn.

(viii) Long-Term Borrowings

The Bank successfully placed an issue of $300.0 mn in 15-year bonds in the international capital markets in November. The funds were raised for the purpose of meeting the general liquidity needs of the Bank.

(ix) Special Development Fund (Unified)

Negotiations for replenishment of the Unified Special Development Fund for an eighth cycle took place during 2012. SDF is the Bank's main fund for addressing poverty reduction and resources are provided on a grant basis. Representatives of the Contributors, covering all members of the Bank, pledged to contribute a total of $212.7 mn for the SDF 8 cycle. A total of six meetings were held to consider the role and work of the SDF, progress in implementing the objectives of SDF 7, the economic and social challenges faced by the regional borrowing countries and the appropriate focus for SDF 8.

Contributors agreed on four themes to provide direction for SDF 8 operational programming, these being: *Inclusive and sustainable growth; Environmental sustainability and climate change; Citizen security; and Regional cooperation and integration*. Wherever possible, SDF through the Bank will work with other development partners in a coordinated and supportive effort to address the key issues of social and economic development in the Caribbean.

An overall programme level of $348 mn was agreed for SDF 8, compared with a programme of $350 mn in SDF 7. This will be financed by new contributions from member countries, internally generated resources and an allocation from the Bank's OCR net income, subject to the approval of the Board of Governors.

PART III
ORGANISATIONAL EFFICIENCY AND EFFECTIVENESS

Introduction

The Bank's heightened focus on managing for development results, with independent evaluations, remained a feature in 2012, regarding the implementation effectiveness of various strategies, policies and lending instruments introduced during 2004-2011. Assessments were also completed for the Poverty Reduction Strategy (PRS) 2004-2009; the Gender Equality Policy and Operational Strategy; and the impact of CDB activities on environmental sustainability in the Region. CDB supports the strengthening of statistical systems for poverty monitoring and formulation of social policy in the BMCs and has entered into an agreement with the IDB for the conduct of training in the collection, analysis and dissemination of social and poverty data.

Regarding the PRS, the assessments have provided various recommendations to the Bank, including that Country Poverty Assessments (CPAs) be integrated with the country portfolio development process in view of changing social and economic conditions in the BMCs; the closer alignment of CPAs and CSPs; the integration of CPAs with national medium-term strategies; matching the monitoring information on national poverty reduction interventions more closely with CPA data to inform programme development; and the strengthening of CDB's results monitoring framework to better capture the effectiveness of its contribution to the national poverty reduction agenda in the individual countries.

Through its Gender Equality Policy adopted in 2009 and related Operational Strategy, CDB is seeking to ensure that policies, programmes

Schools curricula now impart various skills: academic, woodcraft, culinary, and others in the Caribbean's development thrust.

and practices are responsive to gender equality issues which over time had posed challenges internally to the Bank, as well as to operations with partners and stakeholders in the BMCs. The Bank has instituted action to more broadly integrate gender in its operations. Policies and corporate processes have been assessed and a communication and marketing strategy proposed, resulting in the formulation of a CDB Gender Equality and Operational Strategy. There are periodic reviews to ascertain the level of accord with the stated objectives.

The strategy is consistent with measures at other MDBs to promote equitable and sustainable poverty reduction and for closing the poverty gap among women and between men and women. Indepth gender analyses and the formulation of projects/programmes/policies informed by such are critical to addressing the following: the disproportionate impact of poverty on women in the Region: a communication and marketing strategy targeted particularly to external stakeholders; the development of tools to guide gender mainstreaming and gender equity in various operations to ensure their practical relevance to the desired strategies; policy documents revision to include gender concerns as they relate to sectors affected by the development banking functions; and the training of personnel to identify gender-responsive targets and indicators by which to monitor projects, programmes and processes at the individual country level.

MANAGING FOR DEVELOPMENT RESULTS

Since 2001, the Bank's MfDR or Results Agenda has been structured in terms of three "pillars" – MfDR at *the country or regional level*, MfDR at *the institutional or corporate level*, and MfDR *through partnerships, harmonization and alignment*. The agenda is similar to that of other MDBs, but also reflects priorities and issues specific to CDB and the BMCs. The Bank developed and implemented a corporate Results Monitoring Framework (RMF) which was used to monitor and report on the performance of SDF 7.

The Framework was further developed into a more comprehensive monitoring tool and

Woodwork students applying varnish to one of the stools made for the institution - Alpha, Jamaica.

Trained personnel in CDB-assisted facilities contribute much towards improved community health - Evesham Health Center, St. Vincent and the Grenadines.

used for monitoring the implementation of the Strategic Plan 2010 – 2014. This comprehensive RMF has been used in the Bank's first Development Effectiveness Review which was presented to the Board of Directors in May 2012, and covered the first two years of the Strategic Plan. Progress has also been made in applying MfDR at the institutional level, including results-based strategic planning and the work programme and budget framework.

Country strategies and plans have been developed to reflect good practices in managing for development results. The Bank intends to continue building on the three pillars, with additions and a sharpening of focus, particularly in results-orientation and incentives for management by results, and to ensure appropriate integration of work in the three areas.

Partnerships and harmonization have become increasingly important in expanding development effectiveness and development results. The Bank has developed partnerships with a range of development agencies (both multilateral and bilateral), the private sector, NGOs and Community Based Organisations, and continues to explore means for deepening these partnerships, including strengthening on-the-ground capabilities in BMCs.

HUMAN RESOURCES MANAGEMENT & ADMINISTRATION

The Bank continued to implement the initiatives of its 2010-2014 Human Resources Strategy. Its primary focus was on a de-risking strategy to address vacancies and the anticipated loss of talent and institutional knowledge as a result of the retirement of key managerial and professional staff between 2012 and 2016. The major activity in human resources during the year was therefore the recruitment of staff to fill critical positions and the development of an internal talent pipeline. Of the Bank's staff complement, 88% participated in training programmes during the year in such areas

The Forestiere Methodist Combined School in St. Lucia, a beneficiary of CDB's education assistance Programme.

as climate change, diversity, gender capacity development, pension administration, monitoring and evaluation and administrative professionals' development. The coaching programme introduced in 2011 was extended for a second year to support current and emerging leaders in the Bank. At December 31, 2012, the staff complement was 171 (94 professionals, 77 support staff). Of the managerial and professional cadre, 39% were female. Among the 18 senior management personnel at yearend, 50% were female, well in accord with the UN's gender development goal.

In continuation of its reforms, the Bank created greater independence in the evaluation function with a new policy framework and redefined reporting relationships; implemented an information disclosure policy which is oriented more towards disclosure; and commenced the review of its governance and oversight mechanisms which includes risk management, internal audit and compliance and Board oversight. The impact of those reforms will be realised in 2013. The Bank commenced work in 2012 to prepare a Master Plan for redevelopment of the Headquarters site - in response to an increase in spatial requirements for staff accommodation and also the need to evaluate the existing facilities to determine their environmental and functional readiness to accommodate the Bank's operations for a minimum planning period of 10 years.

Energy-saving initiatives were continued at the Headquarters, with a target of 20% reduction in electricity costs. Installation of solar/ turbine lighting, replacement of fluorescent lighting with LED lighting, and introduction of more efficient temperature control systems were among initiatives during the year.

USING ICTs TO IMPROVE EFFICIENCY

The Bank continued to make progress in the use of information and communication technologies as a key enabler of internal reform. They are being deployed in combination with business process redesign as a means of achieving efficiency improvements and productivity gains. Consistent with its Information Systems Architecture Roadmap which was approved in 2007 as a five-year transformational initiative, the Bank undertook a wide-ranging work programme incorporating, *inter alia*, applications software renewal and upgrades, network upgrades, the implementation of an information technology Business Continuity Plan, and the development of an Information Disclosure Policy. In keeping with that approach, the following were among initiatives undertaken in 2012:

(a) Information technology infrastructure upgraded, including replacement of obsolete hardware and implementation of a Wireless Local Area Network;

(b) Implementation of an enterprise content management system;

(c) Development of a Reporting Portal to allow remote access by BMCs to selected financial debt service data and reports;

(d) Commencement of the process for acquisition of a replacement system for Project Portfolio Management reporting;

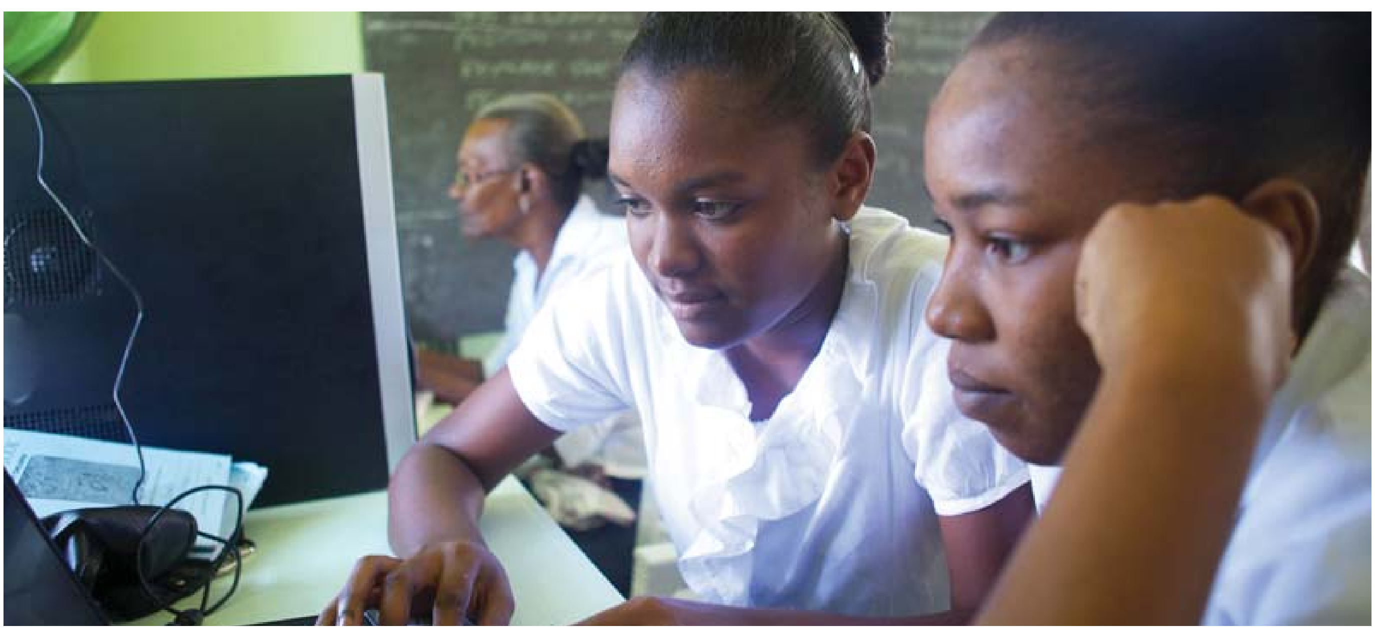
(e) As part of a cost-saving initiative, a strategic decision was taken to transition server workloads to virtual machines in order to be more efficient and effective in the use of data centre hardware. This has seen the physical server requirement for key production workloads reduced by 90%.

GOVERNANCE

Board of Governors

The Government of the Cayman Islands hosted the 42nd Annual Meeting of CDB's Board of Governors at George Town, Grand Cayman on May 24-25, 2012. The Meeting was chaired by the Honourable W. McKeeva Bush, OBE, JP, Premier and Minister of Finance, Tourism and Development.

In his Annual Statement to the Board of Governors, the President highlighted the main challenges facing BMCs and alluded to some of the reform measures to address these challenges. He noted that the macroeconomic indicators were very weak leading in some instances to unsustainable debt dynamics. Also, expenditure programmes directly benefiting poor and vulnerable groups were being curtailed and anti-social behaviour, especially among the youth, had been increasing, leading to growing concern over citizen security. He pointed out that as part of the reform agenda, the BMCs need to commit to accelerated efforts towards the utilisation of



Not only is the Bank using ICTs to improve its efficiency it is also assisting programmes to improve competency in Caribbean People.

less expensive sources of energy, continually modernise tourism, harness the energies and talents of youth, and institute effective measures to safeguard citizen security.

Governors, for their part, gave individual analyses of prevailing conditions which have affected economies both regionally and further afield and restated their governments' commitment to continued partnership with CDB.

Some Governors urged expanded involvement for CDB in the financing of private sector development as the engine of growth in the Region's economies. With respect to CDB's assistance in the areas of disaster preparedness, mitigation and rehabilitation, there was general satisfaction expressed with the Bank's response, and Governors whose territories had suffered damage from hurricanes, tropical storms and extreme rainfall events lauded the Bank's assistance, though there was the suggestion from one Governor that efforts be made towards accelerating the delivery of approved emergency assistance by CDB in times of disaster.

During the meeting, Governors heard presentations from a group of panellists on "Citizen Security and the Development Agenda" and from Caymanian youths on "Citizen Security in the Community".

The Governor for St. Lucia was elected Chairman of the Board of Governors for the period May 2012–May 2013; and the Governors for Canada and Mexico were elected Vice-Chairmen. The next Annual Meeting will be hosted by the Government of St. Lucia.

Board of Directors

The Board of Directors met five times in 2012: thrice at CDB Headquarters in Barbados, once in the Commonwealth of Dominica and once in the Cayman Islands.

Much of the Directors' discussions and decisions in 2012 reflected CDB's responses to the crisis in BMCs, associated with the pervasive problems in countries which are their main trading partners and principal sources of tourist flows. Assurances were given that despite the significant challenges of the global

GOVERNORS IN ATTENDANCE AT 2012 ANNUAL MEETING

Front Row, *from left: Dr. Carla Barnett, Ms. Qian Zhang, Mr. George Mendoza, Hon. Hubert Hughes, Dr. The Hon B. Tewarie, Dr. The Hon. Orlando Smith, Hon. W. McKeeva Bush, Dr. Warren Smith, Hon. Christopher Sinckler, Dr. The Hon. Timothy Harris, Mrs. Yvette Lemonias Seale.*
Back Row*, from left: Hon. V. Nazim Burke, Dr. Claus-Michael Happe, Mr. Alberto de Brigard, Dr. The Hon. Kenny Anthony, Mr. Clyde Roopchand, Mr. Pablo Facchenei, Mr. Carlos Lopez, Hon. Saboto Ceasar, H.E. Ms. Sharon Saunders, Mr. Whitfield Harris Jr., Mr. Rob Stewart, Hon. Ambrose George, Mr. Joseph Waight, Mr. Charles Castel, Mr. Bo Sundstrom.*

environment, the BMCs remained strongly committed to implementing necessary reforms for the restoration of fiscal and debt sustainability, and appreciated the strategic necessity of building economic resilience over the medium term. And in that regard, CDB has taken a lead role by commissioning a study in 2012 on the debt situation in BMCs, the objective being deepened Region-wide understanding of the imperatives and the required institutional support structures for debt sustainability.

The Board considered and approved the Bank's Budget and Work Programme for 2013, and discussed the establishment by CDB of a Trust Fund, substantially financed by the Government of Canada, with the objective of helping BMCs to reduce natural hazard and climate change-associated risks to vulnerable populations at the community level. It also approved a Country Strategy Paper (CSP) for the period 2012-2015 for Montserrat. CSPs were also approved for St. Kitts and Nevis and St. Lucia, following a similar approval for Trinidad and Tobago in 2011, identifying the priorities for each country's medium term development thrust.

The Board authorised CDB to borrow in one or more tranches up to $325.0 mn or its equivalent in other currencies on the international capital markets or elsewhere to meet its normal liquidity and funding requirements. Among other major matters coming before the Board were a draft Climate Resiliency Strategy 2012-2017; a European Investment Bank Climate Change Action line of credit to CDB, and assistance for the Caribbean Regional Resilience Development Implementation Plan; a status report on the Bank's implementation of its Gender Equality Policy and Operational Strategy; and CDB's provision of exceptional financial assistance to the Government of St. Kitts and Nevis.

Audit and Post-Evaluation Committee

The Audit and Post-Evaluation Committee (APEC) consists of members of the Board of Directors who are appointed for a two-year term. This Advisory Committee assists the Board in discharging its oversight responsibilities in respect of the integrity of

DIRECTORS IN ATTENDANCE AT 2012 ANNUAL MEETING

Front Row, *from left: Mr. Mervyn Haynes, Mr. Isaac Anthony, Mrs. Vidia Ramkhelawan, Dr. Carla Barnett, Mrs. Rose Lemonius-Stewart, Dr. Warren Smith, Mrs. Yvette Lemonias-Seale, Mrs. Juanita Thorington Powlett, Ms. Lin Wang, Ms. Isabel Lozano, Mrs. Rosamund Edwards.*
Back Row, *from left: Mr. Neermal Rekha, Mr. Whitfield Harris, Jr., Ms. Deidre Anthony, Mr. Holger Illi, Mr. Pablo Facchenei, Mr. Carlos Lopez, Mr. Albert de Brigard, Mrs. Yvonne Hyde, Ms. Louis Clement, Mr. Anthony Woodside, Mr. Neil Smith, Mr. Henry Hagan.*

The Georgetown Early Learning Centre in St. Vincent and the Grenadines.

the financial reporting process, the underlying accounting policies and procedures; and the adequacy of the Bank's risk management, governance and project implementation processes.

Membership of APEC reflects the geographical diversity of the Bank's member countries and facilitates members' insights into many areas of the Bank's operations, including significant financial and related business issues, project implementation experiences, as well as the application of lessons learnt from independent evaluations of projects and programmes.

Four meetings of APEC were held in 2012. In March, the Committee examined the 2011 audited financial statements with Ernst & Young. The May meeting discussed two reports submitted by the Office of Independent Evaluation (OIE). Effective July 18, 2012, the Director for the UK was appointed as representative from the donor member countries (succeeding Germany) and the Director for the constituency of Antigua and Barbuda/St. Kitts and Nevis was re-elected for a further two years as representative for the LDCs.

In October, the Committee reviewed the 2012 Audit Plan. Other documents reviewed by APEC during the year included the Work Programmes and Budgets, 2012-2014 of the Internal Audit Unit (IAU) and the OIE, as well as other reports prepared by IAU and OIE and Management's Responses on OIE's reports. Relevant recommendations were made to the Advisory Management Team and the Board.

Office of Independent Evaluation

In 2012, CDB's Evaluation and Oversight Division transitioned into the Office of Independent Evaluation (OIE). Together with the Bank's emphasis on management for development results, this change to an independent evaluation and oversight function reflects the Bank's expressed intention to have evaluation as a core function and it does reinforce the organisation's insistence on maintaining best practice. The independent office will evaluate projects, programmes and technical assistance operations, strategies, policies, procedures, processes and activities supporting the desired development effectiveness of the Bank. Lessons learnt and recommendations for improvement will be disseminated within CDB and to the BMCs to improve performance of ongoing activities, including the design and appraisal of new operations. This oversight function will provide support for the greater effectiveness and efficiency of all Bank activities.

The verification and selective validation of inputs to the Portfolio Performance Management System and the monitoring and reporting functions on the quality of the Bank's loan portfolio under implementation were transferred to the Operations Department. The independent oversight function will review the reports and the quality of CDB's loan portfolio as part of its advisory function and will validate these every two years. The work programme includes oversight in the form of performance-based audits, project performance audits and ex-post evaluations which will be the building blocks for higher-level thematic and sector evaluations.

EXTERNAL RELATIONS AND PARTNERSHIPS

The President in 2012 visited a number of countries, both regionally and extra-regionally, as part of his remit to strengthen and deepen relations with member countries, development partners and other institutions. Among areas of discussion in various capitals were replenishment of the Unified Special Development Fund for its Eighth Cycle; Caribbean economic problems focusing on fiscal and debt issues; growth and competitiveness; financial sector reform and attracting new members into the Bank. Also, visits were made to CDB's Headquarters by senior government representatives from member countries and non-member countries, with the objective of discussing matters of mutual interest as well as to be better informed about the current operations and future thrust of the Bank.

These discussions also presented opportunities for the Bank to elaborate on policies and actions undertaken to address the special circumstances of some of CDB's LDCs grouped within the OECS.

In furthering the Bank's external relations and skills-delivery objectives, Staff members were involved during the year in sharing technical knowledge at a wide range of fora on issues of environmental sustainability. These included the Multilateral Financial Institutions Working Group on the Environment, Board of Governors of the 5Cs, OECS Technical Working Group on the Environment, OECS Meeting of Ministers of the Environment, the 18th Conference of the UN's Framework Convention on Climate Change, 7th Caribbean Conference on Comprehensive Disaster Management, the World Bank's Private Sector Liaison Officer Network's Environmental Mission, Building Resilience through a Low-Carbon Development Pathway: Dominica's International Development Partners/Donors Conference.

CDB staff participated in IMF Article IV missions and Poverty Reduction and Growth Facility Review visits. Such joint missions enhance collaboration and provide opportunities for information-sharing, consultation and policy dialogue with BMCs.

CDB's collaboration with partners and the BMCs will help to illuminate this little girl's pathway to a secure future.

PART IV

FINANCE

MANAGEMENT'S DISCUSSION AND ANALYSIS

CDB is a multilateral financial institution dedicated to the development of the economies of the BMCs, with a focus on the LDCs, primarily through project loans and technical assistance to the governments, public agencies and other entities in those countries. The Bank's main goals are to promote sustainable economic development and to reduce poverty. The primary financial objective is to earn adequate operational income to maintain financial strength and to sustain its developmental activities.

The principal assets are loans to the BMCs. To raise funds for on-lending, the Bank issues debt securities in the international markets and also receives lines of credit from other multilateral institutions. These borrowings, together with its internally-generated equity, are used to fund the ordinary operations of the Bank.

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

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

Projects may be funded by a combination of OCR and SFR resources. Resources may also be used to guarantee loans of high developmental priority for longer maturities and grace periods at lower interest rates than loans in the operations of the OCR.

In 2012, the Bank approved 11 loans amounting to $103.6 mn (2011: $144.6 mn), of which $39.6 mn (2011: $69.5 mn) were funded from OCR resources and $64.0 mn from SDF resources. Grant funded operations amounted to $59.9 mn (2011: $21.9 mn). Of those approvals in 2012, loans to the LDCs amounted to $45.9 mn (2011: $108.6 mn), comprising of $16.8 mn (2011: $34.2 mn) from the OCR and $29.1 mn (2011: $74.4 mn) from the SFR.

ORDINARY CAPITAL RESOURCES

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

Financial statement reporting

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

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

Critical accounting policies

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

- Derivative financial instruments; and
- Loan loss provisions.

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

Derivative financial instruments

The OCR financial statements comply with IFRS, which require that all derivatives, as defined by IAS 39, be recorded at their fair value with changes in the fair value recognised in comprehensive income. The resulting reported income volatility resulting from compliance with this accounting standard in respect of the derivative financial instruments is not representative of the underlying strategy or economics of the transactions as it is the Bank's policy to hold these instruments to maturity. In accordance with policy the Bank excludes the impact of the fair value adjustments and related foreign exchange translation adjustments associated with these financial instruments from the determination of its operating income upon which its financial performance evaluation, liquidity, capital adequacy and other analyses are based.

The Bank uses derivative financial instruments to hedge against the impacts of interest rate and currency risks in the borrowing portfolio and to align its borrowing and lending activities to a variable rate basis. These financial instruments are cross currency interest rate swaps with major international banks, which convert fixed rate borrowings in non-US currencies into U.S. dollars at floating rates linked to LIBOR.

The Bank holds derivatives for each of the two Japanese Yen denominated borrowings for a total notional amount of $163.2 mn.

Loan impairment provisions
Management reviews the loan portfolios annually to assess for impairment. In determining whether an impairment should be recorded in the statement of comprehensive income, management makes judgements as to whether there is a measureable decrease in the estimated future cash flows from a portfolio of loans such that the Bank will not be able to recover all amounts due according to the original contractual terms of the loans. These judgements are based on evidence that 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 the assets. For public sector loans, such assessment is on an aggregate basis by borrower and on an individual loan basis for the private sector portfolio.

Results of operations

Total Comprehensive Income
The OCR operations of the Bank recorded total comprehensive income of $15.3 mn, representing a decrease of $25.5 mn from $40.8 mn for the year ended December 31, 2011. This was due mainly to the net impact of a negative change of $63.1 mn in the fair value of the derivative partially offset by a positive change of $36.7 mn in the U.S. dollar equivalent of the Yen borrowings. There was also a decrease of $2.4 mn in net interest income due to higher borrowing costs of $2.3 mn compared with the previous year. Realised and unrealised fair value gains and other income of $2.2 mn and $1.4 mn respectively also had a favourable impact on comprehensive income in comparison to 2011.

Operating Income
Operating income is defined as comprehensive income adjusted for the effects of the derivative adjustment and the foreign exchange translation on the related Japanese yen borrowings. It is the income which is used to analyse the performance of the Bank and which is allocated to reserves by the Board of Governors in accordance with the Bank's Charter. An analysis of the operating income is shown below.

Income from loans
Income from loans decreased by $1.0 mn from $40.6 mn in 2011 to $39.6 mn for the year ended December 31, 2012. This decrease was attributable to a reduction in lending rates over the period from an average of 3.9% in 2011 to an average of 3.7% in 2012. The resulting reduction was positively impacted by a marginal increase in income resulting from higher overdue interest fees as a result of increases in loans in arrears during the year.

Income from cash and investments
For the year ended December 31, 2012, income from cash and investments was $3.5 mn compared to $2.6 mn in 2011, an increase of 34.6%. This was due to increases in yields

OPERATING INCOME ($ 'mn)

	2012	2011	2010
Income from loans	$39.6	$40.6	$42.7
Income from cash and investments	3.5	2.6	3.7
Total interest income	43.1	43.2	46.4
Interest expense	9.8	7.5	8.2
Net interest income	33.3	35.7	38.2
Net non-interest expenses	10.8	14.2	10.1
Operating income	**$22.5**	**$21.5**	**$28.1**

from 0.8% in 2011 to 1.5% in 2012 and in the average volume of investments from $218.0 mn in 2011 to $324.2 mn in 2012.

Interest expense

Interest expense for the year ended December 31, 2012, was $9.8 mn, an increase of $2.3 mn (30.7%) from prior year. Increases in interest rates accounted for $1.0 mn of the increase while $1.3 mn was due to higher average borrowings primarily as a result of the new Bonds of $300.0 mn issued during the year.

Net Non-interest Expenses

Net non-interest expenses decreased by $3.4 mn in 2012, mainly due to year-on-year increases in realised/unrealised gains and other income of $2.2 mn and $1.4 mn respectively, offset by other marginal movements in expenses.

Rate/Volume analysis

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

Net interest income

Net interest income for the year 2012, excluding commitment fees and overdue interest, decreased by $1.0 mn. This was due to the reduction in average lending rates by 20 basis points during the year, which accounted for a decrease of $2.0 mn, while a marginal increase in the portfolio contributed $0.3 mn. Higher market rates contributed $1.4 mn to income on cash and investments while volume contributed $1.6 mn. These rates also impacted borrowing costs by $2.3

NET NON-INTEREST EXPENSES
$ 'mn

	2012	2011
Administrative expenses	$11.0	$10.2
Realised/unrealised (gains)/losses	(1.3)	0.9
Other income	(1.5)	(0.1)
Provision for loan impairment	2.5	3.0
Exchange rate adjustments	0.1	0.2
Total net non-interest expenses	**$10.8**	**$14.2**

RATE/VOLUME ANALYSIS
$ 'mn

	2012		
	Increase/Decrease Due To		
	Rate	Volume	Total
Interest-earning assets			
Cash & investments	1.4	1.6	3.0
Loans	(2.0)	0.3	(1.7)
Total earning assets	(0.6)	1.9	1.3
Interest-bearing liabilities	1.0	1.3	2.3
Net interest income	(1.6)	0.6	(1.0)

mn, caused by both an increase in bond yields and the volume of liabilities which contributed $1.0 mn and $1.3 mn, respectively.

Financial condition

Total assets

At December 31, 2012, total assets were $1,640.8 mn, representing an increase of $97.7 mn (6.3%) over prior year. This increase was due primarily to the net cash inflows from the market borrowing of $300.0 mn and debt retirements of $205.0 mn, which was largely responsible for the increase in cash and investments by $173.5 mn. There were also decreases in derivatives of $32.4 mn and a decline of $35.2 mn in the loan portfolio as BMCs' borrowing capacity remained constricted.

Debt and other liabilities

Total liabilities increased by $65.0 mn (7.5%) from $868.9 mn at December 31, 2011 to $933.9 mn at December 31, 2012 mainly due to the net impact of the proceeds from the new borrowing of $300.0 mn offset by the debt retirements of $205.0 mn mentioned in "Total assets" above. There was also a decline in the Yen denominated borrowings of $24.0 mn due to the weakening of the Yen against the US dollar.

Shareholders' equity

At December 31, 2012, CDB's equity totalled $706.9 mn compared with $674.2 mn as at December 31, 2011. The increase was due to new paid-in capital of $32.4 mn and total comprehensive income of $15.3 mn realised in 2012. During 2012, the Board of Governors approved an amount of $15.0 mn for allocation from OCR net income to the Special Development Fund – Unified. Total equity currently represents 43.0% of the Bank's liabilities and capital at the end of this reporting period.

Risk management

Caribbean Development Bank (CDB) maintains a high reputation as a borrower in the financial markets as a result of its strong support from both borrowing and non-borrowing member countries, its solid capital structure, its preferred creditor status and conservative financial and risk management policies.

Small farms produce the bulk of the Caribbean's home-grown food, and they too have access to financing and expertise through CDB programmes.

Selected Financial Data
(expressed in millions of United States dollars)

	Years ended December 31				
	2012	2011	2010	2009	2008
Balance Sheet Data					
Cash and investments	496.9	323.4	112.6	339.2	263.9
Loans outstanding(1)	972.3	1,007.5	993.5	818.3	769.2
Loans undisbursed	320.3	328.1	375.8	394.7	416.5
Total assets	1,640.8	1,543.1	1,268.9	1,288.0	1,177.2
Borrowings outstanding	920.2	857.9	653.2	718.1	608.6
Callable capital	1,207.6	1,170.9	730.4	555.5	555.5
Paid-in capital	341.3	331.0	206.8	157.4	157.4
Retained earnings & Reserves	488.2	487.9	447.1	408.1	385.9
Income Statement Data					
Loan income	39.6	40.6	42.7	45.7	46.6
Investment income	4.8	1.8	3.4	5.1	7.4
Borrowing costs	9.8	7.5	8.2	11.7	18.1
Foreign exchange translation	(24.0)	12.9	27.9	(4.9)	39.1
Derivative adjustment	31.1	(31.9)	(41.3)	11.8	(56.0)
Operating income	22.5	21.5	28.1	30.4	28.1
Comprehensive income	15.3	40.8	41.5	22.2	42.9
Ratios					
Return on:					
Average assets	1.52%	1.66%	2.34%	2.60%	2.71%
Average investments	1.47%	0.80%	1.48%	2.12%	4.46%
Average loans outstanding	4.02%	4.15%	4.72%	5.77%	6.25%
Cost of borrowings	1.26%	1.11%	1.16%	2.00%	2.98%
Total equity(2) to exposure(3)	61.3%	54.7%	53.4%	61.3%	62.6%

(1) Net of provisions.
(2) Defined as paid-in capital less receivables from members plus retained earnings and reserves.
(3) Includes loans outstanding and guarantees.

Recent events on the international financial markets, including the increased scrutiny of financial institutions' risk management frameworks by all stakeholders, have driven most financial institutions to review their risk management frameworks and to adopt measures that take account of the heightened risks in the operating environment.

Management has taken steps to establish a more centralised and expanded risk management function headed by a Chief Risk Management Officer. Enhancements are being made to its capital adequacy framework to take account of more granular assumptions and to build an enterprise model that covers credit, market and operational risks. A clear risk appetite statement with quantitative and qualitative metrics is being developed for implementation in 2013 and the governance processes to support risk management are being revised to more clearly define the roles of the Board of Directors, senior management, the finance function, the risk function and operations staff. These updates are designed to bring the Bank in line with most recently established best practices, and position the Bank to be better able to achieve its objectives.

The nature of the Bank's activities necessitates the analysis and evaluation of financial risk, and the acceptance and management of some degree of risk. Operationally, management seeks to achieve an appropriate balance between risks and return by adopting a mix of measures to mitigate the various types of risk to which the Bank is exposed. These measures include a variety of policies, guidelines and practices that together comprise the risk management framework.

These policies and practices are reviewed and modified periodically to reflect best practices and the institution's changing circumstances. Frequent reporting of the Bank's performance in relation to the established risk framework is a key compliance standard. The most important types of risk faced are country credit risk; liquidity risk; market risk (interest rate, exchange rate and spread); and operational risk.

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, operating risk, quality of earnings and internal controls. In addition, APEC discusses with management and the external auditors financial issues and policies that have an important bearing on CDB's financial position and risk-bearing capacity.

Credit risk

The major risk as a multilateral development bank is exposure to country credit risk. This risk relates to the potential losses in the event that a borrowing member is unable or unwilling to service its obligations. The Bank manages country credit risk through four levels of protection: the lending limitation, the capital adequacy framework, the policy on non-performing loans and the policy on impairment and provisioning. The Bank's ability to lend is further constrained by the OCR borrowing limit which restricts outstanding borrowings to the sum of paid-up capital less receivables from members, plus retained earnings, plus the callable capital of its investment grade non-borrowing members. The Bank also manages its credit risk with respect to liquid funds and derivative financial instruments by entering into transactions with counterparties that are U.S. government backed agencies and banks with high credit ratings assigned by international credit rating agencies.

Lending limits

The first level of protection is the overall lending limitation which states that the total amount of loans, equity and guarantees made by the Bank in its ordinary operations shall not, at any time, exceed the total amount of its unimpaired subscribed capital, reserves and surplus and any other funds included in its Ordinary Capital Resources. This policy ensures that there is sufficient ordinary capital to provide 100% coverage for the Banks exposure. In addition, the Bank limits the amount of exposure in relation to a single borrower and to groups of borrowers. Currently the exposure limit to the single largest borrower is 50% of capital and the limit for the three largest borrowers is 120% of capital. 'Capital" is defined as paid-in capital plus ordinary reserves and unallocated net income plus provisions less receivables from members.

Capital adequacy

The second tier of protection is the capital adequacy framework. The capital adequacy methodology used in measuring the loan portfolio risk is based on three components:

(a) "Probability of default" by the counterparty on its contractual obligations;
(b) Current exposures to the counterparty and likely future developments, from which the Bank derives the "exposure at default"; and
(c) Likely recovery ratio on the defaulted obligations ("the loss given default").

This methodology has informed the Bank's current policy that its ratio of "total equity to exposure" shall be maintained in the range of 50% to 55%.

These credit risk measurements, when combined, reflect expected and unexpected economic losses on the portfolio and are consistent with the principles of the Basel Committee on Banking Supervision (the "Basel Committee"). Additional information on capital adequacy is contained in "Note C – Risk Management" of the OCR financial statements.

Non-Performing loans

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

Impairment policies

Due to the nature of the Bank's borrowers and guarantors, the Bank expects to receive all of the amounts due on its sovereign guaranteed loans. In addition, the Bank's sovereign portfolio has been fully performing since the Bank's inception. IAS 39 requires that an entity assesses at the end of each reporting period whether there is any objective evidence that a financial asset or group of assets is impaired. If such evidence exists, the impairment loss is measured as the difference between the carrying value, in the case of financial assets carried at amortised cost, and the present value of estimated future cash flows discounted at the original effective interest rate. The Bank currently carries no loan loss provision on its sovereign portfolio. The non-sovereign portfolio has an accumulated provision of $7.6 mn in respect of two loans.

Liquidity risk

Liquidity risk relates to the probability that the Bank will be unable to meet the payment obligations associated with its financial commitments when they fall due. The Bank's policy is to maintain liquidity at a minimum of 40% of undisbursed commitments, or three years' net funding requirements, whichever is greater.

Market risk

Market risk arises 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.

Interest rate risk

The Bank is exposed to interest rate risk in both its operations and treasury portfolios. Interest rate risk in the operations portfolio is mitigated by the Bank's rate-setting policy, which uses the cost of funds as the basis for its lending rate. This ensures that the borrowers' debt service interest payments are matched to CDB's overall cost of funds. The exposure to interest rate risk in the treasury portfolio is reduced by effectively managing the duration of its portfolio to respond to prevailing market conditions.

Foreign exchange risk

The Bank is exposed to the effects of fluctuations in prevailing foreign currency exchange rates on its financial position and cash flows. To minimise foreign exchange risk, the Bank matches its borrowing obligations with assets in the same currency through cross currency swaps and the principal amounts are repayable in the currencies lent. In addition, the Bank maintains the currencies in its equity with assets in the same currency.

Operational risk

Operational risk is the risk of direct or indirect loss resulting from inadequate or failed internal processes, people and systems or from external events. These risks generally arise from business disruptions caused by breakdown in management information systems or from natural disasters. The Bank mitigates this type of risk by having a well-established and effective system of internal control. This is supplemented by disaster recovery planning, procurement and information disclosure policies.

The Bank has determined that the information technology systems and the data stored therein comprise a significant risk area. As a result, the Bank established a Disaster Recovery Centre based locally but located off-site, to which data are transferred daily and which enables the replication of all applications at this location within three days of a disaster occurrence. An additional back-up site was also established in Toronto, Canada, to which data are also transferred on a daily basis. This serves as a restoration facility in the event of a catastrophic local event, and based on scenario planning and disaster management plans, it is estimated that all applications and data can be recovered from this additional back-up site in approximately two weeks.

SPECIAL DEVELOPMENT FUND

The Board of Directors (BOD) adopted rules for the administration and use of the SDF on October 15, 1970. The SDF received financial support from several contributors and lenders, with an assortment of terms and conditions that created problems such as differences in procurement conditions; the absence of a regular replenishment cycle; the requirement by some donors for prior approval before their contributions could be used for particular projects; the administrative and financial complexity of administering a multiplicity of funds; and sectorial restrictions on different funds. These problems caused complexities and inefficiencies in the operation of the SDF, and the BOD agreed to establish a separate pool of funds within the SDF, with a different set of rules, which was named the Unified Special Development Fund, SDF(U), to overcome these complexities and inefficiencies.

The rules of the SDF(U) provide for a unified fund within SDF with the same rules and objectives, terms and conditions and procurement requirements. The SDF(U) is funded with contributions provided normally on a four-year basis, of which uncommitted portions may be withdrawn only in certain circumstances and subject to certain conditions.

The SDF is a key element in the aid architecture for the Caribbean and in the role and operations of the Bank for the benefit of the BMCs. It is an instrument for addressing deep-seated issues of poverty, vulnerability and human development in the countdown to the Millennium Development Goals (MDGs) in the Caribbean and the MDG target date of 2015.

The SDF plays an important role in the related challenges of climate change, economic adjustment and regional integration. It has begun to meet the challenge of an expanding role in the Caribbean, with the addition of Haiti to the Bank's membership.

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

Summary of results

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

Investments

At December 31, 2012, SDF cash and investments amounted to $346.6 mn, compared with $334.6 mn at the end of 2011. Investment income for the year amounted to $4.3 mn, representing a return of 1.3%, on an average liquidity level of $340.1 mn, compared with an income of $4.4 mn, representing a return of 1.5% on an average liquidity of $327.9 mn in 2011.

Loan portfolio

At December 31, 2012, total outstanding loans were $483.0 mn, $14.0 mn (3.0%) higher than the $469.0 mn outstanding at the end of 2011.

Disbursements

At December 31, 2012, disbursements of loans and grants had decreased to $49.0 mn from $49.9 mn in 2011. Loans decreased by $2.8 mn, while grant disbursements increased by $1.9 mn.

Financial results

At December 31, 2012, the net income for the year was $0.2 mn, compared with $1.6 mn in 2011. Gross income for the year was $15.2 mn, an increase of $0.3 mn from $14.9 mn in 2011. Total expenses were $14.9 mn, an increase of $1.5 mn from $13.4 mn in 2011. This increase in expenditure was due primarily to an increase in administrative expenses of $1.7 mn based on the formula for the allocation of administrative expenses.

Income from loans

At December 31, 2012, loan income increased by $0.3 mn from $10.5 mn in 2011 to $10.8 mn due to the increase in the loan portfolio.

Income from cash and investments

At December 31, 2012, income from cash and investments of $4.3 mn marginally below the $4.4 mn achieved in 2011.

Administrative expenses

At December 31, 2012, administrative expenses were $15.0 mn, an increase of $1.7 mn from $13.3 mn in 2011. The SDF's share of the total administrative expenses for the Bank as a whole is based on a predetermined cost-sharing formula, which is driven by the relative levels of loan count. Total administrative expenses for the Bank as a whole were $27.4 mn (2011 - $24.9 mn) of which SDF's share was 55%, compared with 53% in 2011.

Charges on contributions

At December 31, 2012, charges on contributions were $0.06 mn, down from $0.09 mn in 2011 due to the reduction in repayable contributions outstanding.

Exchange

At December 31, 2012, foreign exchange translation gains were $0.12 mn, compared with $0.04 mn in 2011 as a result of the volatility in the various currencies in relation to the US dollar.

Financial condition

Total assets

At December 31 2012, total assets were $908.3 mn, representing an increase of $33.1 mn (3.8%) from $875.2 mn at the end of 2011. The increase was due to a higher loan portfolio of $14.0 mn; an increase in cash and cash equivalents and debt securities of $12.0 mn and $7.9 mn in accounts receivable.

Liabilities and funds

Contributed resources increased by $42.3 mn, while technical assistance resources decreased by $23.7 mn. Accumulated net income increased by $14.3 mn from $79.2 mn at December 31, 2011, to $93.5 mn due to a net allocation/appropriation of $14.1 mn and total comprehensive income of $0.2 mn.

OTHER SPECIAL FUNDS

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

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

Summary of results

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

Investments

At December 31, 2012, cash and investments amounted to $85.5 mn, compared with $73.4 mn at the end of 2011. The investment portfolio included assets from the Microfinance Guarantee Fund and the Interest Subsidy Fund that are externally managed. In addition, included in the investment portfolio are equity investments amounting to $12.9 mn (2011: $10.3 mn).

Loan portfolio

At December 31, 2012, total outstanding loans were $124.1 mn, a decrease of $1.0 mn (0.8%) from $125.1 mn in 2011. Cumulative loans approved were substantially unchanged at December 31, 2012, at $281.8 mn, compared with $281.7 mn at the end of 2011.

Disbursements

At December 31, 2012, disbursements of loans and grants decreased to $17.8 mn from $23.0 mn in 2011. Loans decreased by $9.4 mn and grants increased by $4.2 mn.

Financial results

At December 31, 2012, net income was $2.5 mn, an increase of $2.0 mn from $0.5 mn in 2011. This was due primarily to an increase in investment income from $0.3 mn in 2011 to $2.2 mn. The investment income in 2012 contained net unrealised gains of $1.8 mn.

Evesham Health Centre - St. Vincent and the Grenadines.

Income from loans

At December 31, 2012, income from loans increased to $2.7 mn from $2.6 mn in 2011. This was due to the marginal increase in the average loan portfolio.

Income from cash and investments

At December 31, 2012, income from cash and investments increased to $2.2 mn from $0.3 mn in 2011. This was due to the unrealised gains described under "Financial Results" above.

Administrative expenses

At December 31, 2012, administrative expenses were relatively unchanged at $1.4 mn. The OSF's share of the total administrative expenses for the Bank as a whole is based on a predetermined cost-sharing formula, which is driven by the relative levels of loan count. Total administrative expenses for the Bank as a whole were $27.4 mn (2011: $24.9 mn) of which OSF's share was 5%, compared with 6% in 2011.

Charges on contributions

At December 31, 2012, charges on contributions were $0.8 mn, down from $0.9 mn in 2011 due to the reduction in repayable contributions outstanding.

Exchange

At December 31, 2012, foreign exchange translation losses were $0.06 mn, compared with gains of $0.1 mn in 2011. Foreign exchange translation movements were caused by the volatility in the value of various currencies in relation to the US dollar.

Financial condition

Total assets

At December 31, 2012, total assets were $279.8 mn, representing an increase of $12.1 mn (4.5%) from $267.7 mn at the end of 2011. This increase was due mainly to an increase of $12.1 mn (16.5%) in cash and investments.

Liabilities and funds

At December 31, 2012, liabilities and funds totalled $279.8 mn, representing an increase of $12.1 mn from $267.7 mn at the end of

2011. This change was due to increases in total technical assistance resources and accumulated net income of $14.3 mn and $2.5 mn, respectively, while there were declines of $2.7 mn in contributions and $1.9 mn in liabilities.

Total Administrative Expenses
At December 31, 2012, administrative expenses for all funds were $27.4 mn, increasing by $2.5 mn from $24.9 mn in 2011. A comparative analysis of major expenditure items is shown below.

ANALYSIS OF ACTUAL EXPENSES FOR 2012 AND 2011
$' mn

	2012	2011	Variance	
				%
Staff costs	$16.8	$15.8	$1.0	6.3
Professional fees and Consultants	3.1	1.6	1.5	93.8
Travel	1.4	1.3	0.1	7.7
Maintenance and Utilities	1.1	1.0	0.1	10.0
Training and Seminars	0.6	0.6	0.0	0.0
Supplies and Printing	0.2	0.2	0.0	0.0
Board of Governors/Directors	0.6	0.5	0.1	20.0
Computer Services	0.8	1.1	(0.3)	(27.3)
Communications	0.5	0.5	0.0	0.0
Library	0.1	0.1	0.0	0.0
Corporate relations	0.1	0.2	(0.1)	(50.0)
Bank charges	0.1	0.1	0.0	0.0
Insurance	0.1	0.1	0.0	0.0
Other	0.5	0.3	0.2	66.7
Sub-total	26.0	23.4	2.6	11.1
Depreciation	1.4	1.5	(0.1)	(6.7)
Total	**$27.4**	**$24.9**	**$2.5**	**10.0**

PART V
FINANCIAL STATEMENTS AND REPORTS OF INDEPENDENT AUDITORS

Ernst & Young Ltd
P.O. Box 261, Bridgetown, BB11000
Barbados, W.I.

Street Address
Worthing, Christ Church, BB15008
Barbados, W.I.

Tel: 246 430 3900
Fax: 246 426 9551
246 426 0472
246 435 2079
246 430 3879
www.ey.com

Independent Auditors' Report

To the Board of Governors of Caribbean Development Bank

We have audited the accompanying financial statements of the **Ordinary Capital Resources** of the **Caribbean Development Bank** (the Bank) which comprise the statement of financial position as of December 31, 2012, statement of changes in equity, statement of comprehensive income, and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

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, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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 about whether the financial statements are free from 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 auditors' judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk 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 of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion
In our opinion, the financial statements present fairly in all material respects the financial position of the Ordinary Capital Resources of the Bank as of December 31, 2012, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards.

Ernst + Young

Chartered Accountants
Barbados
March 21, 2013

CARIBBEAN DEVELOPMENT BANK
ORDINARY CAPITAL RESOURCES

STATEMENT OF FINANCIAL POSITION
As of December 31, 2012

(expressed in thousands of United States dollars, unless otherwise stated)

		2012	2011
Assets			
Cash resources			
Cash and cash equivalents - Note F		**$96,401**	$79,163
Investments			
Debt securities at fair value through profit or loss - Note G		**400,509**	244,242
Receivables and Prepayments – Note M		**10,222**	14,625
Loans			
Loans outstanding – Note H		**972,332**	1,007,537
Derivative financial instruments			
Cross currency interest rate swaps – Note I		**95,312**	127,680
Receivable from members			
Non-negotiable demand notes - Note J	43,802		44,363
Maintenance of value on currency holdings – Note K	2,692		1,121
Subscriptions in arrears – Note L	11,250		15,975
		57,744	61,459
Other assets			
Property and equipment – Note N		**8,286**	8,419
Total assets		**$1,640,806**	$1,543,125

The accompanying notes form an integral part of these financial statements

CARIBBEAN DEVELOPMENT BANK
ORDINARY CAPITAL RESOURCES

STATEMENT OF FINANCIAL POSITION...*continued*
As of December 31, 2012

(expressed in thousands of United States dollars, unless otherwise stated)

		2012	2011
Liabilities and Equity			
Liabilities			
Accounts payable and accrued liabilities - Note O		**$4,616**	$2,200
Subscriptions in advance – Note P		**4,138**	5,172
Deferred income – Note Q		**875**	875
Post-employment obligations - Note R		**3,964**	2,598
Maintenance of value on currency holdings – Note K		**36**	193
Borrowings			
Short term facility – Note S	20,000		20,000
Long term borrowings – Note S	900,246		837,875
		920,246	857,875
Total Liabilities		**$933,875**	$868,913
Equity			
Capital stock – Note T			
Authorised capital – 312,971 (2011 – 312,971) shares			
Subscribed capital – 247,455 (2011– 239,643) shares		**1,549,012**	1,501,892
Less callable capital – 193,125 (2011 – 187,032) shares		**(1,207,638)**	(1,170,887)
Paid-up capital – 54,330 (2011 – 52,611) shares		**341,374**	331,005
Less subscriptions not yet matured		**(122,629)**	(144,644)
Subscriptions matured		**218,745**	186,361
Retained earnings and Reserves – Note T		**488,186**	487,851
Total Equity		**706,931**	674,212
Total Liabilities and Equity		**$1,640,806**	$1,543,125

Approved on March 21, 2013 by:

W^m. Warren Smith
President

Adrian T. Debique
Director (Ag), Finance & Corporate Planning

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

CARIBBEAN DEVELOPMENT BANK
ORDINARY CAPITAL RESOURCES

STATEMENT OF CHANGES IN EQUITY
For the year ended December 31, 2012

(expressed in thousands of United States dollars, unless otherwise stated)

	Capital Stock	Retained Earnings	Reserves	Total
Balance at January 1, 2011	$157,433	$432,957	$14,110	$604,500
Issued share capital	28,928	-	-	28,928
Total comprehensive income for the year	-	40,784	-	40,784
Balance at December 31, 2011	$186,361	$473,741	$14,110	$674,212
Balance at January 1, 2012	$186,361	$473,741	$14,110	$674,212
Issued share capital	32,384	-	-	32,384
Total comprehensive income for the year	-	15,335	-	15,335
Allocation from net income – Note T	-	(15,000)	-	(15,000)
Balance at December 31, 2012	**$218,745**	**$474,076**	**$14,110**	**$706,931**

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

CARIBBEAN DEVELOPMENT BANK
ORDINARY CAPITAL RESOURCES

STATEMENT OF COMPREHENSIVE INCOME
For the year ended December 31, 2012

(expressed in thousands of United States dollars, unless otherwise stated)

	2012	2011
Interest and similar income		
Loans – Note U	**$39,639**	$40,582
Investments and cash balances – Note U	**3,445**	2,667
	43,084	43,249
Interest expense and similar charges		
Borrowings	**13,173**	10,347
Other financial (income) expenses - Note U	**(3,390)**	(2,822)
	9,783	7,525
Net interest income	**33,301**	35,724
Other (income)/expenses		
Other income	**(1,453)**	(127)
Realized and unrealized fair value (gains)/losses	**(1,334)**	910
Provision for loan losses – Note H	**2,538**	3,000
Administrative expenses – Note V	**11,029**	10,183
Foreign exchange translation	**60**	210
	10,840	14,176
Operating income	**22,461**	21,548
(Decrease)/increase in fair value of derivatives - Note W	**(31,129)**	31,925
Foreign exchange gain/(loss) in translation on Yen borrowings - Note S	**24,003**	(12,689)
Total comprehensive income for the year	**$15,335**	$40,784

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

CARIBBEAN DEVELOPMENT BANK
ORDINARY CAPITAL RESOURCES

STATEMENT OF CASH FLOWS
For the year ended December 31, 2012

(expressed in thousands of United States dollars, unless otherwise stated)

	2012		2011
Operating activities:			
Comprehensive income for the year		**$15,335**	$40,784
Adjustments:			
Unrealized (gain)/loss on debt securities	**(705)**		1,013
Depreciation	**1,398**		1,453
Gain on disposal of fixed assets	**-**		11
Decrease/(increase) in fair value of derivatives	**31,129**		(31,925)
Interest income	**(43,084)**		(43,249)
Interest expense	**9,783**		7,525
Provision for loan losses	**2,538**		3,000
Foreign exchange (gain)/loss on translation of Yen borrowings	**(24,003)**		12,689
Increase in amounts required to maintain the value of currency holdings	**(2,762)**		(1,262)
Net foreign exchange difference	**(21)**		(13)
Total cash flows used in operating activities before changes in operating assets and liabilities		**(10,392)**	(9,974)
Changes in operating assets and liabilities:			
Decrease/(increase) in receivables	**4,403**		(3,577)
Increase in accounts payable	**3,782**		1,063
Net increase in debt securities at fair value through profit and loss	**(155,449)**		(141,737)
Cash used in operating activities		**(157,656)**	(154,225)
Disbursements made on loans		**(49,481)**	(94,867)
Principal repayments to the Bank on loans		**82,724**	77,308
Interest received		**42,395**	43,513
Interest paid		**(8,197)**	(7,219)
Net cash used in operating activities		**(90,215)**	(135,490)
Investing activities:			
Purchase of property and equipment	**(1,265)**		(1,567)
Proceeds from sale of property and equipment	**-**		11
Net cash used in investing activities		**(1,265)**	(1,556)
Financing activities:			
Borrowings:			
Drawdowns	**338,630**		225,216
Repayments	**(252,582)**		(32,649)
Allocation of net income	**(15,000)**		-
Capital subscriptions	**32,384**		28,928
Decrease/(increase) in other receivables from members	**5,286**		(14,720)
Net cash provided by financing activities		**108,718**	206,775
Net increase in cash and cash equivalents		**17,238**	69,729
Cash and cash equivalents at beginning of year		**79,163**	9,434
Cash and cash equivalents at end of year – Note F		**$96,401**	$79,163

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2012

(expressed in thousands of United States dollars, unless otherwise stated)

NOTE A – NATURE OF OPERATIONS

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

CDB was established as a regional financial institution for the purpose of contributing to the harmonious economic growth and development of the member countries in the Caribbean (Region), with special and urgent regard to the needs of its less developed members. The Bank's headquarters is located in Wildey in the parish of Saint Michael in the island of Barbados.

The membership of the Bank is open to (a) States and Territories of the Region; (b) Non-Regional States which are members of the United Nations or any of its specialized agencies or of the International Atomic Energy Agency; and (c) other Multilateral Development Banks.

The membership of the Bank is comprised of twenty-one (21) regional states and territories and five (5) non-regional states. A detailed listing of the membership is provided at Note T.

Reducing poverty in the region is CDB's main objective. CDB's funding activities are carried out in its Borrowing Member Countries (BMCs) and these are financed mainly through its shareholder fund which is referred to as its Ordinary Capital Resources (OCR). 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 is supplemented by the Special Development Fund (SDF) and Other Special Funds (OSF) which are separate funds with distinct assets and liabilities. There is no recourse to the OCR for obligations in respect of any of the SDF or OSF liabilities.

Mobilizing financial resources is an integral part of CDB's operational activities. In addition, CDB alone or jointly, administers on behalf of donors, including members, some of their agencies and other development institutions, funds restricted for specific uses, which include technical assistance grants and 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 where otherwise stated. Prior year comparatives have been amended to conform with the presentation in the current year.

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 which have been reflected at fair value.

The financial statements comprise the statement of financial position, the statement of comprehensive income, the statement of changes in equity, the statement of cash flows and the notes to the financial statements for the year ended December 31, 2012 (the reporting date).

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

The presentation format of the Bank's statement of comprehensive income inclusive of comparatives was amended to reflect the operating income from the Bank's core activities. In the opinion of management, this enhances the information to the users of the Bank's financial statements. Operating income represents the results upon which the Bank's financial, liquidity, efficiency and other performance ratios are determined.

The preparation of financial statements in conformity with IFRS requires management to make estimates. It also requires management to exercise its judgement in the process of applying the Bank's accounting policies. Changes in assumptions may have a significant impact on the financial statements in the period the assumptions changed. Management believes that the underlying assumptions are appropriate and that the Bank's financial statements, therefore, present its financial position fairly. Areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note D – "Critical accounting estimates and judgements".

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

New and amended standards and interpretations

The accounting policies adopted are consistent with those of the previous financial year, except for the following new and amended IFRS and International Financial Reporting Interpretations Committee (IFRIC) interpretations effective as at 1 January 2012:

- IFRS 7, Financial Instruments: Disclosures – Enhanced derecognition disclosure requirements (Amendment): 1 July 2011

Other amendments resulting from improvements to IFRS for the following standards did not have any impact on the accounting policies, financial position or performance of the Bank:

- IAS 12, Income Taxes (Amendment) – Deferred Taxes: Recovery of Underlying Assets
- IFRS 1, First–time Adoption of IFRS (Amendment) – Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters.

Standards, amendments and interpretations not yet effective but which will be relevant to the Bank

Standards issued but not effective up to the date of issuance of the Bank's financial statements are listed below:

- IFRS 1, Government Loans (Amendment): 1 January 2013
- IFRS 7, Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities: 1 January 2013
- IFRS 9, Financial Instruments: 1 January 2015
- IFRS 13, Fair Value Measurement: 1 January 2013
- IAS 1, Presentation of Items of Other Comprehensive income (Amendment): 1 July 2012
- IAS 19, Employee Benefits (Revised): 1 January 2013
- IAS 32, Offsetting Financial Assets and Financial Liabilities (Amendment): 1 January 2014

The Bank is considering the implications of these standards, the impact on the Bank and the timing of their adoption by the Bank.

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

Standards, amendments and interpretations effective on or after January 1, 2013 and which are not relevant to the Bank

- IAS 12, Income Taxes – Recovery of Underlying Assets
- IAS 27 (Revised), Separate Financial Statements, 1 January, 2013
- IAS 28 (Revised), Investments in Associates and Joint Ventures
- IFRS 1, Government Loans (Amendment)
- IFRS 10, Consolidated Financial Statements
- IFRS 11, Joint Arrangements
- IFRS 12, Disclosure of Involvement with Other Entities
- IFRIC 20, Stripping Costs in the Production Phase of a Surface Mine
- Annual improvements, May 2012

Foreign currency translation

Functional and presentation currency

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

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

Taxation

Under the provisions of Article 55 of the Charter the Bank's assets, property, income and its operations and transactions are exempt from all direct taxation.

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

Financial instruments

In accordance with IAS 39, the Bank categorizes its assets as follows: financial assets at fair value through profit or loss and loans and receivables. Financial liabilities are measured at amortized cost. Financial assets and financial liabilities are recognized on the statement of financial position when the Bank assumes related contractual rights or obligations and derecognized when the rights to secure cash flows from the financial asset expire or when all risks and rewards of ownership have been substantially transferred. Financial liabilities are derecognized when the obligation under the liability is discharged, cancelled or expires. Management determines the classification of its financial instruments at initial recognition.

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

(a) Initial measurement of Financial instruments

Financial instruments carried at fair value through profit or loss are initially recognized at fair value, and transaction costs are expensed for the year in the statement of comprehensive income. All other financial instruments are initially measured at fair value plus transaction costs.

(b) 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.

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

Financial assets designated at fair value through profit or loss upon initial recognition are managed and evaluated on a fair value basis and reported to management on that basis. Once the asset has been so classified, it cannot be changed. Financial instruments in this category are included in the statement of financial position as ‘Debt securities at fair value through profit and loss’. All of the Bank’s investments are designated at fair value through profit and loss.

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

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

(c) 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. After initial measurement, loans and receivables are subsequently measured at amortized cost using the effective interest rate method less any impairment. Interest income is recognized by applying the effective interest rate method, except for short-term receivables when the recognition of interest would be immaterial.

(d) Derivatives recorded at fair value through profit and loss

The Bank uses derivatives such as cross currency interest rate swaps and forward exchange contracts in its borrowing and liability management activities to lower its funding costs and to align the interest rate profiles on its borrowings with that of its lending activities. Derivatives are recorded at fair value and carried as assets when their fair value is positive and as liabilities when their fair value is negative. Changes in the fair value of derivatives are reflected as "Decrease/ (increase) in fair value of Derivatives" in the statement of comprehensive income.

(e) Financial liabilities

Financial liabilities consist of long term borrowings, for which the fair value option is not applied, and are measured at amortized cost. Borrowings are recognized initially at fair value plus transaction costs incurred. Borrowings are subsequently stated at amortized cost; with transaction costs, premiums or discounts recognized in the profit or loss over the period of the borrowings using the effective interest rate method.

Determination of fair value

For financial instruments traded in active markets, the determination of fair values is based on quoted market prices or dealer price quotations. A financial instrument is regarded as quoted in an active market if prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. If the above criteria are not met, the market is regarded as being inactive.

For all other financial instruments, including derivatives, fair value is determined using valuation techniques. In these techniques, fair values are estimated from observable data in respect of similar financial instruments, using models to estimate the present value of expected future cash flows, or other valuation techniques, using inputs (for example, LIBOR yield curve, FX rates, volatilities and counterparty spreads) existing at the reporting date.

The Bank uses widely recognized valuation models for determining fair values of non-standardized financial instruments such as options or interest rate and currency swaps. For these financial instruments, inputs into models are generally market-observable.

An analysis of fair values of financial instruments is provided in Note C – Risk Management – "Fair value of financial assets and liabilities".

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

Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously.

Interest income and expense

Interest income and expense are recognized in the statement of comprehensive income for all interest-bearing instruments using the effective interest rate method based on the actual purchase price.

The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability.

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

Commitment fee and other income

Fees and other income are generally recognized on an accrual basis when the service has been provided.

Impairment of financial assets

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

(i) significant financial difficulty of the issuer or obligor;
(ii) a breach of contract, such as a default or delinquency in interest or principal payments;
(iii) the Bank granting to the borrower, for economic or legal reasons relating to the borrower’s financial difficulty, a concession that the Bank would not otherwise consider;
(iv) it becoming probable that the borrower will enter bankruptcy or other financial reorganization;
(v) the disappearance of an active financial market for that financial asset because of financial difficulties; or

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

Impairment of financial assets…*continued*

(vi) observable data indicating that there is a measurable decrease in the estimated future cash flows from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial asset in the group, including:

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

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 statement of comprehensive income.

The methodology used for assessing portfolio impairment for sovereign risk assets also takes into account the Bank's preferred creditor status afforded by members. This provision is calculated on an incurred loss basis. Any impairment is deducted from the asset categories on the statement of financial position.

The Bank assesses whether objective evidence of impairment exists individually for all its private sector loans. Impairment, less any amount reversed during the year, is charged to the statement of comprehensive income. When a loan is deemed uncollectible, it is written off against the related impairment provisions. If, in a subsequent period, the amount of the impairment loss decreases, and the decrease can be related objectively to an event after the impairment was recognized, the previously recognized impairment loss is reversed by adjusting the provision amount and the amount of the reversal is recognized in the statement of comprehensive income.

Renegotiated loans

Where possible, the Bank seeks to restructure loans rather than take possession of collateral. This may involve extending the payment arrangements and the agreement of new loan conditions. Once terms have been renegotiated any impairment is measured using the original effective interest rate as calculated before the modification of terms and the loan is no longer considered past due. Management continuously reviews renegotiated loans to ensure that all criteria are met and that future payments are likely to occur. During 2011, the Board of Directors approved the restructuring of a private sector loan in which the borrower was given a moratorium on principal repayments until July 2012. This loan was fully repaid during the year.

Exceptional financial assistance

The Board also approved the conversion of the outstanding balances of some OCR portions of loans of a member country, into loans from CDB's Special Fund Resources as part of a package of exceptional financial assistance. These conversions became effective on January 1, 2013.

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

Property and equipment

Property and equipment are stated at historical cost less accumulated 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 recognized 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 over their useful lives as follows:

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

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

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

Deferred income

The deferred income relates to a Government grant of property and is stated at fair value. This property is freehold land with indefinite life and is therefore not subject to depreciation. The grant was recorded using the income approach and will be recognized in profit and loss in line with the useful life of the assets scheduled for construction on the property.

Cash and cash equivalents

For the purposes of the statement of cash flows, cash and cash equivalents comprise balances with maturities of three months or less from the date of acquisition, including cash, treasury bills and other eligible bills, amounts due from other banks and short-term government securities.

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

Commitments and contingencies

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

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

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

Post-employment obligations

(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 and are managed by Trustees which are appointed by the management of the Bank and staff.

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

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

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions in excess of the greater of 10% of the value of the Plan assets or 10% of the defined benefit obligation are charged or credited to income over the employees' expected average remaining working lives. In the case of the hybrid scheme, gains and losses are immediately recognized in income. Past-service costs are recognized 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 amortized on a straight-line basis over the vesting period.

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

Post–employment obligations…*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. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows (relating to service accrued to the reporting date) using the yields available on high-quality corporate bonds.

(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 reporting date are discounted to their present value.

Financial guarantee contracts

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

Financial guarantees are initially recognized as a liability in the financial statements at fair value on the date the guarantee was given. The fair value of a financial guarantee at the time of signature is zero because all guarantees are agreed on arm's length terms and the value of the premium agreed corresponds to the value of the guarantee obligation.

Valuation of Capital Stock

In the Charter, 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 Charter may be amended in respect of the standard of value, the expression "United States dollars of the weight and fineness in effect on

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

Valuation of Capital Stock…*continued*

September 1, 1969" be interpreted, pursuant to Article 59 of the Charter, to mean the "Special Drawing Right" (SDR) introduced by the International Monetary Fund as the SDR was valued in terms of United States dollars immediately before the introduction of the basket method of valuing the SDR on July 1, 1974, such value being 1.206348 current dollars for one SDR as at June 30, 1974 (the 1974 SDR). For the purposes of the financial statements, the Bank has expressed the value of its capital stock on the basis of the 1974 SDR. This has no effect on the financial position or results of the operations of the Bank.

The Charter 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.

Maintenance of value (MOV)

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 Charter, 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. In the opinion of the Bank, where the value of a Member's currency depreciates or appreciates to a significant extent, the Bank or Member may be required to repay an amount of currency equal to the increase or decrease in the value of its currency which is held by the Bank in respect of capital subscriptions. For the purposes of effecting settlement, MOV obligations are established at December 31 in each year. The Board of Directors has agreed that MOV obligations on any part of a member's paid-up capital which is represented by loans outstanding be postponed and become payable on each portion of the principal of such loans when such portion is repaid to the Bank. MOV obligations that are not so deferred are due for settlement within 12 months of the date established. The regime approved by the Board with respect to MOV payments does not allow for the making of MOV payments by the Bank where circumstances are unfavourable to the Bank. In particular it permits the offsetting of Notes and will allow the encashment of Notes only with the prior and specific approval of the Board.

Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker is the person or group that allocates resources to and assesses the performance of the operating segments of an entity. Under Article 33.4 the President is the Chief Executive Officer (CEO) and is required to conduct, under the direction of the Board of Directors (BOD) the current business of the Bank as well as the other matters set out in this paragraph. The President has set up a number of management committees to assist with the discharge of those responsibilities.

In accordance with IFRS 8, the Bank has one operating segment, its Ordinary Capital Resources (OCR).

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 the adoption of 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 associated with the borrowing member countries (country credit risk), liquidity risk, market risk and operational risk. Market risk includes currency, interest rate and other price risks.

Different bodies in the institution have been assigned the responsibility of monitoring and managing the varied types of risk faced by the Bank. Credit, liquidity and market risk are managed by the Finance and Corporate Planning Department and 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, 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, 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.

The Bank's Loans Committee, which includes all the senior management of the Bank with the exception of the President, has principal responsibility for ensuring that adequate due diligence has been carried out by the staff on all investment and other projects and that all the relevant policies relating to lending, procurement, and other requirements are adhered to before recommendation is made to the President. This committee, therefore, plays an important role in managing operational risk.

The Bank's Investment Committee comprises the President, the two Vice-Presidents, the Director of Finance and Corporate Planning and the Director of Economics and provides oversight of the investment function. It monitors adherence to the investment guidelines which have been approved by the Board of Directors. It also approves shifts in the Bank's investment strategy based on internal liquidity needs and changes in the external economic environment. The Committee also monitors investment performance in relation to the established benchmarks, counterparty creditworthiness and the valuation of derivatives.

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, 2012 is reported in Note H.

NOTE C – RISK MANAGEMENT…*continued*

Credit risk…*continued*

The Bank manages its credit risk on liquid funds and derivative financial instruments by ensuring that no individual investments can have a credit rating less than A-/A3 (by Standard & Poor's Rating Agency and Moody's Investors Service respectively) for commercial bank obligations and AA-/ Aa3 for government obligations. In addition, in relation to derivative transactions, all counterparties must be rated not less than A/A2 at the commencement of the transactions.

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 based on the recommendations of the Basel Committee on Banking Regulations and 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 bench-marking against similar credit are used to assign an appropriate rating. Borrowers are segmented into four rating classes. The rating scale, 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 are as follows:

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

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

NOTE C – RISK MANAGEMENT…*continued*

Credit risk measurement…*continued*

(ii) Exposure at default is based on the amounts expected to be owed at the time of default. Whenever the model is run, the loans outstanding for the individual countries at that point in time are used as the exposure at default. However, because of the Bank's small exposure to the private sector, these loans are all placed in a single group.

(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, its loan portfolio being predominantly sovereign, 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.

(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-/ A3 (by Standard & Poor's Rating Agency and Moody's Investors Service respectively). 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 of the investible amount of the given currency or 10% of CDB's capital, whichever is smaller.

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 approved exposure limit to the single largest borrower is 50% of the Bank's capital which is defined as paid-up capital, retained earnings and reserves less receivable from members, and the cumulative effect of derivative transactions. 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, carry the same credit risk as loans. Documentary and commercial letters of credit, which are written undertakings by the Bank on behalf of a borrower authorizing a third party to draw drafts on the Bank up to a stipulated amount under specific terms and conditions, are collateralised by the underlying shipments of goods to which they relate and therefore carry less risk than a direct borrowing. The Bank currently does not have any such exposures.

CDB loans are usually fully disbursed over several years. As a result, the Bank continues to have undisbursed balances of approved loans. The liquidity risk remains with the Bank as it is required to provide funds to the borrowers when requested. This risk is managed by conformity to the Bank's policy of maintaining a net three years' funding requirement or 40% of undisbursed loan commitments and approvals not yet effective, whichever is greater.

NOTE C – RISK MANAGEMENT…*continued*

Credit related commitments…*continued*

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 A/A2 by Standard &Poor's or Moody's respectively, or higher. During the year the credit rating of one of the counterparties fell below the Bank's minimum standards as a result of which the existing swap agreement with this counterparty was novated and an agreement concluded on the existing terms and conditions with another counterparty which met the Bank's minimum requirements.

Master netting arrangements

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

(expressed in thousands of United States dollars, unless otherwise stated)

NOTE C – RISK MANAGEMENT…*continued*

Impairment and provisioning policies

The rating system described previously focused more on credit-quality mapping from the inception of the lending and investment activities. In contrast, impairment provisions are recognized for financial reporting purposes only for losses that have been incurred at the reporting 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 is usually lower than the amount determined from the expected loss model that is used for internal operational management. The impairment provision in the statement of financial position at year-end is derived from an assessment of collateral held and anticipated receipts for that account. The following table provides an analysis of the internal rating categories of the Bank's loans and the associated impairment provision made within:

Bank's rating

As at December 31	**2012**		**2011**	
	Loans	Impairment Provision (%)	Loans	Impairment Provision (%)
Investment grade	$30,268	-	$37,519	-
Standard monitoring	467,760	-	477,970	-
Special monitoring	397,970	-	486,544	-
Sub-standard	76,334	9.94	5,504	91.68
Total (inclusive of accrued interest)	$972,332		$1,007,537	

The internal rating tool assists management in determining whether objective evidence of impairment exists under IAS 39, based, at a minimum, 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 the collateral;
- Downgrading below investment grade level; and
- Economic condition of the country.

(expressed in thousands of United States dollars, unless otherwise stated)

NOTE C – RISK MANAGEMENT…*continued*

Bank's rating …*continued*

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 the reporting date on a case-by-case basis, and are applied to all individually significant accounts. The assessment normally encompasses collateral held and the anticipated receipts for that individual account. As at December 31, 2012 and 2011, two loans were assessed as impaired in the private sector loan portfolio.

As at December 31, 2012 and 2011, no impairment was assessed in the public sector loan portfolio.

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

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

As at December 31	2012	2011
Cash and cash equivalents	$96,401	$79,163
Debt securities at fair value through profit or loss	400,509	244,242
Public sector loans outstanding	924,714	958,564
Private sector loans outstanding	47,618	48,973
Cross currency interest rate swaps	95,312	127,680
Non-negotiable demand notes	43,802	44,363
Maintenance of value on currency holdings	2,692	1,121
Subscriptions in arrears	11,250	15,975
Receivables and prepayments	10,222	14,625
	$1,632,520	$1,534,706
Undisbursed loan balances		
Public sector	261,349	195,461
Private sector	23,925	34,514
	$1,917,794	$1,764,681

The above table represents a worst case scenario of credit risk exposure as at December 31, 2012 and 2011, without taking account of any collateral held or other credit enhancements attached.

For assets included on the statement of financial position, the exposures set out above are based on net carrying amounts as reported in the statement of financial position.

(expressed in thousands of United States dollars, unless otherwise stated)

NOTE C – RISK MANAGEMENT…*continued*

Maximum exposure to credit risk before collateral held or other credit enhancements…*continued*

As shown, the total maximum exposure derived from loans and commitments to the public sector was 61.8% (2011: 65.4%), and to the private sector was 3.7% (2011: 4.7%).

Loans and advances

Loans are summarized as follows:

	December 31, 2012		December 31, 2011	
	Public Sector	Private Sector	Public Sector	Private Sector
Neither past due nor impaired	$889,283	$43,867	$937,696	$43,254
Past due but not impaired	35,431	-	20,868	-
Impaired	-	11,335	-	10,765
Gross	924,714	55,202	958,564	54,019
Less: allowance for impairment	-	(7,584)	-	(5,046)
Net	$924,714	$47,618	$958,564	$48,973

During the year ended December 31, 2012, loans that were neither past due nor impaired represented 96% (2011: 97%) of loans outstanding.

Loans and advances neither past due nor impaired

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

	Loans at December 31, 2012		
	Public Sector	Private Sector	Total Loans
Investment grade	$30,268	$-	$30,268
Standard monitoring	467,760	-	467,760
Special monitoring	318,672	43,867	362,539
Sub-standard	72,583	-	72,583
Total	$889,283	$43,867	$933,150

	Loans at December 31, 2011		
	Public Sector	Private Sector	Total Loans
Investment grade	$37,517	$-	$37,517
Standard monitoring	477,970	-	477,970
Special monitoring	422,209	43,254	465,463
Total	$937,696	$43,254	$980,950

(expressed in thousands of United States dollars, unless otherwise stated)

NOTE C – RISK MANAGEMENT…*continued*

Loans and advances …*continued*

The Bank also maintains a General Banking Reserve which has been deemed a provision for general banking risks – See Note T.

Loans and advances past due but not impaired

Gross loans and advances by class to customers that were past due but not impaired were as follows:

	Loans at December 31, 2012		
	Public Sector	Private Sector	Total Loans
Past due up to 30 days	$-	$-	$-
Past due 30 – 60 days	14,439	-	14,439
Past due 60 – 90 days	20,992	-	20,992
Over 90 days	-	-	-
Total	$35,431	$-	$35,431

	Loans at December 31, 2011		
	Public Sector	Private Sector	Total Loans
Past due up to 30 days	$2	$-	$2
Past due 30 – 60 days	-	-	-
Past due 60 – 90 days	20,866	-	20,866
Over 90 days	-	-	-
Total	$20,868	$-	$20,868

Non-negotiable demand notes

At December 31, 2012, no non-negotiable demand notes are considered to be impaired.

Collateral

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

(expressed in thousands of United States dollars, unless otherwise stated)

NOTE C – RISK MANAGEMENT…*continued*

Collateral…*continued*

For private sector loans, CDB will require its commitments to be secured, the nature and extent of which will be determined on a case-by-case basis. The securities against the private sector loans comprise a Government guarantee and sub-loans assigned to trusts (to be managed at no cost to CDB by the borrower) and the Bank has recourse against these sub-loans in the event of the default of the borrower. 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 observable market price of the asset.

The fair value of the collateral on the impaired private sector loans was estimated at $7,649. This is comprised of the fair value of sub loans and the Bank's portion of the estimated realisable value of a property.

Debt securities, treasury bills and other eligible bills

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

The following tables present an analysis of debt securities, treasury bills and other eligible bills by rating agency designation at December 31, 2012 and 2011, based on Standard & Poor's Rating Agency ratings or their equivalent:

	2012				
	Ratings				
Type	AAA	AA+ to AA-	A+ to A-	Unrated	Total
Obligations guaranteed by Governments[1]	$73,592	$127,764	$-	$-	$201,356
Euro Commercial Paper	9,995	-	-	-	9,995
Time Deposits	-	4,774	-	1,267	6,041
Sovereign Bonds	10,423	26,265	-	-	36,688
Supranational Bonds	141,324	5,105	-	-	146,429
Total	$235,334	$163,908	$-	$1,267	$400,509

Of the total debt securities, $57,869 (14.5%) [2011: $95,626 (39.2%)] represents exposure to the Eurozone. As at December 31, 2012, the Bank's exposure was with the European Investment Bank, the Council of Europe Development Bank, Germany, France, Netherlands and Austria.

CARIBBEAN DEVELOPMENT BANK
ORDINARY CAPITAL RESOURCES

NOTES TO THE FINANCIAL STATEMENTS
For the year ended December 31, 2012

(expressed in thousands of United States dollars, unless otherwise stated)

NOTE C – RISK MANAGEMENT…*continued*

Debt securities, treasury bills and other eligible bills…*continued*

	2011				
	Ratings				
Type	AAA	AA+ to AA-	A+ to A-	Unrated	Total
Obligations guaranteed by Governments[1]	$69,868	$74,888	$-	$3,171	$147,927
Euro Commercial Paper	9,972	-	-	-	9,972
Time Deposits	-	325	-	1,565	1,890
Sovereign Bonds	3,081	25,737	7,668	-	36,486
Supranational Bonds	47,967	-	-	-	47,967
Total	$130,888	$100,950	$7,668	$4,736	$244,242

Concentration of risks of financial assets with credit risk exposure

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

	2012				
	Borrowing Member Countries	Non-Regional Members	USA	Other	Total
Cash and cash equivalents	$6,762	$882	$88,757	$-	$96,401
Debt securities at fair value through profit or loss	1,266	54,203	146,364	198,676	400,509
Public sector loans outstanding	924,714	-	-	-	924,714
Private sector loans outstanding	47,618	-	-	-	47,618
Cross currency interest rate swaps	-	61,570	33,742	-	95,312
Maintenance of value on currency holdings	563	2,129	-	-	2,692
Non-negotiable demand notes	35,378	8,424	-	-	43,802
Subscriptions in arrears	11,250	-	-	-	11,250
Receivables and prepayments	10,222	-	-	-	10,222
Total, December 31	$1,037,773	$127,208	$268,863	$198,676	$1,632,520

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

(expressed in thousands of United States dollars, unless otherwise stated)

NOTE C – RISK MANAGEMENT…*continued*

Concentration of risks of financial assets with credit risk exposure*…continued*

	2011				
	Borrowing Member Countries	Non-Regional Members	USA	Other	Total
Cash and cash equivalents	$8,723	$1,838	$68,602	$-	$79,163
Debt securities at fair value through profit or loss	2,970	35,585	102,093	103,594	244,242
Public sector loans outstanding	958,564	-	-	-	958,564
Private sector loans outstanding	48,973	-	-	-	48,973
Cross currency interest rate swaps	-	-	127,680	-	127,680
Maintenance of value on currency holdings	36	1,085	-	-	1,121
Non-negotiable demand notes	35,953	8,410	-	-	44,363
Subscriptions in arrears	14,725	1,250	-	-	15,975
Receivables and prepayments	14,625	-	-	-	14,625
Total, December 31	$1,084,569	$48,168	$298,375	$103,594	$1,534,706

CDB's membership is classified into regional and non-regional members. Except for three, the regional members are members of CARICOM and are further sub-divided into borrowing and non-borrowing members.

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

Market risk

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

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 values 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.

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 currency swaps. The following table summarizes the exposure to foreign currency exchange rate risk. Included in the table are the financial instruments at carrying amounts, categorized by currency. As at December 31, 2012 and 2011, all loans were denominated in United States dollars.

(expressed in thousands of United States dollars, unless otherwise stated)

NOTE C – RISK MANAGEMENT…*continued*

Concentrations of currency risk

		2012		
As at December 31	**US$**	**Yen**	**Other**	**Total**
Assets				
Cash and cash equivalents	$88,794	$-	$7,607	$96,401
Debt securities at fair value through profit and loss	377,119	-	23,390	400,509
Loans outstanding	972,332	-	-	972,332
Cross currency interest rate swaps	95,312	-	-	95,312
Receivable from members	41,024	-	16,720	57,744
Receivables and prepayments	2,404	-	7,818	10,222
Total financial assets	$1,576,985	$-	$55,535	$1,632,520
Liabilities				
Maintenance of value on currency holdings	$36	$-	$-	$36
Accounts payable	4,616	-	-	4,616
Subscriptions in advance	4,138	-	-	4,138
Borrowings	700,001	220,245	-	920,246
Total financial liabilities	$708,791	$220,245	$-	$929,036
Net on-balance sheet financial position	$868,194	$(220,245)	$55,535	$703,484
Credit commitments	$285,274	$-	$-	$285,274

		2011		
As at December 31	**US$**	**Yen**	**Other**	**Total**
Assets				
Cash and cash equivalents	$68,602	$-	$10,561	$79,163
Debt securities at fair value through profit and loss	224,622	-	19,620	244,242
Loans outstanding	1,007,537	-	-	1,007,537
Cross currency interest rate swaps	127,680	-	-	127,680
Receivable from members	44,179	-	17,280	61,459
Receivables and prepayments	9,206	-	5,419	14,625
Total financial assets	$1,481,826	$-	$52,880	$1,534,706
Liabilities				
Maintenance of value on currency holdings	$193	$-	$-	$193
Accounts payable	2,200	-	-	2,200
Subscriptions in advance	5,172	-	-	5,172
Borrowings	612,701	245,174	-	857,875
Total financial liabilities	$620,266	$245,174	$-	$865,440
Net on-balance sheet financial position	$861,560	$(245,174)	$52,880	$669,266
Credit commitments	$229,975	$-	$ -	$229,975

CARIBBEAN DEVELOPMENT BANK
ORDINARY CAPITAL RESOURCES

NOTES TO THE FINANCIAL STATEMENTS
For the year ended December 31, 2012

(expressed in thousands of United States dollars, unless otherwise stated)

NOTE C – RISK MANAGEMENT…*continued*

Concentrations of currency risk

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

If the Japanese Yen exchange rate had been 10% higher, CDB's comprehensive income for the year ended December 31, 2012, would have increased by $18,762. If the Japanese Yen exchange rate had been 10% lower, CDB's comprehensive income would have decreased by $25,731 for the year ended December 31, 2012.

(expressed in thousands of United States dollars, unless otherwise stated)

NOTE C – RISK MANAGEMENT…*continued*

Interest rate risk

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

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

	2012					
At December 31	**0-3 months**	**3-12 months**	**1-5 years**	**Over 5 years**	**Non-interest generating/ bearing**	**Total**
Assets						
Cash and cash equivalents	$ 96,401	$-	$-	$-	$-	$96,401
Debt securities at fair value through profit and loss	47,221	61,345	221,811	70,132	-	400,509
Loans outstanding	972,332	-	-	-	-	972,332
Cross currency interest rate swaps	95,312	-	-	-	-	95,312
Receivable from members	-	-	-	-	57,744	57,744
Receivables and prepayments	-	-	-	-	10,222	10,222
Total Assets	$1,211,266	$61,345	$221,811	$70,132	$67,966	$1,632,520
Liabilities						
Accounts payable	$-	$-	$-	$-	$4,616	$4,616
Subscriptions in advance	-	-	-	-	4,138	4,138
Payable to members	-	-	-	-	36	36
Borrowings	355,722	9,783	16,539	538,202	-	920,246
Total Liabilities	$355,722	$9,783	$16,539	$538,202	$8,790	$929,036
Total interest sensitivity gap	$855,544	$51,562	$205,272	$(468,070)		

	2011					
At December 31						
Assets						
Cash and cash equivalents	$79,163	$ -	$ -	$ -	$ -	$79,163
Debt securities at fair value through profit and loss	19,360	43,217	133,093	48,572	-	244,242
Loans outstanding	1,007,537	-	-	-	-	1,007,537
Cross currency interest rate swaps	127,680	-	-	-	-	127,680
Receivable from members	-	-	-	-	61,459	61,459
Receivables and prepayments	-	-	-	-	14,625	14,625
Total Assets	$1,233,740	$43,217	$133,093	$48,572	$76,084	$1,534,706
Liabilities						
Accounts payable	$ -	$ -	$ -	$ -	$2,200	$2,200
Subscriptions in advance	-	-	-	-	5,172	5,172
Payable to members	-	-	-	-	193	193
Borrowings	25,178	208,557	350,720	273,420	-	857,875
Total Liabilities	$25,178	$208,557	$350,720	$273,420	$7,565	$865,440
Total interest sensitivity gap	$1,208,562	$(165,340)	$(217,627)	$(224,848)		

NOTE C – RISK MANAGEMENT…*continued*

Interest rate risk…*continued*

If interest rates had been 50 bps higher or lower and all other variables were held constant, CDB's net income for the year ended December 31, 2012, would have decreased by $6,318 or increased by $6,322 (inclusive of derivative instruments). In 2011, an increase or decrease of 50 bps would have resulted in an increase or decrease of $6,734.

The sensitivity analyses are inclusive of the exposure to interest rates for both derivatives and non-derivative instruments at the reporting date. For floating rate liabilities, the analysis is prepared assuming the amount of liability outstanding at the reporting date was outstanding for the whole year. A 50 bps increase or decrease is used and represents management's assessment of a reasonable 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.

Liquidity risk management process

CDB's liquidity management process includes:

- Day-to-day disbursements, managed by monitoring future cash flows to ensure that requirements can be met. This includes replenishment of funds as they mature or are borrowed by its BMCs. CDB maintains an active presence in international money markets to enable this to happen;
- The securing of a short term credit line to meet immediate or urgent requirements;
- 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.

(expressed in thousands of United States dollars, unless otherwise stated)

NOTE C – RISK MANAGEMENT…*continued*

Liquidity risk*…continued*

Non-derivative cash flows

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

	2012				
At December 31	**0 – 3 months**	**3-12 months**	**1-5 years**	**Over 5 years**	**Total**
Assets					
Cash and cash equivalents	$96,401	$-	$-	$-	$96,401
Debt securities at fair value through profit and loss	47,993	63,977	227,446	72,937	412,353
Loans outstanding	46,918	84,860	438,726	654,495	1,224,999
Receivable from members	-	11,250	-	46,494	57,744
Receivables and prepayments	169	8,608	1,260	185	10,222
Total Assets	$191,481	$168,695	$667,432	$774,111	$1,801,719
Liabilities					
Accounts payable	$2,718	$1,809	$32	$57	$4,616
Maintenance of value on currency holdings	-	-	-	36	36
Borrowings	30,581	197,704	273,455	684,191	1,185,931
Total Liabilities	$33,299	$199,513	$273,487	$684,284	$1,190,583

	2011				
At December 31	**0 - 3 months**	**3-12 months**	**1-5 years**	**Over 5 years**	**Total**
Assets					
Cash and cash equivalents	$79,163	$ -	$ -	$ -	$79,163
Debt securities at fair value	17,446	45,372	129,029	55,231	247,078
Loans outstanding	42,839	85,021	434,798	718,990	1,281,648
Receivable from members	-	15,975	-	45,484	61,459
Receivables and prepayments	8,501	4,912	1,007	205	14,625
Total Assets	$147,949	$151,280	$564,834	$819,910	$1,683,973
Liabilities					
Accounts payable	$-	$2,200	$-	$-	$2,200
Maintenance of value on currency holdings	-	-	-	193	193
Borrowings	4,055	237,083	396,291	344,255	981,684
Total Liabilities	$4,055	$239,283	$396,291	$344,448	$984,077

NOTE C – RISK MANAGEMENT…*continued*

Liquidity risk…*continued*

Assets held for managing liquidity risk

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

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

(expressed in thousands of United States dollars, unless otherwise stated)

NOTE C – RISK MANAGEMENT…*continued*

Liquidity risk…*continued*

Derivative cash flows

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

	2012				
At December 31	**0 - 3 months**	**3-12 months**	**1-5 years**	**Over 5 years**	**Total**
Derivatives:					
- Cross currency interest rate swaps	3,243	614	13,144	60,029	77,030
Total	$3,243	$614	$13,144	$60,029	$77,030

	2011				
At December 31					
Derivatives:					
- Cross currency interest rate swaps	$3,382	$337	$10,677	$3,825	$18,221
Total	$3,382	$337	$10,677	$3,825	$18,221

Commitments, guarantees and contingent liabilities

Loan and capital commitments

The table below summarizes the amounts of the Bank's commitments and guarantees to which it has committed for the extension of credit to its BMCs. Capital commitments represent obligations in respect of ongoing capital projects. There were no capital commitments as at December 31, 2012.

	2012		
At December 31	**0-12 months**	**1-5 years**	**Total**
Loan commitments	$100,000	$185,424	$285,424
Total	$100,000	$185,424	$285,424

	2011		
At December 31			
Loan commitments	$156,000	$73,975	$229,975
Capital commitments	839	941	1,780
Total	$156,839	$74,916	$231,755

NOTE C – RISK MANAGEMENT…*continued*

Fair value of financial assets and liabilities

(a) Fair value hierarchy

IFRS 7 specifies a hierarchy of valuation techniques based on whether the inputs to those valuation techniques are observable or unobservable. Observable inputs reflect market data obtained from independent sources; unobservable inputs reflect the Bank's market assumptions. These two types of inputs have created the following fair value hierarchy:

Level 1 – Quoted prices in active markets for identical assets. This level includes listed equity securities and debt instruments on exchanges (for example, the New York Stock Exchange, NASDAQ).

Level 2 – Inputs other than quoted prices included in Level 1 that are observable for the asset either directly or indirectly. This level includes derivative contracts. The source of input parameters like the LIBOR yield curve or counterparty credit risk is Bloomberg.

Level 3 – Inputs for the asset or liability that are not based on observable market data (unobservable inputs). This level includes equity investments and debt instruments with significant unobservable components.

This hierarchy requires the use of observable market data when available. The Bank considers relevant and observable market prices in its valuations where possible.

Assets and liabilities measured at fair value:

	2012			
December 31	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial assets at fair value through profit or loss				
- Cross currency interest rate swaps	$-	$95,312	$-	$95,312
Financial assets designated at fair value through profit or loss				
- Debt securities	-	400,509	-	400,509
Total assets	$-	$495,821	$-	$495,821

(expressed in thousands of United States dollars, unless otherwise stated)

NOTE C – RISK MANAGEMENT…*continued*

Fair value of financial assets and liabilities*…continued*

	2011			
December 31	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial assets at fair value through profit or loss				
- Cross currency interest rate swaps	$-	$127,680	$-	$127,680
Financial assets designated at fair value through profit or loss				
- Debt securities	-	244,242	-	244,242
Total assets	$-	$371,922	$-	$371,922

(b) *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 recognized in profit and loss during the year was a loss of $31,129 (2011: income of $31,925).

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

The carrying amounts and the fair value of those financial assets and liabilities not presented in the statement of financial position at their fair value are summarized 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, its Borrowing Member Countries. Amounts disbursed on loans are repayable in the currency or currencies disbursed by the Bank or in other freely convertible 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-two 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.

For 2012 and 2011, the estimated fair values are based on discounted cash flow models using an estimated yield curve appropriate for the remaining term to maturity.

(expressed in thousands of United States dollars, unless otherwise stated)

NOTE C – RISK MANAGEMENT…*continued*

Fair value of financial assets and liabilities…*continued*

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

(iv) *Receivables and prepayments*
Due to the short-term nature of these assets, fair value is assumed to approximate carrying value.

(v) *Accounts payable*
The estimated fair value of current liabilities with no stated maturity is the amount payable on demand.

(vi) *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 summarizes the carrying amounts and fair values of financial assets and liabilities presented on the Bank's statement of financial position.

	Carrying value		Fair value	
	2012	**2011**	**2012**	**2011**
Financial assets				
Due from banks	$96,401	$79,163	$96,401	$79,163
Loans outstanding	972,332	1,007,537	765,737	678,541
Non-negotiable demand notes	43,802	44,363	43,802	44,363
Subscriptions in arrears	11,250	15,975	11,250	15,975
Receivables and prepayments	10,222	14,625	10,222	14,625
Maintenance of value	2,692	1,121	2,692	1,121
Financial liabilities				
Maintenance of value	36	193	36	193
Borrowings	920,246	857,875	1,050,923	919,233
Accounts payable & accrued liabilities	4,616	2,200	4,616	2,200

Derivatives

The Bank uses derivatives in its borrowing and liability management activities to lower its funding costs and to align its interest rate profiles on its borrowings with that of the lending activities 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.

NOTE C – RISK MANAGEMENT…*continued*

Derivatives…*continued*

The determination of the fair value of financial instruments is disclosed in note B "Financial assets – Determination of fair value".

Capital Management

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

- 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 effect of derivative transactions. The goals of the Bank's capital adequacy policy are to:

(i) ensure a reliable framework and methodology to determine the appropriate levels of economic capital that the Bank should carry for prudential purposes; and

(ii) determine from time to time the appropriate changes in the level of economic capital that the Bank must have, based on changes in the risk profile of its credit exposures.

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 (as defined) to exposure (loans and guarantees) ratio (TEER)[1] in the range of 50 to 55%.

At the end of each reporting period, an assessment is made to determine the embedded 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 statement of financial position as at December 31, 2012, result in a TEER of 61.5% (2011: 54.7%), indicating that the Bank is well capitalised.

Management provides quarterly and annual reports to the Board.

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

NOTE C – RISK MANAGEMENT…*continued*

Operational Risk

Operational risk is the risk of loss arising from system failure, human error, fraud or external events. When control failures occur, operational risk can cause damage to reputation, have legal or regulatory implications, or lead to financial loss. The Bank cannot expect to eliminate all operational risks, but endeavors to manage these risks through a control framework and by monitoring and responding to potential risks. Controls include effective segregation of duties, access, authorizations, reconciliation procedures, staff education and assessment processes such as the use of its internal audit section.

The Bank has determined that the information technology systems and the data stored therein comprise a significant risk area. As a result the Bank established a Disaster Recovery Centre based locally but located off-site, to which data is transferred daily and which enables the replication of all applications at this location within three days of a disaster occurrence. There is also established an additional back-up site in Toronto, Canada to which data is also transferred on a daily basis. This serves as a restoration facility in the event of a catastrophic local event, and based on scenario planning and disaster management plan, it is estimated that all applications and data can be recovered from this additional back-up site in approximately two weeks.

During the year the Bank approved the establishment of a centralized Risk Management unit consisting of a Chief Risk Officer and staff, which will be responsible for managing and coordinating its approach to mitigating strategic, financial, operational and other risks. This unit will report to the President and will be fully functional upon completion of the development of an appropriate risk management framework designed with the assistance of international risk consultants. This is expected during the first half of the new financial year and will be supported by an enhanced internal audit function.

NOTE D – CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The Bank's financial statements and its financial results are influenced by accounting policies, assumptions, estimates and management judgement, which necessarily have to be made in the course of preparation of the financial statements.

CDB makes estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities and the accompanying disclosures within the next financial year. All estimates and assumptions required in conformity with IFRS are best estimates undertaken in accordance with the applicable standard. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

Accounting policies and management's judgement for certain items are especially critical for the Bank's results and financial situation due to their materiality as follows:

Going concern

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

Loan impairment provisions

The Bank reviews its loan portfolios on an annual basis, at a minimum, to assess impairment. In determining whether an impairment loss should be recorded in profit and loss, the Bank makes judgements 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 based on current events. 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. Due to the fact that the private sector portfolio is relatively small, all loans are assessed individually therefore there is no need for collective assessment. 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 – Impairment and provisioning policies".

Because of the nature of its borrowers and guarantors, the Bank expects that each of its OCR sovereign guaranteed loans will be repaid. In addition the Bank has had a fully performing sovereign guaranteed loan portfolio since its inception.

NOTE D – CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS…*continued*

Fair value of financial instruments

The fair values 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, volatilities and correlations require management to make estimates. Changes in assumptions about these factors could affect reported fair value of financial instruments.

Post-employment benefit obligations

The present value of the retirement benefit obligations depends on a number of factors that are determined on an actuarial basis using a number of assumptions. Any changes in these assumptions will impact the carrying amount of pension and other post-employment obligations.

The assumptions used in determining the net cost (income) for pensions include the discount rate, the expected rate of return on assets, future salary increases, mortality rates, and future pension increases. The Bank determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash flows expected to be required to settle the pension obligations. The Bank considers the interest rates of high-quality instruments 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.

Other key assumptions for pension obligations are based on current market conditions.

(expressed in thousands of United States dollars, unless otherwise stated)

NOTE E – SEGMENT ANALYSIS

The Bank is a multilateral financial institution dedicated to the development of the economies of its Caribbean member countries. In management's opinion the Bank has one reportable segment since CDB does not manage its operations by allocating resources based on a determination of the contribution of the net income from individual borrowers.

The following table presents CDB's outstanding loan balances inclusive of accrued interest and net of impairment provisions, and associated interest income by countries which generated in excess of 10% in loan interest income as of and for the years ended December 31, 2012 and 2011:

	Interest income		**Loans outstanding**	
Country	**2012**	**2011**	**2012**	**2011**
Jamaica	$9,189	$9,401	$235,030	$243,281
Barbados	5,198	5,158	120,932	126,478
St. Vincent and the Grenadines	3,861	4,139	101,456	105,471
Other	21,391	21,884	514,914	532,307
Total	$39,639	$40,582	$972,332	$1,007,537

NOTE F – CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise the following balances:

	2012	**2011**
Due from banks	$21,354	$22,187
Time deposits	75,047	56,976
	$96,401	$79,163

NOTES TO THE FINANCIAL STATEMENTS
For the year ended December 31, 2012

(expressed in thousands of United States dollars, unless otherwise stated)

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

A summary of the Bank's debt securities at fair value through profit or loss was as follows:

	2012				
	USD	EUR	CAD	Other	All Currencies
December 31					
Obligations guaranteed by Governments[1]	$227,824	$5,111	$4,463	$ -	$237,398
Multilateral organizations	138,104	2,833	4,722	-	145,659
Time Deposits	-	-	-	6,025	6,025
Euro Commercial Paper	9,995	-	-	-	9,995
Sub-total	375,923	7,944	9,185	6,025	399,077
Accrued interest	1,196	206	15	15	1,432
Total	**$377,119**	**$8,150**	**$9,200**	**$6,040**	**$400,509**

	2011				
	USD	EUR	CAD	Other	All Currencies
December 31					
Obligations guaranteed by Governments[1]	$175,218	$4,052	$2,619	$1,405	$183,294
Multilateral organizations	38,353	2,769	6,649	-	47,771
Time Deposits	-	-	-	1,886	1,886
Euro Commercial Paper	9,972	-	-	-	9,972
Sub-total	$223,543	$6,821	$9,268	$3,291	$242,923
Accrued interest	1,079	186	49	5	1,319
Total	**$224,622**	**$7,007**	**$9,317**	**$3,296**	**$244,242**

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

(expressed in thousands of United States dollars, unless otherwise stated)

NOTE H – LOANS OUTSTANDING

The following tables break down the Bank's main credit exposures at their carrying amounts, as categorized by Borrowing Member Countries, regional institutions and to the private sector as of December 31, 2012.

	2012			
Borrowers	Loans not yet effective	Undisbursed	Outstanding	% of Loans outstanding
Anguilla	$-	$103	$64,744	6.6
Antigua and Barbuda	-	10,000	39,713	4.1
Bahamas	-	4,997	6,607	0.7
Barbados	-	100,949	120,066	12.4
Belize	5,362	33,223	71,756	7.4
British Virgin Islands	-	20,091	13,072	1.4
Cayman Islands	-	-	4,112	0.4
Dominica	3,939	4,635	21,128	2.2
Grenada	-	7,632	29,026	3.0
Guyana	9,200	3,350	29,757	3.1
Jamaica	10,000	29,300	236,403	24.4
St. Kitts and Nevis	-	15,030	54,054	5.5
St. Lucia	-	20,698	84,911	8.7
St. Vincent and the Grenadines	6,522	9,554	100,531	10.4
Trinidad and Tobago	-	-	25,886	2.7
Turks and Caicos Islands	-	1,787	5,730	0.6
Regional	-	-	8,315	0.9
Private Sector	-	23,925	52,905	5.5
Sub-total	35,023	285,274	968,716	100.0
Provision for impairment	-	-	(7,584)	
Accrued interest and other charges	-	-	11,200	
Total – December 31	**$35,023**	**$285,274**	**$972,332**	

	2012
Current	$93,906
Non-current	$878,426

NOTES TO THE FINANCIAL STATEMENTS
For the year ended December 31, 2012

(expressed in thousands of United States dollars, unless otherwise stated)

NOTE H – LOANS OUTSTANDING…*continued*

		2011		
Borrowers	Loans not yet effective	Undisbursed	Outstanding	% of Loans Outstanding
Anguilla	$-	$815	$65,558	6.6
Antigua and Barbuda	-	12,170	40,513	4.0
Bahamas	-	10,058	3,787	0.5
Barbados	71,250	31,556	125,510	12.6
Belize	-	37,465	73,238	7.3
British Virgin Islands	15,672	4,434	15,193	1.5
Cayman Islands	-	-	5,012	0.5
Dominica	2,087	4,759	19,699	2.0
Grenada	2,032	7,142	30,071	3.0
Guyana	-	5,945	29,072	2.9
Jamaica	-	37,617	240,898	24.0
St. Kitts and Nevis	-	15,973	58,018	5.8
St. Lucia	4,000	17,053	92,569	9.2
St. Vincent and the Grenadines	3,072	7,719	104,505	10.4
Trinidad and Tobago	-	-	32,168	3.2
Turks and Caicos Islands	-	1,786	6,292	0.6
Regional	-	969	7,416	0.7
Private Sector	-	34,514	52,440	5.2
Sub-total	98,113	229,975	1,001,959	100
Provision for impairment	-	-	(5,046)	
Accrued interest and other charges	-	-	10,624	
Total – December 31	**$98,113**	**$229,975**	**$1,007,537**	

	2011
Current	$127,860
Non-current	$879,677

(expressed in thousands of United States dollars, unless otherwise stated)

NOTE H – LOANS OUTSTANDING … *continued*

An analysis of the composition of outstanding loans was as follows:

2012

Currencies receivable	Loans out-standing 2011	Net Interest earned	Disbursements	Sub-Total	Repayments	Provision for Losses	Loans out-standing 2012	% of loans outstanding
United States dollars	$1,001,959	$-	$49,481	$1,051,440	$(82,724)	$ -	$968,716	100.0
Sub-total	1,001,959	-	49,481	1,051,440	(82,724)	-	968,716	100.0
Provision for impairment	(5,046)	-	-	(5,046)	-	(2,538)	(7,584)	
Accrued interest	10,624	576	-	11,200	-	-	11,200	
Total – December 31	**$1,007,537**	**$576**	**$49,481**	**$1,057,594**	**$(82,724)**	**$(2,538)**	**$972,332**	

2011

Currencies receivable	Loans out-standing 2010	Net Interest earned	Disbursements	Sub-Total	Repayments	Provision for Losses	Loans out-standing 2011	% of loans outstanding
United States dollars	$984,400	$-	$94,867	$1,079,267	$(77,308)	$-	$1,001,959	100.0
Sub-total	984,400	-	94,867	1,079,267	(77,308)	-	1,001,959	100.0
Provision for impairment	(2,046)	-	-	(2,046)	-	(3,000)	(5,046)	
Accrued interest	11,194	(570)	-	10,624	-	-	10,624	
Total – December 31	**$993,548**	**$(570)**	**$94,867**	**$1,087,845**	**$(77,308)**	**$(3,000)**	**$1,007,537**	

(expressed in thousands of United States dollars, unless otherwise stated)

NOTE H – LOANS OUTSTANDING … *continued*

An additional provision of $2,538 (2011: $3,000) was recognized during 2012 in respect of non-sovereign loans. The accumulated balance was $7,584 as at December 31, 2012 (2011: $5,046). No provision for the impairment of sovereign loans was recognized as at December 31, 2012 (2011: Nil).

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

	2012	**2011**
Balance at January 1	$5,046	$2,046
Increase in impairment allowance	2,538	3,000
Balance at December 31	$7,584	$5,046

NOTE I – DERIVATIVE FINANCIAL INSTRUMENTS

The fair values of derivative financial instruments held at December 31, 2012 and 2011, were as follows:

		2012	**2011**
		Fair values	
	Notional Amount	**Assets**	**Assets**
Cross currency interest rate swaps	$163,220	$95,312	$127,680

Currency and interest rate swaps are commitments to exchange one set of cash flows for another. Swaps result in an economic exchange of currencies or interest rates or a combination of all these (e.g. cross-currency interest rate swaps). The Bank’s credit risk represents the potential cost to replace the swap contracts if the counterparties fail to fulfill their obligation.

The Bank has two dual currency interest rate swaps. These swaps were derived by changing underlying fixed rate borrowings in Japanese Yen to floating rate borrowings in United States dollars. The two fixed rate Japanese Yen notes which mature in 2022 and 2030 carry an interest rate of 2.75% and 4.35%, respectively. The principal amounts due on maturity are in Japanese Yen, while the interest payments are in United States dollars.

(expressed in thousands of United States dollars, unless otherwise stated)

NOTE J – NON-NEGOTIABLE DEMAND NOTES

The Charter 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.

All of the non-negotiable demand notes are considered non-current as there is no expectation that they will be called within the next twelve months. As at December 31, 2012 the non-negotiable demand notes amounted to $43,802 (2011: $44,363).

NOTE K – MAINTENANCE OF VALUE ON CURRENCY HOLDINGS

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

As at December 31, 2012 the amounts of $2,692 (2011: $1,121) were due by certain members and $36 (2011: $193) was due by the Bank.

NOTE L – SUBSCRIPTIONS IN ARREARS

Member countries are required to meet their obligations for paid in shares over a period of years determined in advance. The amount of $11,250 (2011: $15,975) represents amounts that are due and not yet paid by certain members.

NOTE M – RECEIVABLES AND PREPAYMENTS

	2012	**2011**
Inter-fund receivable – Note X	$-	$8,235
Staff loans and other receivables	802	852
VAT receivable	776	552
Institutional receivables	8,558	4,971
Prepayments	86	-
Other	-	15
	$10,222	$14,625
Current	$4,922	$13,413
Non-current	$5,300	$1,212

During the year, no provision (2011: nil) was required as no receivables were considered to be impaired.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2012

(expressed in thousands of United States dollars, unless otherwise stated)

NOTE N – PROPERTY AND EQUIPMENT

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

The carrying values of property and equipment were as follows:

	2012					
	Projects in Progress	Land, Buildings and Ancillary Works	Computers	Furniture and Equipment	Motor Vehicles	Total
At January 1						
Cost	$1,639	$11,112	$7,280	$4,491	$325	$24,847
Accumulated depreciation	-	(6,467)	(6,303)	(3,458)	(200)	(16,428)
Closing net book amount	$1,639	$4,645	$977	$1,033	$125	$8,419
Year ended December 31						
Opening net book amount	$1,639	$4,645	$977	$1,033	$125	$8,419
Additions	621	-	138	506	-	1,265
Transfers from projects in progress	(138)	-	138	-	-	-
Disposals – Cost	-	-	(44)	-	-	(44)
Disposals-accumulated depreciation	-	-	44	-	-	44
Depreciation expense	-	(262)	(719)	(378)	(39)	(1,398)
Closing net book amount	$2,122	$4,383	$534	$1,161	$86	$8,286
At December 31						
Cost	$2,122	$11,112	$7,512	$4,997	$325	$26,068
Accumulated depreciation	-	(6,729)	(6,978)	(3,836)	(239)	(17,782)
Closing net book amount	**$2,122**	**$4,383**	**$534**	**$1,161**	**$86**	**$8,286**

(expressed in thousands of United States dollars, unless otherwise stated)

NOTE N– PROPERTY AND EQUIPMENT…*continued*

	2011					
	Projects in Progress	Land, Buildings and Ancillary Works	Computers	Furniture and Equipment	Motor Vehicles	Total
At January 1						
Cost	$926	$11,112	$7,171	$3,939	$203	$23,351
Accumulated depreciation	-	(6,197)	(5,502)	(3,196)	(151)	(15,046)
Closing net book amount	$926	$4,915	$1,669	$743	$52	$8,305
Year ended December 31						
Opening net book amount	926	4,915	1,669	743	52	8,305
Additions	713	-	140	592	122	1,567
Disposals	-	-	(31)	(40)	-	(71)
Disposals-accumulated depreciation	-	-	31	40	-	71
Depreciation expense	-	(270)	(832)	(302)	(49)	(1,453)
Closing net book amount	$1,639	$4,645	$977	$1,033	$125	$8,419
At December 31						
Cost	1,639	11,112	7,280	4,491	325	24,847
Accumulated depreciation	-	(6,467)	(6,303)	(3,458)	(200)	(16,428)
Closing net book amount	**$1,639**	**$4,645**	**$977**	**$1,033**	**$125**	**$8,419**

NOTES TO THE FINANCIAL STATEMENTS
For the year ended December 31, 2012

(expressed in thousands of United States dollars, unless otherwise stated)

NOTE O – ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	2012	2011
Accounts payable	$102	$90
Accrued liabilities	3,961	2,110
Interfund payable – Note X	553	-
Total	$4,616	$2,200
Current portion	$4,529	$2,110
Non-current portion	$87	$90

NOTE P – SUBSCRIPTIONS IN ADVANCE

Payment of the amount due in respect of paid-up shares initially subscribed by a State or Territory which becomes a member of the Bank shall be made in six (6) installments. The amount of $4,138 (2011: $5,172) represents amounts paid in advance of the due dates.

NOTE Q – DEFERRED INCOME

The amount of $875 (2011: $875) represents the fair value of freehold land donated to the Bank by the host country.

NOTE R – POST-EMPLOYMENT OBLIGATIONS

The Bank operates a defined benefit new pension plan and a hybrid old pension scheme based on the employee pensionable remuneration and length of service. While administrative expenses are allocated to the special funds resources, the post-employment benefit obligations reflected are those of the OCR as the OCR has no recourse to the special funds resources with respect to this obligation.

	2012	2011
Defined Benefit Pension Liability	$1,400	$318
Hybrid Pension Liability	105	19
Post-Retirement Medical Obligation	2,459	2,261
	$3,964	$2,598

(expressed in thousands of United States dollars, unless otherwise stated)

NOTE R – POST-EMPLOYMENT OBLIGATIONS…*continued*

Defined Benefit Pension Plan

The amounts recognized in the statement of financial position are determined as follows:

	Pensions	
	2012	**2011**
Present value of funded obligations	$45,888	$39,189
Fair value of plan assets	(36,250)	(32,017)
	9,638	7,172
Unrecognized actuarial losses	(8,238)	(6,854)
Liability	$1,400	$318

The amounts recognized in the statement of comprehensive income are as follows:

	Pensions	
	2012	**2011**
Current service cost	$2,874	$2,850
Interest cost	1,928	1,876
Expected return on plan assets	(1,801)	(1,888)
Amortization of actuarial cost	278	86
	$3,279	$2,924
Actual return on the plan assets	$2,733	$(403)

Movement in the liability recognized in the statement of financial position:

	Pensions	
	2012	**2011**
January 1	$318	$(258)
Net pension cost	3,279	2,924
Contributions paid	(2,197)	(2,348)
December 31	$1,400	$318

(expressed in thousands of United States dollars, unless otherwise stated)

NOTE R – POST-EMPLOYMENT OBLIGATIONS…*continued*

Defined Benefit Pension Plan…*continued*

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

	Pensions	
	2012	**2011**
January 1	$39,189	$34,652
Current service cost	2,874	2,850
Interest cost	1,928	1,876
Employees' contributions	591	630
Actuarial (gain)/loss	2,594	279
Benefits paid	(1,288)	(1,098)
December 31	$45,888	$39,189

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

	Pensions	
	2012	**2011**
January 1	$32,017	$30,540
Expected return on plan assets	1,802	1,888
Actuarial gain/(loss)	931	(2,291)
Employer's contributions	2,197	2,348
Employees' contributions	591	630
Benefits paid	(1,288)	(1,098)
December 31	$36,250	$32,017

The principal actuarial assumptions used for accounting purposes are:

	Pensions	
	2012	**2011**
	%	**%**
Discount rate	4.25	5.0
Expected return on plan assets	4.75	5.5
Future salary increases	3.75	4.5
Future pension increases	2.25	2.5

(expressed in thousands of United States dollars, unless otherwise stated)

NOTE R – POST-EMPLOYMENT OBLIGATIONS…*continued*

Defined Benefit Pension Plan…*continued*

Mortality rate

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

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

	2012	2011
Male	19.3	19.3
Female	23.3	23.3

Asset allocation as at December 31 – Defined Benefit Pension Plan

	2012	2011
Equity securities	56%	51%
Debt securities	38%	42%
Other	6%	7%
Total	100%	100%

CDB's contribution to the Defined Benefit Pension Plan in 2013 is estimated at $2,332 (2012: $2,248).

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 reporting date, while equity returns reflect long-term real rates of return experienced in respective markets.

As at December 31

	2012	2011	2010	2009	2008
Present value of defined benefit obligation	$45,888	$39,189	$34,652	$29,239	$24,732
Fair value of plan assets	(36,250)	(32,017)	(30,540)	(25,673)	(20,408)
Deficit	$9,638	$7,172	$4,112	$3,566	$4,324
Experience adjustments on plan liabilities	$89	$1,739	$433	$50	$(109)
Experience adjustments on plan assets	$931	$(2,291)	$1,074	$1,383	$(6,324)

(expressed in thousands of United States dollars, unless otherwise stated)

NOTE R – POST-EMPLOYMENT OBLIGATIONS…*continued*

Hybrid Pension Scheme

The amounts recognized in the statement of financial position are determined as follows:

	Pensions	
	2012	**2011**
Present value of funded obligations	$27,302	$23,698
Fair value of plan assets	(22,636)	(22,563)
	4,666	1,135
Unrecognized actuarial losses	(4,561)	(1,116)
Liability	$105	$19

The amounts recognized in the statement of comprehensive income are as follows:

	Pensions	
	2012	**2011**
Current service cost	$234	$214
Interest cost	1,156	1,237
Expected return on plan assets	(1,112)	(1,248)
	$278	$203
Actual return on the plan assets	$743	$345

(expressed in thousands of United States dollars, unless otherwise stated)

NOTE R – POST-EMPLOYMENT OBLIGATIONS…*continued*

Hybrid Pension Scheme…*continued*

Movement in the liability recognized in the statement of financial position:

	Pensions 2012	2011
January 1	$19	$19
Pension/benefit cost	278	203
Contributions paid	(192)	(203)
December 31	$105	$19

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

	Pensions 2012	2011
January 1	$23,698	$23,150
Current service cost	234	214
Interest cost	1,156	1,237
Employees’ contributions	302	202
Actuarial (gain)/loss	3,076	232
Benefits paid	(1,164)	(1,337)
December 31	$27,302	$23,698

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

	Pensions 2012	2011
January 1	$22,563	$23,150
Expected return on plan assets	1,112	1,248
Actuarial (gain)/loss	(369)	(903)
Employer’s contributions	192	203
Employees’ contributions	302	202
Benefits paid	(1,164)	(1,337)
December 31	$22,636	$22,563

(expressed in thousands of United States dollars, unless otherwise stated)

NOTE R – POST-EMPLOYMENT OBLIGATIONS…*continued*

Hybrid Pension Scheme…*continued*

The principal actuarial assumptions used for accounting purposes are:

	Pensions	
	2012	**2011**
	%	**%**
Discount rate	4.25	5.0
Expected return on plan assets	4.25	5.0
Future salary increases	3.75	4.5

Mortality rate

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

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

	2012	**2011**
Male	19.3	19.3
Female	23.3	23.3

Asset allocation as at December 31 – Pension Scheme

	2012	**2011**
Debt securities	96%	98%
Other	4%	2%
Total	100%	100%

CDB’s contribution to the hybrid pension scheme in 2013 is estimated at $195 (2012: $174).

NOTES TO THE FINANCIAL STATEMENTS
For the year ended December 31, 2012

(expressed in thousands of United States dollars, unless otherwise stated)

NOTE R – POST-EMPLOYMENT OBLIGATIONS…*continued*

Hybrid Pension Scheme…*continued*

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 reporting date, while equity returns reflect long-term real rates of return experienced in respective markets.

As at December 31

	2012	2011	2010	2009	2008
Present value of defined benefit obligation	$27,302	$23,698	$23,150	$22,751	$22,978
Fair value of plan assets	(22,636)	(22,563)	(23,150)	(22,751)	(22,978)
Deficit	$4,666	$1,135	$-	$-	$-
Experience adjustments on plan liabilities	$160	$497	$719	$488	$(131)
Experience adjustments on plan assets	$(369)	$(903)	$(719)	$(488)	$ 131

Post-Retirement Medical Plan

The amounts recognized in the statement of financial position are determined as follows:

	Post-employment medical obligation 2012	2011
Post-employment medical obligations	$2,452	$2,038
Unrecognized actuarial gains	7	223
Liability	$2,459	$2,261

The amounts recognized in the statement of comprehensive income are as follows:

	Post-employment medical obligation 2012	2011
Current service cost	$92	$87
Interest cost	156	147
Amortised net gains	(2)	-
	$246	$234

(expressed in thousands of United States dollars, unless otherwise stated)

NOTE R – POST EMPLOYMENT OBLIGATIONS…*continued*

Post-Retirement Medical Plan…*continued*

Movement in the liability recognized in the statement of financial position:

	Post-employment medical obligation 2012	Post-employment medical obligation 2011
January 1	$2,261	$2,071
Net cost	246	234
Contributions paid	(48)	(44)
December 31	$2,459	$2,261

Movement in the post-retirement medical obligation over the year is as follows:

	Post-employment medical obligation 2012	Post-employment medical obligation 2011
January 1	$2,038	$1,916
Current service cost	92	87
Interest cost	156	147
Employees' contributions	-	-
Experience (gain)/loss	214	(68)
Benefits paid	(48)	(44)
December 31	$2,452	$2,038

The principal actuarial assumptions used for accounting purposes are:

	Post-employment medical obligation 2012 %	Post-employment medical obligation 2011 %
Discount rate	7.50	7.75
Annual increase in benefit	7.00	6.25

(expressed in thousands of United States dollars, unless otherwise stated)

NOTE R – POST-EMPLOYMENT OBLIGATIONS…*continued*

Post-Retirement Medical Plan…*continued*

	Post-employment medical obligation	
	1 % point increase	1 % point decrease
Effect on total service and interest cost components	$48	$(38)
Effect on post-retirement medical obligation	$421	$(334)

As at December 31

	2012	**2011**	**2010**	**2009**	**2008**
Post-employment medical obligation	$(2,452)	$(2,038)	$(1,916)	$(1,933)	$(1,835)
Deficit	$(2,452)	$(2,038)	$(1,916)	$(1,933)	$(1,835)
Experience adjustments on plan liabilities	$115	$67	$221	$102	$125

CDB's contribution to the post-retirement medical plan in 2013 is estimated at $53 (2012: $290).

NOTE S – BORROWINGS

It is the Bank's operating 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 paid in capital and retained earnings less receivables from members (cash reserves). At December 31, 2012, total borrowings amounted to $920,246 (2011: $857,875). Also at December 31, 2012, the ratio of total outstanding borrowings and undrawn commitments to the borrowing limit of $1,103,225 (2011: $1,058,251) was 89.3% (2011: 87.2%).

(expressed in thousands of United States dollars, unless otherwise stated)

NOTE S – BORROWINGS…*continued*

A summary of the borrowings was as follows:

	2012						
	Original amounts[1/]	**Translation adjustments**	**Repayments to date**	**Currency swap[2/]**	**Undrawn**	**Outstanding**	**Due dates**
Short term Borrowing							
Floating Rate Note – US$	$20,000	$-	$-	$-	$-	$20,000	2013
	20,000	-	-	-	-	20,000	
CDB Market Borrowings							
4.35% Notes – Yen	60,000	15,147	-	-	-	75,147	2030
2.75% Notes – Yen	100,000	36,160	-	8,937	-	145,097	2022
1.12% Two Year Bonds – US$	75,000	-	(75,000)	-	-	-	2012
One Year Discount Note – US$	9,925	-	(9,925)	-	-	-	2012
Floating Rate Note – US$	175,000	-	-	-	-	175,000	2013
Floating Rate Note – US$	150,000	-	-	-	-	150,000	2014
Floating Rate Note – US$	120,000	-	(120,000)	-	-	-	2012
4.375% Bonds – US$	300,000	-	-	-	-	300,000	2027
Unamortized transaction costs	(2,041)					(2,041)	
	987,884	51,307	(204,925)	8,937	-	843,203	
European Investment Bank							
Global Loan 11I - US$	51,157	-	(6,520)	-	-	44,637	2014/2023
Climate Action Credit – US$	65,320	-	-	-	(65,320)	-	
	116,477	-	(6,520)	-	(65,320)	44,637	
Inter-American Development Bank							
Loan 926/OC-RG-US$	22,491	-	(13,033)	-	-	9,458	2021
Sub-total	1,146,852	51,307	(224,478)	8,937	(65,320)	917,298	
Accrued interest[3]	2,948	-	-	-	-	2,948	
Total – December 31	**$1,149,800**	**$51,307**	**$(224,478)**	**$8,937**	**$(65,320)**	**$920,246**	

1/ Net of cancellations and borrowings fully paid

2/ Unwinding of fair value hedge

3/ Relates to amounts withdrawn and outstanding

(expressed in thousands of United States dollars, unless otherwise stated)

NOTE S – BORROWINGS…*continued*

	2011						
	Original amounts[1/]	**Translation adjustments**	**Repayments to date**	**Currency swap[2/]**	**Undrawn**	**Outstanding**	**Due dates**
Short term Borrowing							
Floating Rate Note – US$	$20,000	$-	$(20,000)	$-	$-	$-	2011
Floating Rate Note – US$	20,000	-	-	-		20,000	2012
	40,000	-	(20,000)	-	-	20,000	
CDB Market Borrowings							
4.35% Notes – Yen	60,000	23,654	-	-	-	83,654	2030
2.75% Notes – Yen	100,000	51,324	-	10,196	-	161,520	2022
1.12% Two Year Bonds – US$	75,000	-	-	-	-	75,000	2012
One Year Discount Note – US$	9,911	-	(9,911)	-	-	-	2011
One Year Discount Note – US$	9,925	-	-	-	-	9,925	2012
Floating Rate Note – US$	60,000	-	(60,000)	-	-	-	2013
Floating Rate Note – US$	175,000	-	-	-	-	175,000	2013
Floating Rate Note – US$	150,000	-	-	-	-	150,000	2014
Floating Rate Note – US$	120,000	-	-	-	-	120,000	2012
Unamortized transaction costs	(314)	-	-	-	-	(314)	
	759,522	74,978	(69,911)	10,196	-	774,785	
European Investment Bank							
Global Loan 11 – A – US$	13,034	-	(13,034)	-	-	-	2011
Global Loan 11I - US$	51,157	-	-	-	-	51,157	2023
Climate Action Credit	65,320	-	-	-	(65,320)	-	
	129,511	-	(13,034)	-	(65,320)	51,157	
Inter-American Development Bank							
Loan 926/OC-RG-US$	19,347	-	(8,776)	-	-	10,571	2021
Sub-total	948,380	74,978	(111,721)	10,196	(65,320)	856,513	
Accrued interest[3]	1,362	-	-	-	-	1,362	
Total – December 31	**$949,742**	**$74,978**	**$(111,721)**	**$10,196**	**$(65,320)**	**$857,875**	

1/Net of cancellations and borrowings fully paid.

2/Unwinding of fair value hedge.
3/ Relates to amounts withdrawn and outstanding

(expressed in thousands of United States dollars, unless otherwise stated)

NOTE S – BORROWINGS…*continued*

Currencies repayable on outstanding borrowings were as follows:

2012

Currencies Repayable	Outstanding at December 2011	Translation Adjustment	Net Interest expense/ paid	Draw-downs	Currency swap amortisation[1/]	Repayments	Outstanding at December 2012
United States dollars	$612,266	$-	$-	$338,630	$-	$(252,582)	$698,314
Japanese yen	244,247	(24,003)	-	-	(1,260)	-	218,984
Sub-total	856,513	(24,003)	-	338,630	(1,260)	(252,582)	917,298
Accrued interest[2]	1,362	-	1,586	-	-	-	2,948
Total – December 31	**$857,875**	**$(24,003)**	**$1,586**	**$338,630**	**$(1,260)**	**$(252,582)**	**$920,246**

2011

Currencies Repayable	Outstanding at December 2010	Translation Adjustment	Net Interest expense/ paid	Draw-downs	Currency swap amortisation	Repayments	Outstanding at December 2011
United States dollars	$419,699	$-	$-	$225,216	$-	$(32,649)	$612,266
Japanese yen	232,485	12,689	-	-	(927)	-	244,247
Sub-total	652,184	12,689	-	225,216	(927)	(32,649)	856,513
Accrued interest[2]	1,056	-	306	-			1,362
Total – December 31	**$653,240**	**$12,689**	**$306**	**$225,216**	**$(927)**	**$(32,649)**	**$857,875**

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

	2012	**2011**
Current	$208,165	$232,375
Non-current	712,081	625,500
	$920,246	$857,875

[1/] Unwinding of fair value hedge
[2/] Relates to amounts withdrawn and outstanding

(expressed in thousands of United States dollars, unless otherwise stated)

NOTE S – BORROWINGS…*continued*

On December 12, 2012 Standard & Poor's Rating Services lowered the Bank's long term foreign currency issuer rating to 'AA' from 'AA+' with a negative outlook. The Bank's short term foreign currency rating was affirmed as 'A-1+'. This downgrade had no material impact on current operations, nor did it have any impact on debt covenants.

NOTE T – EQUITY

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

Capital stock

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

Capital stock	2012	2011
Authorized capital – 312,971 (2011: 312,971) shares		
Subscribed capital – 247,455 (2011: 239,463) shares	$1,549,012	$1,501,892
Less callable capital – 193,125 (2011: 187,032) shares	(1,207,638)	(1,170,887)
Paid-up capital – 54,330 (2011: 52,611) shares	$341,374	$331,005

The movement in the Bank's paid-up capital was as follows:

	2012	2011
	No. of shares	No. of shares
Balance – beginning of year	52,611	23,835
Regional States & Territories		
Subscribed capital	7,812	80,887
Callable capital	(6,093)	(63,091)
Non-Regional States & Territories		
Subscribed capital	-	49,910
Callable capital	-	(38,930)
Balance – end of year	54,330	52,611

(expressed in thousands of United States dollars, unless otherwise stated)

NOTE T – EQUITY

Subscriptions maturing during the year were as follows:

	2012	2011
Balance – beginning of year	$186,361	$157,433
Regional States & Territories		
Subscriptions maturing during the year	21,346	17,890
Non-Regional States & Territories		
Subscriptions maturing during the year	11,038	11,038
Balance – end of year	$218,745	$186,361

The determination of the par value of the Bank's shares is disclosed in Note B - "Summary of Significant Accounting Policies – Valuation of capital stock".

(expressed in thousands of United States dollars, unless otherwise stated)

NOTE T – EQUITY…*continued*

Capital…*continued*

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

	2012								
							Voting Power		
Member	No. of Shares	% of Total	Total subscribed capital	Callable capital	Paid-up capital	Sub-scriptions Matured	No. of votes	% of total votes	Receivable from members, Non-negotiable Demand Notes
Regional States and Territories:									
Jamaica	48,354	19.54	$291,659	$227,614	$64,045	$38,378	48,504	19.34	$13,243
Trinidad and Tobago	48,354	19.54	291,659	227,614	64,045	38,378	48,504	19.34	10,888
Bahamas	14,258	5.76	86,001	67,115	18,886	11,317	14,408	5.75	1,612
Guyana	10,417	4.20	62,833	49,038	13,795	8,265	10,567	4.21	3,205
Colombia	7,795	3.15	47,017	36,691	10,326	6,188	7,945	3.17	627
Mexico	3,118	1.26	18,807	14,687	4,120	4,120	3,268	1.30	-
Venezuela	3,118	1.26	18,807	14,687	4,120	4,120	3,268	1.30	3,204
Barbados	9,074	3.67	54,732	42,717	12,015	7,202	9,224	3.68	1,070
Belize	2,148	0.87	12,956	10,109	2,847	1,705	2,298	0.92	-
Dominica	2,148	0.87	12,956	10,109	2,847	1,705	2,298	0.92	286
Grenada	736	0.30	4,439	3,468	971	971	886	0.35	213
St. Lucia	2,148	0.87	12,956	10,109	2,847	1,705	2,298	0.92	360
St. Vincent and the Grenadines	2,148	0.87	12,956	10,109	2,847	1,705	2,298	0.92	97
Antigua and Barbuda	859	0.35	5,181	4,047	1,134	1,134	1,009	0.40	296
St. Kitts and Nevis	859	0.35	5,181	4,047	1,134	1,134	1,009	0.40	255
Anguilla /1	455	0.18	2,744	2,141	603	362			14
Montserrat /1	213	0.09	1,285	1,001	284	283			-
British Virgin Islands /1	213	0.09	1,285	1,001	284	283	1,777	0.71	-
Cayman Islands /1	213	0.09	1,285	1,001	284	283			8
Turks and Caicos Islands /1	533	0.22	3,215	2,509	706	424			-
Haiti	875	0.35	5,278	4,120	1,158	1,158	1,025	0.41	-
	158,036	63.85	953,232	743,934	209,298	130,820	160,586	64.04	35,378

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

(expressed in thousands of United States dollars, unless otherwise stated)

NOTE T – EQUITY…*continued*

Capital…*continued*

	2012									
							Voting Power		
Member	No. of Shares	% of Total	Total subscribed capital	Callable capital	Paid-up capital	Sub-scriptions Matured	No. of votes	% of total votes	Receivable from members. Non-negotiable Demand Notes
Non-Regional States:									
Canada	26,004	10.51	156,849	122,408	34,441	20,640	26,154	10.43	-
United Kingdom	26,004	10.51	156,849	122,408	34,441	20,640	26,154	10.43	2,150
Italy	6,235	2.52	37,608	29,375	8,233	8,234	6,385	2.55	725
Germany	15,588	6.30	94,023	73,376	20,647	12,372	15,738	6.28	5,549
China	15,588	6.30	94,023	73,376	20,647	12,372	15,738	6.28	-
	89,419	36.15	539,352	420,943	118,409	74,258	90,169	35.96	8,424
Sub-total	247,455	100.00	1,492,584	1,164,877	327,707	205,078	250,755	100.00	43,802
Additional subscriptions									
China			18,804	14,688	4,116	4,116			
Colombia			1,810	905	905	905			
Germany			12,546	9,681	2,865	2,865			
Italy			12,546	9,681	2,865	2,865			
Mexico			6,273	4,841	1,432	1,432			
Venezuela			1,810	905	905	905			
Haiti			2,639	2,060	579	579			
Sub-total	-	-	56,428	42,761	13,667	13,667	-	-	-
Total - December 31, 2012	**247,455**	**100.00**	**$1,549,012**	**$1,207,638**	**$341,374**	**$218,745**	**250,755**	**100.00**	**$43,802**
Total - December 31, 2011	239,643	100.00	$1,501,892	$1,170,887	$331,005	$186,361	242,943	100.00	$44,363

(expressed in thousands of United States dollars, unless otherwise stated)

NOTE T – EQUITY…*continued*

Capital…*continued*

	2011								
							Voting Power		
Member	No. of shares	% of total	Total subscribed capital	Callable capital	Paid-up capital	Sub-scriptions matured	No. of votes	% of total votes	Receivable from members non-negotiable Demand Notes
Regional States and Territories									
Jamaica	48,354	20.18	291,659	227,614	64,045	31,961	48,504	19.97	13,733
Trinidad and Tobago	48,354	20.18	291,659	227,614	64,045	31,961	48,504	19.97	11,037
Bahamas	14,258	5.95	86,001	67,115	18,886	9,426	14,408	5.93	1,612
Guyana	4,167	1.73	25,134	19,633	5,501	5,501	4,317	1.78	3,203
Colombia	7,795	3.25	47,017	36,691	10,326	5,154	7,945	3.27	628
Mexico	3,118	1.30	18,807	14,687	4,120	4,120	3,268	1.35	-
Venezuela	3,118	1.30	18,807	14,687	4,120	4,120	3,268	1.35	3,141
Barbados	9,074	3.79	54,732	42,717	12,015	5,999	9,224	3.80	1,070
Belize	2,148	0.90	12,956	10,109	2,847	1,419	2,298	0.95	-
Dominica	859	0.36	5,181	4,047	1,134	1,134	1,009	0.42	286
Grenada	736	0.31	4,439	3,468	971	971	886	0.36	213
St. Lucia	2,148	0.90	12,956	10,109	2,847	1,419	2,298	0.95	360
St. Vincent and the Grenadines	2,148	0.90	12,956	10,109	2,847	1,419	2,298	0.95	97
Antigua and Barbuda	859	0.90	5,181	4,047	1,134	1,134	1,009	0.42	296
St. Kitts and Nevis	859	0.36	5,181	4,047	1,134	1,134	1,009	0.42	255
Anguilla 1/	182	0.36	1,098	857	241	241			14
Montserrat 1/	213	0.08	1,285	1,001	284	283	1,504	0.62	-
British Virgin Islands 1/	213	0.09	1,285	1,001	284	283			-
Cayman Islands 1/	213	0.09	1,285	1,001	284	283			8
Turks and Caicos Islands 1/	533	0.22	3,215	2,509	706	354			-
Haiti	875	0.37	5,278	4,120	1,158	1,158	1,025	0.42	-
Sub-total	150,224	62.68	906,112	707,183	198,929	109,474	152,774	62.88	35,953

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

(expressed in thousands of United States dollars, unless otherwise stated)

NOTE T – EQUITY…*continued*

Capital…*continued*

	2011								
							Voting Power		
Member	**No. of shares**	**% of total**	**Total subscribed capital**	**Callable capital**	**Paid-up capital**	**Sub-scriptions matured**	**No. of votes**	**% of total votes**	**Receivable from members non-negotiable demand notes**
Sub-total	150,224	62.68	$906,112	$707,183	$198,929	$109,474	152,774	62.88	$35,953
Non-Regional States									
Canada	26,004	10.85	156,849	122,408	34,441	17,190	26,154	10.77	-
United Kingdom	26,004	10.85	156,849	122,408	34,441	17,190	26,154	10.77	2,150
Italy	6,235	2.60	37,608	29,375	8,233	8,234	6,385	2.63	711
Germany	15,588	6.51	94,023	73,376	20,647	10,303	15,738	6.48	5,549
China	15,588	6.51	94,023	73,376	20,647	10,303	15,738	6.48	-
	89,419	37.32	$539,352	$420,943	$118,409	$63,220	90,169	37.12	$8,410
Sub-total	239,643	100.00	$1,445,464	$1,128,126	$317,338	$172,694	242,943	100.00	$44,363
Additional subscriptions									
China	-	-	18,804	14,688	4,116	4,116	-	-	-
Colombia	-	-	1,810	905	905	905	-	-	-
Germany	-	-	12,546	9,681	2,865	2,865	-	-	-
Italy	-	-	12,546	9,681	2,865	2,865	-	-	-
Mexico	-	-	6,273	4,841	1,432	1,432	-	-	-
Venezuela	-	-	1,810	905	905	905	-	-	-
Haiti	-	-	2,639	2,060	579	579	-	-	-
Sub-total	-	-	$ 56,428	$ 42,761	$ 13,667	$ 13,667	-	-	-
Total - December 31	**239,643**	**100.00**	**$1,501,892**	**$1,170,887**	**$331,005**	**$186,361**	**242,943**	**100.00**	**$44,363**

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

NOTE T – EQUITY…*continued*

Members' subscriptions

The Bank's capital stock is divided into paid-in shares and callable shares. Payment for paid-in shares subscribed by its members is made over a period of years determined in advance. Subscriptions that are not yet payable are presented as subscriptions not yet matured on the statement of financial position. The Charter states that payment of the amount subscribed to the callable capital is subject to call by the Bank to meet its obligations incurred pursuant to Article 7, paragraph 6 taking into account paragraphs (b) and (d) of Article 13 on borrowings of funds or on guarantees, only as and when required by the Bank.

The Charter also allows for a member country to withdraw from the Bank, at which time the Bank is required to arrange for the repurchase of the former member's shares. Only one member has ever withdrawn its membership. No other member has 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 harmonious economic growth and development 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 on the books of the Bank on the date a country ceases to be a member. However, the former member shall remain liable for direct obligations and contingent liabilities to the Bank for so long as any part of the loans or guarantees contracted before the date of withdrawal are outstanding. The Bank may partially or fully offset amounts due for shares purchased against the member's liabilities on loans and guarantees due to the Bank. Were a member to withdraw, the Bank may set the dates in respect of payments for shares repurchased. In the instance where paying a former member would have adverse consequences for the Bank's financial position, the Bank 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. Based on the above discussion, management has determined that members' shares are deemed to be a permanent investment in the Bank and are appropriately classified as equity.

Under the Charter, payment for the paid-in 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.

(expressed in thousands of United States dollars, unless otherwise stated)

NOTE T – EQUITY…*continued*

Retained earnings and reserves

Retained earnings and reserves comprise the following elements:

	2012	2011
Ordinary reserves	$405,086	$398,538
Surplus	11,648	11,648
Operating income	22,461	21,548
Derivative fair value earnings net of cumulative effect of foreign exchange translation	34,881	42,007
Special reserve	6,254	6,254
General banking reserve	7,856	7,856
	$488,186	$487,851

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

During the year, the Board of Governors of the Bank upon the recommendation of the Board of Directors and acting under Article 39 of the Bank's Charter, approved an allocation of $15,000 from the net income of the Ordinary Capital Resources to the Special Development Fund – Unified.

Special reserve

In accordance with Article 18 of the Charter, 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 (2011: $5,046) are deemed to be a provision for general banking risks and are reported as a general banking reserve in Equity and reserves.

(expressed in thousands of United States dollars, unless otherwise stated)

NOTE U– INCOME FROM LOANS, INVESTMENTS AND CASH BALANCES

Income from loans

Income from loans for the years ended December 31, 2012 and 2011 was as follows:

	2012	2011
Interest income	$36,572	$38,288
Other fees and charges	3,067	2,294
	$39,639	$40,582

Income from investments and cash balances

Interest income was earned from the following categories of investments and cash balances:-

	2012	2011
Cash and cash equivalents	$18	$(5)
Bonds	2,935	2,337
US Treasuries	244	36
Time deposits	214	239
Euro commercial paper	32	58
Treasury Bills	2	2
	$3,445	$2,667

Other financial income and expenses

Other financial income and expenses is comprised of the net interest position on the swaps and includes other finance charges.

	2012	2011
Other finance charges	$(326)	$(1,238)
Income from cross currency interest rate swap	5,385	5,378
Expense incurred from cross currency interest rate swap	(1,669)	(1,318)
	$3,390	$2,822

CARIBBEAN DEVELOPMENT BANK
ORDINARY CAPITAL RESOURCES

NOTES TO THE FINANCIAL STATEMENTS
For the year ended December 31, 2011

(expressed in thousands of United States dollars, unless otherwise stated)

NOTE V – 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.

Administrative expenses allocated to the OCR are as follows:

	2012	2011
Staff related	$6,750	$6,465
Professional fees and consultancies	1,258	650
Travel	555	508
Depreciation	562	591
Other	295	401
Utilities and maintenance	444	426
Training and seminars	222	235
Supplies and printing	89	67
Board of Governors and Directors	255	191
Computer services	328	400
Communications	204	175
Bank charges	39	41
Insurance	28	33
	$11,029	$10,183

(expressed in thousands of United States dollars, unless otherwise stated)

NOTE V – ADMINISTRATIVE EXPENSES…*continued*

Staff costs charged to the OCR are as follows:

	2012	2011
Salaries and allowances	$4,726	$4,628
Pension costs – hybrid scheme[1/]	120	96
Pension costs – defined benefit plan[1/]	1,339	1,209
Medical expenses	237	322
Other benefits	328	210
	$6,750	$6,465

[1/]This represents the allocation of the net pension costs to the OCR. The full pension expense for the hybrid scheme amounted to $278 and $3,279 for the defined benefit plan.

NOTE W – DERIVATIVE FAIR VALUE ADJUSTMENT

The derivative fair value adjustment of $31,129 [2011: ($31,925)] included in the statement of income is derived as a result of the revaluation of the cross currency interest rate swaps.

NOTE X – RELATED PARTY TRANSACTIONS

The movement in the net interfund receivable or payable during the year is as follows:-

	2012	2011
Balances - beginning of year	$8,235	$9,476
Advances during the year	75,815	29,310
Allocation of administrative expenses	16,391	14,773
Repayments during the year	(100,994)	(45,324)
Balances – end of year	$(553)	$8,235

(expressed in thousands of United States dollars, unless otherwise stated)

NOTE X – RELATED PARTY TRANSACTIONS…*continued*

The composition of the balances as at December 31, 2012 and 2011 is as follows:

	2012	2011
Due from SDF	$1,246	$2,264
Due from OSF	7,542	6,008
Due from Pension schemes	24	180
Due from Others	15	1
Due to SDF	(7,383)	(4)
Due to OSF	(1,997)	-
Due to Others	-	(214)
	$(553)	$8,235

The net balance at December 31, 2012 is included in Accounts payable and accrued liabilities in the statement of financial position.

The interfund receivable/ payable account represents payments by OCR on behalf of the SDF and OSF as well as the allocation of administrative expenditure in accordance with Bank policy. Interfund balances are settled in cash on a quarterly basis and the balances are not subject to impairment evaluation based on their nature.

(expressed in thousands of United States dollars, unless otherwise stated)

NOTE X – RELATED PARTY TRANSACTIONS…*continued*

Key management compensation as at December 31 is as follows:

	2012	**2011**
Key management compensation		
Salaries and allowances	$1,332	$1,504
Post-employment benefits	1,374	690
	$2,706	$2,194

Interest subsidy fund

In 2008, the interest subsidy fund was established by the Board of Directors of the Bank to subsidize part of the interest payments for which certain borrowers are liable on loans to the OCR. During 2012, $586 (2011: $431) was received from the Other Special Funds in interest on behalf of the borrowers.

NOTE Y – COMMITMENTS AND GUARANTEES

At December 31, 2012, CDB had undisbursed loan balances of $285,274 (2011: $229,975). There were no approved capital expenditure commitments for the 2012 financial year (2011: $1,780).

At its two hundred and forty-ninth meeting held on December 8, 2011, the Bank issued a guarantee in an amount not exceeding the equivalent of $12,000 with respect to the Bonds to be issued by the Government of St. Kitts and Nevis.

Ernst & Young

Ernst & Young Ltd
P.O. Box 261, Bridgetown, BB11000
Barbados, W.I.

Street Address
Worthing, Christ Church, BB15008
Barbados, W.I.

Tel: 246 430 3900
Fax: 246 426 9551
246 426 0472
246 435 2079
246 430 3879
www.ey.com

Independent Auditors' Report

To the Board of Governors of Caribbean Development Bank

We have audited the accompanying financial statements of the **Special Development Fund** of the **Caribbean Development Bank** (the Bank) which comprise the statement of financial position as of December 31, 2012, statement of comprehensive income and accumulated net income and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information. The financial statements have been prepared using the basis of accounting described in Note A.

Management's responsibility for the special purpose financial statements
Management is responsible for the preparation and fair presentation of these financial statements using the basis of accounting described in Note A, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's 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 about whether the financial statements are free from 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 auditors' judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk 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 of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates, if any, made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion
In our opinion, the financial statements of the Special Development Fund for the year ended December 31, 2012 are prepared, in all material respects, in accordance with the basis of accounting set out in Note A.

Basis of accounting
Without modifying our opinion, we draw attention to Note A to the financial statements which describes the basis of accounting. The financial statements are prepared for the specific purpose of reflecting the sources and applications of member subscriptions and contributions and other development resources and as a result, may not be suitable for any other purpose.

Ernst + Young

Chartered Accountants
Barbados
March 21, 2013

CARIBBEAN DEVELOPMENT BANK
SPECIAL FUNDS RESOURCES – SPECIAL DEVELOPMENT FUND

STATEMENT OF FINANCIAL POSITION
As of December 31, 2012

(expressed in thousands of United States dollars)

	2012			2011		
	Unified	**Other**	**Total**	**Unified**	**Other**	**Total**
Assets						
Cash and cash equivalents – Note A	**$11,699**	**$2,239**	**$13,938**	$33,646	$23,548	$57,194
Debt securities at fair value through profit or loss (Schedule 1)	**274,791**	**57,905**	**332,696**	240,828	36,599	277,427
Loans outstanding (Schedule 2)	**463,518**	**19,449**	**482,967**	448,451	20,570	469,021
Receivables						
Accounts receivable – Note G	**7,854**	**-**	**7,854**	1	-	1
	$757,862	**$79,593**	**$837,455**	$722,926	$80,717	$803,643
Receivable from contributors						
Non-negotiable demand notes (Schedule 3)	**61,213**	**-**	**61,213**	59,247	-	59,247
Contribution in arrears	**9,597**	**-**	**9,597**	12,287	-	12,287
	70,810	**-**	**70,810**	71,534	-	71,534
Total assets	**$828,672**	**$79,593**	**$908,265**	$794,460	$80,717	$875,177
Liabilities and Funds						
Liabilities						
Accounts payable– Note H	**70,702**	**1,185**	**71,887**	**70,763**	**939**	**71,702**
Accrued charges on contributions	**-**	**5**	**5**	**-**	**9**	**9**
	$70,702	**$1,190**	**$71,892**	**$70,763**	**$948**	**$71,711**

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

CARIBBEAN DEVELOPMENT BANK
SPECIAL FUNDS RESOURCES – SPECIAL DEVELOPMENT FUND
STATEMENT OF FINANCIAL POSITION
As of December 31, 2012

(expressed in thousands of United States dollars)

	2012			2011		
	Unified	**Other**	**Total**	**Unified**	**Other**	**Total**
Funds						
Contributed resources (Schedule 3)						
Contributions	**$967,672**	**$42,962**	**$1,010,634**	$970,353	$43,786	$1,014,139
Less amounts not yet made available	**(4,249)**	**-**	**(4,249)**	(54,006)	-	(54,006)
Amounts made available	**963,423**	**42,962**	**1,006,385**	916,347	43,786	960,133
Allocation to technical assistance and grant resources	**(324,897)**	**(2,266)**	**(327,163)**	(320,950)	(2,266)	(323,216)
	638,526	**40,696**	**679,222**	595,397	41,520	636,917
Accumulated net income (Schedule 4)	**$56,730**	**$36,801**	**93,531**	41,832	37,343	79,175
Technical assistance and grant resources – Note E	**62,714**	**906**	**63,620**	86,468	906	87,374
	$757,970	**$78,403**	**$836,373**	$723,697	$79,769	$803,466
Total liabilities and funds	**$828,672**	**$79,593**	**$908,265**	$794,460	$80,717	$875,177

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

CARIBBEAN DEVELOPMENT BANK
SPECIAL FUNDS RESOURCES – SPECIAL DEVELOPMENT FUND

STATEMENT OF COMPREHENSIVE INCOME AND ACCUMULATED NET INCOME
For the year ended December 31, 2012

(expressed in thousands of United States dollars)

	2012			2011		
	Unified	**Other**	**Total**	**Unified**	**Other**	**Total**
Interest and similar income						
Loans	**$10,369**	**$466**	**$10,835**	$10,054	$488	$10,542
Investments and cash balances	**3,485**	**840**	**4,325**	3,434	959	4,393
	13,854	**1,306**	**15,160**	13,488	1,447	14,935
Expenses						
Administrative expenses	**13,950**	**1,017**	**14,967**	12,260	1,046	13,306
Charges on contributions	**-**	**55**	**55**	-	86	86
Foreign exchange losses/ (gains)	**6**	**(124)**	**(118)**	353	(388)	(35)
	13,956	**948**	**14,904**	12,613	744	13,357
Total comprehensive (loss)/income for the year	**($102)**	**$358**	**$256**	$875	$703	$1,578

Accumulated net income						
Accumulated net income – beginning of year	**$41,832**	**$37,343**	**$79,175**	$40,957	$42,540	$83,497
Appropriations for technical assistance	**-**	**(900)**	**(900)**	-	(5,900)	(5,900)
Total comprehensive (loss)/income for the year	**(102)**	**358**	**256**	875	703	1,578
Allocation from OCR net income	**15,000**	**-**	**15,000**	-	-	-
Accumulated net income– end of year	**$56,730**	**$36,801**	**$93,531**	$41,832	$37,343	$79,175

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

CARIBBEAN DEVELOPMENT BANK
SPECIAL FUNDS RESOURCES – SPECIAL DEVELOPMENT FUND (UNIFIED)
STATEMENT OF CASH FLOWS
For the year ended December 31, 2012

(expressed in thousands of United States dollars)

		2012	2011
Operating activities			
Total comprehensive (loss)/income for the year		**($102)**	$875
Adjustments for non-cash items			
Unrealized gain/(loss) on debt securities at fair value through profit or loss	**(163)**		654
Interest income	**(13,561)**		(13,420)
Net foreign exchange difference	**735**		(299)
Total cash flows used in operating activities before changes in operating assets and liabilities		**(13,091)**	(12,190)
Changes in operating assets and liabilities			
Increase in accounts receivable	**(7,853)**		-
(Decrease)/increase in accounts payable	**(61)**		5,392
Cash used in operating activities		**(21,005)**	(6,798)
Disbursements on loans		**(32,792)**	(35,266)
Principal repayments to the Bank on loans		**18,477**	18,017
Interest received		**12,961**	13,444
Net increase in debt securities at fair value through profit or loss		**(33,952)**	(39,049)
Technical assistance disbursements		**(16,204)**	(14,332)
Net cash used in operating activities		**(72,515)**	(63,984)
Financing activities			
Contributions			
Increase in contributions for loans	**42,394**		13,585
Decrease in receivables from contributors	**724**		3,250
Technical assistance allocation	**(7,550)**		23,135
Allocation of OCR net income	**15,000**		
Net cash provided by financing activities		**50,568**	39,970
Net decrease in cash and cash equivalents		**(21,947)**	(24,014)
Cash and cash equivalents at beginning of year		**33,646**	57,660
Cash and cash equivalents at end of year		**$11,699**	$33,646

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

CARIBBEAN DEVELOPMENT BANK
SPECIAL FUNDS RESOURCES – SPECIAL DEVELOPMENT FUND (OTHER)
STATEMENT OF CASH FLOWS
For the year ended December 31, 2012

(expressed in thousands of United States dollars)

		2012	2011
Operating activities			
Total comprehensive income for the year		**$358**	$703
Adjustments for non-cash items			
Unrealized (gain)/loss on debt securities at fair value through profit or loss	**(208)**		26
Interest income	**(1,095)**		(1,282)
Interest expense	**55**		86
Net foreign exchange difference	**222**		(104)
Total cash flows from operating activities before changes in operating assets and liabilities		**(668)**	(571)
Changes in operating assets and liabilities			
Increase/(decrease) in accounts payable		**246**	(14)
Cash used in operating activities		**(422)**	(585)
Disbursements on loans		**(31)**	(376)
Principal repayments to the Bank on loans		**1,158**	1,254
Interest received		**1,099**	1,592
Interest paid		**(59)**	(89)
Net (increase)/decrease in debt securities at fair value through profit and loss		**(21,108)**	17,410
Net cash (used in)/provided by operating activities		**(19,363)**	19,206
Financing activities:			
Contributions			
Repayments of contributions	**(1,046)**		(1,017)
Appropriations of accumulated net income	**(900)**		(5,900)
Net cash used in financing activities		**(1,946)**	(6,917)
Net (decrease) increase in cash and cash equivalents		**(21,309)**	12,289
Cash and cash equivalents - beginning of year		**23,548**	11,259
Cash and cash equivalents - end of year		**$2,239**	$23,548

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

CARIBBEAN DEVELOPMENT BANK
SPECIAL FUND RESOURCES – SPECIAL DEVELOPMENT FUND

SUMMARY STATEMENT OF INVESTMENTS
For the year ended December 31, 2012

(expressed in thousands of United States dollars)

SCHEDULE 1

	2012			2011		
	Market value			Market value		
Debt securities at fair value through Profit or Loss	**Unified**	**Other**	**Total**	**Unified**	**Other**	**Total**
Government and Agency Obligations	**$192,424**	**$44,931**	**$237,355**	$165,054	$29,115	$194,169
Supranationals	**81,345**	**12,756**	**94,101**	50,778	5,761	56,539
Euro Commercial Paper	-	-	-	23,822	1,495	25,317
Sub-total	**$273,769**	**$57,687**	**$331,456**	239,654	36,371	276,025
Accrued interest	**1,022**	**218**	**1,240**	1,174	228	1,402
Total	**$274,791**	**$57,905**	**$332,696**	$240,828	$36,599	$277,427

Residual term to contractual maturity

	2012	2011
One month to three months	**$15,275**	$39,345
Over three months to one year	**70,664**	58,479
From one year to five years	**225,017**	142,244
From five years to ten years	**21,740**	37,359
Total	**$332,696**	$277,427

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

SUMMARY STATEMENT OF LOANS
For the year ended December 31, 2012
(expressed in thousands of United States dollars)

SCHEDULE 2

	2012			
Member countries in which loans have been made	**Loans approved but not yet effective**	**Undisbursed**	**Outstanding[1/]**	**% of Total Loans Outstanding**
Anguilla	$425	$ 112	$ 3,145	0.7
Antigua and Barbuda	-	-	2,937	0.6
Barbados	-	-	469	0.1
Belize	7,086	14,715	38,777	8.4
British Virgin Islands	-	300	1,654	0.4
Dominica	2,166	18,430	53,798	11.7
Grenada	-	18,895	68,395	14.9
Guyana	25,000	6,922	106,031	23.0
Jamaica	10,000	38,513	73,263	15.9
Montserrat	-	2,500	2,691	0.6
St. Kitts and Nevis	17,760	1,792	34,192	7.4
St. Lucia	6,862	38,205	36,214	7.9
St. Vincent and the Grenadines	7,106	19,265	29,070	6.3
Trinidad and Tobago	1,000	-	-	0.0
Turks and Caicos Islands	-	-	5,857	1.3
Regional	-	-	3,744	0.8
Sub-total	$77,405	$159,649	$460,237	100.0
Accrued interest	-	-	3,281	
Total – December 31	**$77,405**	**$159,649**	**$463,518**	

1/ There are no overdue installments of principal (2011 - nil).

CARIBBEAN DEVELOPMENT BANK
SPECIAL FUNDS RESOURCES – SPECIAL DEVELOPMENT FUND (UNIFIED)
SUMMARY STATEMENT OF LOANS…*continued*
For the year ended December 31, 2012

(expressed in thousands of United States dollars)

SCHEDULE 2

2011

Member countries in which loans have been made	Loans approved but not yet effective	Undisbursed	Outstanding[1/]	% of Total Loans Outstanding
Anguilla	$695	$19	$3,593	0.8
Antigua and Barbuda	-	1,123	3,103	0.7
Barbados	-	-	500	0.1
Belize	-	15,252	38,734	8.7
British Virgin Islands	-	300	1,800	0.4
Dominica	10,300	10,450	50,142	11.2
Grenada	6,580	15,736	66,094	14.8
Guyana	-	15,368	100,904	22.6
Jamaica	-	50,765	64,700	14.5
Montserrat	-	2,500	2,877	0.7
St. Kitts and Nevis	17,760	3,146	35,181	7.9
St. Lucia	7,233	31,723	37,906	8.5
St. Vincent & the Grenadines	14,550	5,432	30,079	6.8
Trinidad & Tobago	1,000	-	-	-
Turks & Caicos Islands	-	1,051	6,390	1.4
Regional	-	-	3,919	0.9
Sub-total	58,118	152,865	445,922	100.0
Accrued interest	-	-	2,529	
Total – December 31	**$58,118**	**$152,865**	**$448,451**	

1/ There were no overdue installments of principal (2010 - $28).

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

SUMMARY STATEMENT OF LOANS…*continued*
For the year ended December 31, 2012

(expressed in thousands of United States dollars)

SCHEDULE 2

	2012		
Member countries in which loans have been made	**Undisbursed**	**Outstanding[1/]**	**% of Total Loans Outstanding**
Antigua and Barbuda	$-	$480	2.5
Belize	-	7,654	39.6
British Virgin Islands	-	105	0.5
Dominica	-	1,999	10.3
Grenada	-	168	0.9
Jamaica	-	1,701	8.8
St. Kitts and Nevis	-	5,436	28.1
St. Lucia	437	531	2.8
St. Vincent and the Grenadines	-	1,249	6.5
Sub-total	$437	$19,323	100.00
Accrued interest	-	126	
Total – December 31	**$437**	**$19,449**	

1/ There were no overdue installments of principal (2011 - nil).

CARIBBEAN DEVELOPMENT BANK
SPECIAL FUNDS RESOURCES – SPECIAL DEVELOPMENT FUND

SUMMARY STATEMENT OF LOANS…*continued*
For the year ended December 31, 2012

(expressed in thousands of United States dollars)

2011

Member countries in which loans have been made	Undisbursed	Outstanding[1/]	% of Total Loans Outstanding
Antigua and Barbuda	$-	$494	2.4
Belize	-	8,128	39.7
British Virgin Islands	-	152	0.7
Dominica	-	2,063	10.1
Grenada	-	168	0.8
Jamaica	-	1,852	9.1
St. Kitts and Nevis	144	5,665	27.7
St. Lucia	477	607	3.0
St. Vincent and the Grenadines	-	1,321	6.5
Sub-total	621	20,450	100.0
Accrued interest	-	120	
Total – December 31	**$621**	**$20,570**	

1/ There were no overdue installments of principal (2010 – nil).

CARIBBEAN DEVELOPMENT BANK
SPECIAL FUNDS RESOURCES – SPECIAL DEVELOPMENT FUND
SUMMARY STATEMENT OF LOANS…*continued*
For the year ended December 31, 2012

(expressed in thousands of United States dollars)

SCHEDULE 2

	2012			
Analysis by Contributor	**Loans approved but not yet effective**	**Undisbursed**	**Outstanding[1/]**	**% of total loans outstanding**
Special Development Fund (Unified)				
Members/Contributors	$77,405	$159,649	$460,237	100.00
Accrued interest	-	-	3,281	
Total Special Development Fund (Unified)	**$77,405**	**$159,649**	**$463,518**	
Special Development Fund (Other)				
Members				
Colombia	-	-	255	1.3
Germany	-	-	122	0.6
Mexico	-	-	2,121	11.0
Venezuela	-	437	16,794	86.9
	-	437	19,292	99.8
Other contributors				
Sweden	-	-	31	0.2
	-	-	31	0.2
Sub-total	-	$437	$19,323	100.0
Accrued interest	-	-	126	
Total – Special Development Fund (Other)	**-**	**$437**	**$19,449**	
Total Special Development Fund – December 31	**$77,405**	**$160,086**	**$482,967**	

1/There were no overdue installments of principal (2011- nil).

CARIBBEAN DEVELOPMENT BANK
SPECIAL FUNDS RESOURCES – SPECIAL DEVELOPMENT FUND

SUMMARY STATEMENT OF LOANS…*continued*
For the year ended December 31, 2012

(expressed in thousands of United States dollars)

SCHEDULE 2

2011

Analysis by Contributor	Loans approved but not yet effective	Undis-bursed	Out-standing 1/	% of total loans out-standing
Special Development Fund (Unified)				
Members/Contributors	$58,118	$152,964	$445,922	100.00
Accrued interest	-	-	2,529	
Total Special Development Fund (Unified)	**$58,118**	**$152,964**	**$448,451**	
Special Development Fund (Other)				
Members				
Colombia	$-	$-	$319	1.6
Germany	-	-	122	0.6
Mexico	-	-	2,251	11.0
Venezuela	-	621	17,727	86.6
	-	621	20,419	99.8
Other contributors				
Sweden	-	-	31	0.2
	-	-	31	0.2
Sub-total	-	621	20,450	100.0
Accrued interest	-	-	120	
Total Special Development Fund (Other)	**$-**	**$621**	**$20,570**	
Total Special Development Fund – December 31	**$58,118**	**$153,585**	**$469,021**	

1/There were no overdue installments of principal (2010 - Nil)

CARIBBEAN DEVELOPMENT BANK
SPECIAL FUNDS RESOURCES – SPECIAL DEVELOPMENT FUND

SUMMARY STATEMENT OF LOANS…*continued*
For the year ended December 31, 2012

(expressed in thousands of United States dollars)

SCHEDULE 2

	2012					
Currencies Receivable	**Loans out-standing 2011**	**Net interest earned**	**Disburse-ments**	**Sub-total**	**Repay-ments**	**Loans out-standing 2012**
(a) Special Development Fund (Unified)						
United States dollars	$445,922	$-	$32,792	$478,714	$(18,477)	$460,237
Accrued interest	2,529	752	-	3,281	-	3,281
Total – December 31	**$448,451**	**$752**	**$32,792**	**$481,995**	**($18,477)**	**$463,518**
(b) Special Development Fund (Other)						
United States dollars	20,450	-	31	20,481	(1,158)	19,323
Accrued interest[1]	120	6	-	126	-	126
Total – December 31	**$20,570**	**$6**	**$31**	**$20,607**	**($1,158)**	**$19,449**

Maturity structure of loans outstanding

January 1, 2013 to December 31, 2013	25,674
January 1, 2014 to December 31, 2014	23,232
January 1, 2015 to December 31, 2015	25,921
January 1, 2016 to December 31, 2016	26,684
January 1, 2017 to December 31, 2017	27,180
January 1, 2018 to December 31, 2022	127,030
January 1, 2023 to December 31, 2027	106,443
January 1, 2028 to December 31, 2032	79,649
January 1, 2033 to December 31, 2042	41,154
Total	**$482,967**

1/Relates to amounts disbursed and outstanding.

CARIBBEAN DEVELOPMENT BANK
SPECIAL FUNDS RESOURCES – SPECIAL DEVELOPMENT FUND

SUMMARY STATEMENT OF LOANS…*continued*
For the year ended December 31, 2012

(expressed in thousands of United States dollars)

SCHEDULE 2

	2011					
Currencies Receivable	**Loans out-standing 2010**	**Net interest earned**	**Disburse-ments**	**Sub-total**	**Repay-ments**	**Loans out-standing 2011**
(c) Special Development Fund (Unified)						
United States dollars	$428,673	$-	$35,266	$463,939	$(18,017)	$445,922
Accrued interest[1]	2,371	158	-	2,529	-	2,529
Total – December 31	**$431,044**	**$158**	**$35,266**	**$466,468**	**$(18,017)**	**$448,451**
(d) Special Development Fund (Other)						
United States dollars	$21,328	$ -	$376	$21,704	$ (1,254)	$20,450
Accrued interest	125	(5)	-	120	-	120
Total – December 31	**$21,453**	**$(5)**	**$376**	**$21,824**	**$(1,254)**	**$20,570**

Maturity structure of loans outstanding

January 1, 2012 to December 31, 2012	$23,178
January 1, 2013 to December 31, 2013	21,090
January 1, 2014 to December 31, 2014	22,675
January 1, 2015 to December 31, 2015	25,185
January 1, 2016 to December 31, 2016	25,848
January 1, 2017 to December 31, 2021	124,709
January 1, 2022 to December 31, 2026	102,302
January 1, 2027 to December 31, 2031	80,230
January 1, 2032 to December 31, 2042	43,804
TOTAL	**$469,021**

1/Relates to amounts disbursed and outstanding.

CARIBBEAN DEVELOPMENT BANK
SPECIAL FUNDS RESOURCES – SPECIAL DEVELOPMENT FUND
STATEMENT OF CONTRIBUTED RESOURCES
For the year ended December 31, 2012

(expressed in thousands of United States dollars)

SCHEDULE 3

	2012					
Contributors	**Total approved** [1/]	**Approved but not yet effective** [2/]	**Total contribution agreed**	**Amounts not yet made available**	**Amounts made available**	**Receivable from members non-negotiable demand notes**
Special Development Fund (Unified)						
Members						
Trinidad and Tobago	$35,384	$-	$35,384	$-	$35,384	$9,057
Bahamas	19,809	-	19,809	(4,249)	15,560	6,931
Barbados	19,805	-	19,805	-	19,805	2,832
Jamaica	33,204	-	33,204	-	33,204	7,638
Guyana	19,810	-	19,810	-	19,810	-
Antigua and Barbuda	2,257	605	1,652	-	1,652	32
Belize	5,134	-	5,134	-	5,134	1,943
Dominica	4,874	-	4,874	-	4,874	2,395
St. Kitts and Nevis	5,134	-	5,134	-	5,134	2,494
St. Lucia	5,134	-	5,134	-	5,134	1,944
St. Vincent and the Grenadines	5,147	-	5,147	-	5,147	2,494
Grenada	3,345	-	3,345	-	3,345	2,712
Montserrat	2,045	605	1,440	-	1,440	-
British Virgin Islands	2,045	-	2,045	-	2,045	-
Turks and Caicos Islands	2,045	605	1,440	-	1,440	-
Cayman Islands	1,945	605	1,340	-	1,340	-
Anguilla	2,045	-	2,045	-	2,045	1,051
Colombia	27,133	3,600	23,533	-	23,533	-
Venezuela	21,982	-	21,982	-	21,982	-
Canada	264,438	-	264,438	-	264,438	-
United Kingdom	211,246	-	211,246	-	211,246	14,287
Germany	82,689	-	82,689	-	82,689	5,403
Italy	64,101	7,083	57,018	-	57,018	-
China	41,298	-	41,298	-	41,298	-
Haiti	1,560	-	1,560	-	1,560	-
Mexico	17,000	3,000	14,000	-	14,000	-
	900,609	16,103	884,506	(4,249)	880,257	61,213
Other contributors						
France	58,254	-	58,254	-	58,254	-
Chile	10	-	10	-	10	-
Netherlands	24,902	-	24,902	-	24,902	-
	983,775	16,103	967,672	(4,249)	963,423	61,213
Technical assistance allocation	(324,897)	-	(324,897)	-	(324,897)	-
Sub-total	$658,878	$16,103	$642,775	$(4,249)	$638,526	$61,213

CARIBBEAN DEVELOPMENT BANK
SPECIAL FUNDS RESOURCES – SPECIAL DEVELOPMENT FUND
STATEMENT OF CONTRIBUTED RESOURCES…*continued*
For the year ended December 31, 2012

(expressed in thousands of United States dollars)

SCHEDULE 3

	2012					
Contributors	**Total approved** [1/]	**Approved but not yet effective** [2/]	**Total contribution agreed**	**Amounts not yet made available**	**Amounts made available**	**Receivable from members non-negotiable demand notes**
Sub-total b/fwd	$658,878	$16,103	$642,775	$(4,249)	$638,526	$61,213
Special Development Fund – Other						
Members						
Colombia	5,000	-	5,000	-	5,000	-
Mexico [3/]	13,067	-	13,067	-	13,067	-
Venezuela	17,474	-	17,474	-	17,474	-
	35,541	-	35,541	-	35,541	-
Other contributors						
Sweden	3,992	-	3,992	-	3,992	-
United States of America[4/]	1,163	-	1,163	-	1,163	-
	5,155	-	5,155	-	5,155	-
Sub-total	40,696	-	40,696	-	40,696	-
Total – SDF	**$699,574**	**$16,103**	**$683,471**	**$(4,249)**	**$679,222**	**$61,213**
Summary						
Members	611,253	16,103	595,150	(4,249)	590,901	61,213
Other contributors	88,321	-	88,321	-	88,321	-
Total – SDF	**$699,574**	**$16,103**	**$683,471**	**$(4,249)**	**$679,222**	**$61,213**

1/Net of repayments

2/Contributions not yet firmly pledged by Governments

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

4/Contribution with fixed repayment dates

CARIBBEAN DEVELOPMENT BANK
SPECIAL FUNDS RESOURCES – SPECIAL DEVELOPMENT FUND
STATEMENT OF CONTRIBUTED RESOURCES…*continued*
For the year ended December 31, 2012

(expressed in thousands of United States dollars)

SCHEDULE 3

	2011					
Contributors	**Total approved** [1/]	**Approved but not yet effective** [2/]	**Total contribution agreed**	**Amounts not yet made available**	**Amounts made available**	**Receivable from members non-negotiable demand notes**
Special Development Fund (Unified)						
Members						
Trinidad and Tobago	$35,384	$-	$35,384	$(2,546)	$32,838	$9,057
Bahamas	19,809	-	19,809	(4,249)	15,560	6,931
Barbados	19,805	-	19,805	-	19,805	4,249
Jamaica	33,204	-	33,204	(2,546)	30,658	5,728
Guyana	19,810	-	19,810	(1,416)	18,394	-
Antigua and Barbuda	2,257	605	1,652	-	1,652	32
Belize	5,134	-	5,134	(349)	4,785	1,595
Dominica	4,873	-	4,873	(348)	4,525	2,047
St. Kitts and Nevis	5,135	-	5,135	(349)	4,786	2,145
St. Lucia	5,134	-	5,134	(348)	4,786	1,595
St. Vincent and the Grenadines	5,146	-	5,146	(348)	4,798	1,797
Grenada	3,345	-	3,345	-	3,345	2,712
Montserrat	2,045	605	1,440	-	1,440	-
British Virgin Islands	2,045	-	2,045	(151)	1,894	-
Turks and Caicos Islands	2,045	605	1,440	-	1,440	-
Cayman Islands	1,945	605	1,340	-	1,340	-
Anguilla	2,045	-	2,045	(151)	1,894	1,051
Colombia	27,133	3,600	23,533	-	23,533	-
Venezuela	21,982	-	21,982	(900)	21,082	-
Canada	264,765	-	264,765	(17,458)	247,307	-
United Kingdom	214,350	-	214,350	(17,457)	196,893	13,683
Germany	81,950	-	81,950	(3,139)	78,811	6,625
Italy	64,101	7,083	57,018	-	57,018	-
China	41,298	-	41,298	(2,024)	39,274	-
Haiti	1,560	-	1,560	(227)	1,333	-
Mexico	17,000	3,000	14,000	-	14,000	-
	903,300	16,103	887,197	(54,006)	833,191	59,247
Other contributors						
France	58,254	-	58,254	-	58,254	-
Netherlands	24,902	-	24,902	-	24,902	-
	986,456	16,103	970,353	(54,006)	916,347	59,247
Technical assistance allocation	(320,950)	-	(320,950)	-	(320,950)	-
Sub-total	$665,506	$16,103	$649,403	$(54,006)	$595,397	$59,247

CARIBBEAN DEVELOPMENT BANK
SPECIAL FUNDS RESOURCES – SPECIAL DEVELOPMENT FUND
STATEMENT OF CONTRIBUTED RESOURCES…*continued*
For the year ended December 31, 2012

(expressed in thousands of United States dollars)

SCHEDULE 3

	2011					
Contributors	**Total approved** 1/	**Approved but not yet effective** 2/	**Total contribution agreed**	**Amounts not yet made available**	**Amounts made available**	**Receivable from members non-negotiable demand notes**
Sub-total b/fwd	$665,506	$16,103	$649,403	$(54,006)	$595,397	$59,247
Special Development Fund (Other)						
Members						
Colombia	5,000	-	5,000	-	5,000	-
Mexico [3/]	13,067	-	13,067	-	13,067	-
Venezuela	17,474	-	17,474	-	17,474	-
	35,541	-	35,541	-	35,541	-
Other contributors						
Sweden	3,769	-	3,769	-	3,769	-
United States of America[4/]	2,210	-	2,210	-	2,210	-
	5,979	-	5,979	-	5,979	-
Sub-total	41,520	-	41,520	-	41,520	-
Total – SDF	**$707,026**	**$16,103**	**$690,923**	**$(54,006)**	**$636,917**	**$59,247**
Summary						
Members	$617,891	$16,103	$601,788	$(54,006)	$547,782	$59,247
Other contributors	89,135	-	89,135	-	89,135	-
Total – SDF	**$707,026**	**$16,103**	**$690,923**	**$(54,006)**	**$636,917**	**$59,247**

1/Net of repayments

2/Contributions not yet firmly pledged by Governments

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

4/ Contribution with fixed repayment dates

CARIBBEAN DEVELOPMENT BANK
SPECIAL FUNDS RESOURCES – SPECIAL DEVELOPMENT FUND

STATEMENT OF CONTRIBUTED RESOURCES...*continued*
For the year ended December 31, 2012

(expressed in thousands of United States dollars)

SCHEDULE 3

	2012					
Currencies	**Amounts made available 2011**	**Trans-lation adjust-ment**	**Draw-downs/ appro-priations from capital** [1/]	**Sub-total**	**Repay-ments**	**Amounts made available 2012**
(a) Special Development Fund (Unified)						
Euros	$6,628	$131	$(1,352)	$5,407	$-	$5,407
Pounds sterling	13,683	604	-	14,287	-	14,287
United States dollars	575,086	-	43,746	618,832	-	618,832
Total – December 31	**$595,397**	**$735**	**$42,394**	**$638,526**	**-**	**$638,526**
(b) Special Development Fund (Other)						
Swedish kroners	$3,770	$222	$-	$3,992	$-	$3,992
United States dollars	37,750	-	-	37,750	(1,046)	36,704
Total – December 31	**$41,520**	**$222**	**$-**	**$41,742**	**$(1,046)**	**$40,696**

1/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, 2013 to December 31, 2013	$573
January 1, 2014 to December 31, 2014	590
TOTAL	$1,163

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

CARIBBEAN DEVELOPMENT BANK
SPECIAL FUNDS RESOURCES – SPECIAL DEVELOPMENT FUND
STATEMENT OF CONTRIBUTED RESOURCES…*continued*
For the year ended December 31, 2012

(expressed in thousands of United States dollars)

SCHEDULE 3

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			2011			
Currencies	**Amounts made available 2010**	**Trans-lation adjust-ment**	**Draw-downs/ appro-priations from capital 1/**	**Sub-total**	**Repay-ments**	**Amounts made available 2011**
(c) Special Development Fund (Unified)						
Canadian dollars	$185	$ -	$(185)	$ -	$-	$ -
Euros	8,552	(272)	(1,652)	6,628	-	6,628
Pounds sterling	9,070	(27)	4,640	13,683	-	13,683
United States dollars	564,304	-	10,782	575,086	-	575,086
Total – December 31	**$582,111**	**$(299)**	**$13,585**	**$595,397**	**$-**	**$595,397**
(d) Special Development Fund (Other)	$3,874	$(104)	$-	$3,770	$-	$3,770
Swedish kroners	38,767	-	-	38,767	(1,017)	37,750
United States dollars						
Total – December 31	**$42,641**	**$(104)**	$-	**$42,537**	**$(1,017)**	**$41,520**

1/ 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, 2012 to December 31, 2012	1,047
January 1, 2013 to December 31, 2013	577
January 1, 2014 to December 31, 2014	586
TOTAL	$2,210

* 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
For the year ended December 31, 2012

(expressed in thousands of United States dollars)

SCHEDULE 4

	2012			
Contributors	**Brought forward 2011**	**Net income 2012**	**Allocation / (Appro-priations)**	**Carried forward 2012**
Special Development Fund (Unified)	$41,832	$(102)	$15,000	$56,730
Special Development Fund (Other)				
Members				
Colombia	2,377	(73)	-	2,304
Germany	(782)	(102)	-	(884)
Mexico	7,090	142	-	7,232
Venezuela	14,995	39	(900)	14,134
	23,680	6	(900)	22,786
Other contributors				
Sweden	2,578	238	-	2,816
United States of America	11,085	114	-	11,199
	13,663	352	-	14,015
	37,343	358	(900)	36,801
Total SDF	$79,175	$256	$14,100	$93,531
Summary				
Members	$65,512	$(96)	$14,100	$79,516
Other contributors	13,663	352	-	14,015
Total SDF – December 31	**$79,175**	**$256**	**$14,100**	**$93,531**

CARIBBEAN DEVELOPMENT BANK
SPECIAL FUNDS RESOURCES – SPECIAL DEVELOPMENT FUND
STATEMENT OF ACCUMULATED NET INCOME…*continued*
For the year ended December 31, 2012

(expressed in thousands of United States dollars)

SCHEDULE 4

	2011			
Contributors	**Brought forward 2010**	**Net income 2011**	**Appro-priations**	**Carried forward 2011**
Special Development Fund (Unified)	$40,957	$875	$ -	$41,832
Special Development Fund (Other)				
Members				
Colombia	$2,327	$50	$ -	$2,377
Germany	(674)	(108)	-	(782)
Mexico	7,082	8	-	7,090
Venezuela	15,901	(6)	(900)	14,995
	24,636	(56)	(900)	23,680
Other contributors				
Sweden	6,876	702	(5,000)	2,578
United States of America	11,028	57	-	11,085
	17,904	759	(5,000)	13,663
	42,540	703	(5,900)	37,343
Total SDF	$83,497	$1,578	$(5,900)	$79,175
Summary				
Members	$65,593	$819	$(900)	$65,512
Other contributors	17,904	759	(5,000)	13,663
Total SDF – December 31	**$83,497**	**$1,578**	**$(5,900)**	**$79,175**

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

Nature of operations

The Special Development Fund (SDF) was established to carry out the special operations of the Caribbean Development Bank (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 presented in accordance with International Financial Reporting Standards. These financial statements have been prepared in accordance with the accounting policies outlined below.

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

Foreign currency translation

Functional and presentation currency

The functional and presentation currency of the Fund is the United States dollar and the Fund's financial statements are rounded to the nearest thousand. Monetary assets and liabilities in currencies other than United States dollars are translated into United States dollars at market rates of exchange prevailing at the reporting date. Non-monetary items measured at historical cost in currencies other than United States dollars are translated into United States dollars using the exchange rates at the dates of the initial transactions.

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

Debt securities at fair value through profit or loss

All debt securities are in a portfolio designated at fair value through profit or loss and reported at fair market value. Securities are recognized on the statement of financial position when the Fund assumes related contractual rights and derecognized when the rights to secure cash flows from the financial asset expire or when all risks and rewards of ownership have been substantially transferred.

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

Debt securities at fair value through profit or loss*…continued*

Regular way purchases and sales of financial assets are recognized on the trade date which is the date the Fund becomes a party to the contractual provisions of the instrument.

Securities are initially recognized at fair value, and transaction costs are expensed in the profit for the year in the statement of comprehensive income and accumulated net income. Gains and losses arising from changes in the fair value of debt securities through profit or loss are included in the profit for the year in the statement of comprehensive income and accumulated net income in the period in which they arise. Interest income earned whilst holding securities is reported as “Interest and similar income - investment and cash balances” in the statement of comprehensive income and accumulated net income.

Determination of fair value

For securities traded in active markets, the determination of fair values is based on quoted market prices or dealer price quotations. A security is regarded as quoted in an active market if prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm’s length basis. If the above criteria are not met, the market is regarded as being inactive.

For securities in inactive markets fair value is determined using valuation techniques. In these techniques, fair values are estimated from observable data in respect of similar financial instruments, using models to estimate the present value of expected future cash flows, or other valuation techniques, using inputs (for example, LIBOR yield curve, FX rates, volatilities and counterparty spreads) existing at the reporting date.

The Fund uses widely recognized valuation models for determining fair values of non-standardized financial instruments. For these securities, inputs into models are generally market-observable.

Loans

Loans and receivables are non-derivative financial assets that have fixed or determinable payments that are not quoted in an active market. After initial measurement, loans and receivables are subsequently measured at amortized cost using the effective interest rate method less any impairment. Interest income is recognized by applying the effective interest rate method, except for short-term receivables when the recognition of interest would be immaterial.

All loans by the Fund are made either from currencies available from members’ subscriptions or from currencies borrowed and the principal amounts are repayable to the Fund in the currencies lent. The balances outstanding on loans to members and their agencies are secured by guarantees of the Governments of the member countries in which the loans are made.

(expressed in thousands of United States dollars)

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

Loans...*continued*

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

The Fund does not make provisions for 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 statement of cash flows, cash and cash equivalents comprise balances with maturities of three months or less from the date of acquisition, and comprise:-

	SDF Unified		SDF Other	
	2012	**2011**	**2012**	**2011**
Due from banks	$1,634	$19	$361	$16,007
Time deposits	10,065	33,627	1,878	7,541
	$11,699	$33,646	$2,239	$23,548

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

Technical assistance and grants

Technical assistance and grants for capital projects to borrowing member countries are provided either from grants received from contributors or from other resources specifically allocated for this purpose. The contributions from donors are included in the financial statements from the date of the contribution agreement. Technical assistance is recognized when the project is approved and becomes effective.

Interest income and charges on contributions

Interest income and charges on contributions are recognized in the statement of income and total comprehensive income for all interest-bearing instruments using the effective interest rate method based on the actual purchase price.

The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability.

Administrative expenses

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

B. **Debt securities at fair value through profit or loss**

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

The annualized rate of return on the average investments held during the year, including realized and unrealized gains and losses was 1.26% (2011: 1.35%). Net realized gains on investments traded during 2012 for the Unified and Other funds totalled $132 (2011: $913) while net unrealized losses totalled $371 (2011: $680).

C. **Funds**

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

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

(i) Special Development Fund – Unified

	2012	**2011**
Contributions (as per Schedule 3)	**$638,526**	$595,397

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

	2012	**2011**
Colombia	**$5,000**	$5,000

The contribution is interest-free and was not repayable before 2000. The agreement with the contributor provides that not less than 5% or more than 10% of the contribution may be used for technical assistance. To date $39 (2011: $39) has been incurred on technical assistance and has been charged against the income from the contribution.

(expressed in thousands of United States dollars)

C. **Funds**…*continued*

(ii) **Special Development Fund – Other** …*continued*

	2012	2011
Mexico		
First contribution	**$7,000**	$7,000
Less technical assistance	**(2,266)**	(2,266)
	4,734	4,734
Second contribution	**5,000**	5,000
Third contribution	**3,333**	3,333
	$13,067	$13,067
Technical assistance resources	**$2,266**	$2,266

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

	2012	2011
Venezuela		
First contribution	**$10,000**	$10,000
Less technical assistance	**(176)**	(176)
	9,824	9,824
Second contribution	**7,650**	7,650
	$17,474	$17,474

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

NOTES TO THE FINANCIAL STATEMENTS
For the year ended December 31, 2012

(expressed in thousands of United States dollars)

C. **Funds**…*continued*

(ii) Special Development Fund – Other…*continued*

	2012	2011
Sweden	**3,992**	$3,769

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

	2012	2011
United States of America		
First contribution	**$10,000**	$10,000
Less repayments	**(10,000)**	(9,508)
	-	492
Second contribution	**12,000**	12,000
Less repayments	**(10,837)**	(10,282)
	1,163	1,718
	$1,163	$2,210

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 total comprehensive income for the year**

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

E. **Technical assistance and grant resources – Unified and Other**

In accordance with paragraph 4.9.2 of the Rules for the Special Development Fund, allocations/appropriations of income and capital of the Fund may be made for the purpose of the Bank's technical assistance and grant operations. The movements (expressed in thousands of United States dollars) during the years ended December 31, 2012 and 2011 were as follows:

Balance at January 1, 2011	$78,571
Allocations for the year	23,135
Expenditure for the year	(14,332)
Balance at December 31, 2011	87,374
Allocations for the year	(7,550)
Expenditure for the year	(16,204)
Balance at December 31, 2012	**$63,620**

F. **Loans outstanding – Unified and Other**

The average interest rate earned on loans outstanding was 2.30% (2011: 2.32%). There were no impaired loans at December 31, 2012 and 2011.

G. **Accounts receivable – Unified and Other**

	2012	**2011**
Accounts receivable	**$7,854**	$1

H. **Accounts payable - Unified and Other**

	2012	**2011**
Accounts payable	**$70,210**	$69,212
Interfund payables	**1,677**	2,490
	$71,887	$71,702

ERNST & YOUNG

Ernst & Young Ltd
P.O. Box 261, Bridgetown, BB11000
Barbados, W.I.

Street Address
Worthing, Christ Church, BB15008
Barbados, W.I.

Tel: 246 430 3900
Fax: 246 426 9551
246 426 0472
246 435 2079
246 430 3879
www.ey.com

Independent Auditors' Report

To the Board of Governors of Caribbean Development Bank

We have audited the accompanying financial statements of the **Other Special Funds** of the **Caribbean Development Bank** (the Bank) which comprise the statement of financial position as of December 31, 2012, statement of comprehensive income and accumulated net income and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information. These financial statements have been prepared using the basis of accounting described in Note A.

Management's responsibility for the special purpose financial statements
Management is responsible for the preparation and fair presentation of these financial statements using the basis of accounting described in Note A, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's 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 about whether the financial statements are free from 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 auditors' judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk 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 of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates, made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion
In our opinion, the financial statements of the Other Special Funds for the year ended December 31, 2012 are prepared, in all material respects, in accordance with the basis of accounting described in Note A.

Basis of accounting
Without modifying our opinion, we draw attention to Note A to the financial statements which describes the basis of accounting. The financial statements are prepared for the specific purpose of reflecting the sources and applications of member subscriptions and contributions and other development resources and as a result, may not be suitable for any other purpose.

Ernst + Young

Chartered Accountants
Barbados
March 21, 2013

CARIBBEAN DEVELOPMENT BANK
SPECIAL FUNDS RESOURCES - OTHER SPECIAL FUNDS

STATEMENT OF FINANCIAL POSITION
As of December 31, 2012

(expressed in thousands of United States dollars)

	2012	2011
Assets		
Cash and cash equivalents – Note A	**$9,530**	$7,575
Investments (Schedule 1)	**76,010**	65,809
Loans outstanding (Schedule 2)	**124,095**	125,083
Accounts receivable – Note F	**70,212**	69,209
Total assets	**$279,847**	$267,676
Liabilities and Funds		
Liabilities		
Accounts payable– Note G	**$7,078**	$8,949
Accrued charges on contributions repayable	**213**	226
	7,291	9,175
Funds		
Contributed resources - (Schedule 3)	**76,803**	79,541
Amounts made available	**76,803**	79,541
Accumulated net income (Schedule 4)	**51,407**	48,903
	128,210	128,444
Technical assistance and other grant resources (Schedule 5)	**144,346**	130,057
Total liabilities and funds	**$279,847**	$267,676

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

CARIBBEAN DEVELOPMENT BANK
SPECIAL FUNDS RESOURCES – OTHER SPECIAL FUNDS

STATEMENT OF COMPREHENSIVE INCOME AND ACCUMULATED NET INCOME
For the year ended December 31, 2012

(expressed in thousands of United States dollars)

	2012	2011
Interest and similar income		
Loans	**$2,677**	$2,555
Investments and cash balances	**2,178**	259
	4,855	2,814
Expenses		
Administrative expenses	**1,442**	1,459
Charges on contributions repayable	**845**	939
Foreign exchange losses/(gains)	**64**	(95)
Total expenses	**2,351**	2,303
Total comprehensive income for the year	**$2,504**	$511
Accumulated net income		
Accumulated net income– beginning of year	**$48,903**	$48,392
Total comprehensive income for the year	**2,504**	511
Accumulated net income– end of year	**$51,407**	$48,903

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

CARIBBEAN DEVELOPMENT BANK
SPECIAL FUNDS RESOURCES - OTHER SPECIAL FUNDS

STATEMENT OF CASH FLOWS
For the year ended December 31, 2012

(expressed in thousands of United States dollars)

	2012		2011
Operating activities			
Total comprehensive income for the year		**$2,504**	$511
Adjustments for non-cash items			
Net unrealized (gains)/losses on trading portfolio	**(1,756)**		225
Interest income	**(3,247)**		(3,030)
Interest expense	**845**		939
Net foreign exchange difference	**109**		(154)
Total cash flow from operating activities before changes in operating assets and liabilities		**(1,545)**	(1,509)
Changes in operating assets and liabilities			
Increase in accounts receivable	**(1,003)**		(5,602)
(Decrease)/increase in accounts payable	**(1,871)**		106
Cash used in operating activities		**(4,419)**	(7,005)
Disbursements on loans		**(2,180)**	(11,549)
Principal repayment on loans		**3,457**	4,311
Technical assistance disbursements		**(15,651)**	(11,413)
Interest received		**3,059**	3,035
Interest paid		**(858)**	(954)
Net (increase)/decrease in investments		**(8,425)**	6,334
Net cash used in operating activities		**(25,017)**	(17,241)
Financing activities			
Contributions:			
Increase in contributions for loans	**-**		4,924
Repayments of contributions	**(2,968)**		(3,126)
Technical assistance contributions	**29,940**		11,894
Net cash provided by financing activities		**26,972**	13,692
Net increase/(decrease) in cash and cash equivalents		**1,955**	(3,549)
Cash and cash equivalents at beginning of year		**7,575**	11,124
Cash and cash equivalents at end of year		**$9,530**	$7,575

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

CARIBBEAN DEVELOPMENT BANK
SPECIAL FUNDS RESOURCES - OTHER SPECIAL FUNDS
SUMMARY STATEMENT OF INVESTMENTS
For the year ended December 31, 2012

(expressed in thousands of United States dollars)

SCHEDULE 1

	2012 Market value	2011 Market value
Investments		
Debt securities at fair value through profit or loss		
Government and Agency obligations	**$31,720**	$23,879
Supranationals	**10,745**	7,858
Euro Commercial Paper	**-**	4,667
Other securities at fair value through profit and loss		
Mutual Funds	**8,576**	7,923
Managed Funds	**11,847**	11,002
Equity investments	**12,923**	10,301
Sub-total	**75,811**	65,630
Accrued interest	**199**	179
Total	**$76,010**	$65,809

Residual Term to Contractual Maturity

	2012	2011
One month to three months	**$33,403**	$35,629
From three months to one year	**4,411**	4,854
From one year to five years	**32,012**	20,475
From five years to ten years	**6,184**	4,851
Total	**$76,010**	$65,809

CARIBBEAN DEVELOPMENT BANK
SPECIAL FUNDS RESOURCES - OTHER SPECIAL FUNDS
SUMMARY STATEMENT OF LOANS
For the year ended December 31, 2012

(expressed in thousands of United States dollars)

SCHEDULE 2

	2012			
Member countries in which loans have been made	**Principal repaid to Bank**	**Undisbursed**	**Outstanding[1/]**	**% of Total Loans Outstanding**
Anguilla	419	-	81	0.1
Antigua and Barbuda	3,456	-	5,069	4.1
Barbados	18,470	-	7,601	6.2
Belize	9,659	-	-	-
British Virgin Islands	1,943	-	-	-
Cayman Islands	3,157	-	-	-
Dominica	15,764	-	19,490	15.8
Grenada	7,608	4	22,903	18.6
Guyana	16,777	-	3,973	3.2
Jamaica	37,838	-	31,170	25.3
Montserrat	1,249	-	-	-
St. Kitts and Nevis	4,960	-	3,508	2.9
St. Lucia	16,194	2,388	19,752	16.0
St. Vincent and the Grenadines	13,450	-	8,376	6.8
Trinidad and Tobago	2,299	-	1,152	0.9
Regional	2,066	-	161	0.1
Sub-total	155,309	2,392	123,236	100.0
Accrued interest	-	-	859	
Total – December 31	**$155,309**	**$2,392**	**$124,095**	

1/There were overdue installments of principal of $540 at December, 2012 (2011 - nil)

CARIBBEAN DEVELOPMENT BANK
SPECIAL FUNDS RESOURCES - OTHER SPECIAL FUNDS
SUMMARY STATEMENT OF LOANS…*continued*
For the year ended December 31, 2012

(expressed in thousands of United States dollars)

SCHEDULE 2

	2011			
Member countries in which loans have been made	**Principal repaid to Bank**	**Undisbursed**	**Outstanding[1/]**	**% of Total Loans Out-standing**
Anguilla	394	-	106	0.1
Antigua and Barbuda	3,242	478	4,780	3.8
Barbados	17,965	730	7,351	5.9
Belize	9,536	-	-	-
British Virgin Islands	1,934	-	-	-
Cayman Islands	3,213	-	-	-
Dominica	15,451	-	19,815	15.9
Grenada	7,270	285	23,193	18.7
Guyana	16,517	-	4,214	3.4
Jamaica	37,702	-	31,261	25.1
Montserrat	1,243	-	-	-
St. Kitts and Nevis	4,747	95	3,682	3.0
St. Lucia	15,371	3,296	19,682	15.8
St. Vincent and the Grenadines	12,922	119	8,748	7.0
Trinidad and Tobago	2,147	-	1,236	1.0
Regional	1,905	37	324	0.3
Sub-total	151,559	5,040	124,392	100.0
Accrued interest	-	-	691	
Total – December 31	**$151,559**	**$5,040**	**$125,083**	

1/There were no overdue installments of principal at December, 2011 (2010 - nil)

CARIBBEAN DEVELOPMENT BANK
SPECIAL FUNDS RESOURCES - OTHER SPECIAL FUNDS

SUMMARY STATEMENT OF LOANS…*continued*
For the year ended December 31, 2012

(expressed in thousands of United States dollars)

SCHEDULE 2

	2012			
Analysis by Contributor	**Principal repaid to Bank**	**Undisbursed**	**Outstanding[1/]**	**% of Total Loans Outstanding**
Members				
Trinidad and Tobago	1,302	-	3	0.0
Other contributors				
Caribbean Development Bank	15,533	2,207	58,550	47.5
Nigeria	5,482	-	4,153	3.4
United States of America	92,926	-	81	0.1
Inter-American Development Bank	18,391	185	39,358	31.9
European Union	8,080	-	2,686	2.2
International Development Association	13,595	-	18,405	14.9
Sub-total	155,309	2,392	123,236	100.0
Accrued interest	-	-	859	
Total – December 31	**$155,309**	**$2,392**	**$124,095**	

1/ There were overdue installments of principal of $540 at December 31, 2012 (2011 – nil).

CARIBBEAN DEVELOPMENT BANK
SPECIAL FUNDS RESOURCES - OTHER SPECIAL FUNDS

SUMMARY STATEMENT OF LOANS...*continued*
For the year ended December 31, 2012

(expressed in thousands of United States dollars)

SCHEDULE 2

	2011			
Analysis by Contributor	**Principal repaid to Bank**	**Undisbursed**	**Outstanding[1/]**	**% of Total Loans Out-standing**
Members				
Trinidad and Tobago	1,340	-	3	-
Other contributors				
Caribbean Development Bank	14,484	3,543	58,022	46.6
Nigeria	5,074	-	4,562	3.7
United States of America	92,901	-	106	0.1
Inter-American Development Bank	17,317	1,083	39,707	31.9
European Union	7,677	37	2,881	2.3
International Development Association	12,766	377	19,111	15.4
Sub-total	151,559	5,040	124,392	100.0
Accrued interest	-	-	691	
Total – December 31	**$151,559**	**$5,040**	**$125,083**	

1/There are no overdue installments of principal at December, 2011 (2010 - nil)

CARIBBEAN DEVELOPMENT BANK
SPECIAL FUNDS RESOURCES - OTHER SPECIAL FUNDS

SUMMARY STATEMENT OF LOANS…*continued*
For the year ended December 31, 2012

(expressed in thousands of United States dollars)

SCHEDULE 2

	2012						
Currencies receivable	**Loans out-standing 2011**	**Trans-lation adjust-ment**	**Net interest earned**	**Disburse-ments**	**Sub-total**	**Repay-ments**	**Loans out-standing 2012**
Euros	$2,881	$57	$-	$-	$2,938	$(252)	$2,686
Special Drawing Rights	15,570	64	-	-	15,634	(594)	15,040
United States dollars	105,941	-	-	2,180	108,121	(2,611)	105,510
Sub-total	124,392	121	-	2,180	126,693	(3,457)	123,236
Accrued interest[1]	691	-	168	-	859	-	859
Total – December 31	**$125,083**	**$121**	**$168**	**$2,180**	**$127,552**	**$(3,457)**	**$124,095**

Maturity structure of loans outstanding

January 1, 2013 to December 31, 2013	5,490
January 1, 2014 to December 31, 2014	5,424
January 1, 2015 to December 31, 2015	6,494
January 1, 2016 to December 31, 2016	6,668
January 1, 2017 to December 31, 2017	6,905
January 1, 2018 to December 31, 2022	34,569
January 1, 2023 to December 31, 2027	30,641
January 1, 2028 to December 31, 2032	19,896
January 1, 2033 to December 31, 2037	6,910
January 1, 2038 to December 31, 2046	1,098
Total	**$124,095**

1/ Relates to amounts disbursed and outstanding

CARIBBEAN DEVELOPMENT BANK
SPECIAL FUNDS RESOURCES - OTHER SPECIAL FUNDS

SUMMARY STATEMENT OF LOANS*…continued*
For the year ended December 31, 2012

(expressed in thousands of United States dollars)

SCHEDULE 2

			2011				
Currencies receivable	**Loans out-standing 2010**	**Trans-lation adjust-ment**	**Net interest earned**	**Disburse-ments**	**Sub-total**	**Repay-ments**	**Loans out-standing 2011**
Euros	$ 3,235	$(107)	$-	$-	$3,128	$(247)	$2,881
Special Drawing Rights	16,527	(103)	-	-	16,424	(854)	15,570
United States dollars	97,602	-	-	11,549	109,151	(3,210)	105,941
Sub-total	117,364	(210)	-	11,549	128,703	(4,311)	124,392
Accrued interest[1]	646	-	45	-	691	-	691
Total – December 31	**$118,010**	**$(210)**	**$45**	**$11,549**	**$129,394**	**$(4,311)**	**$125,083**

Maturity structure of loans outstanding

January 1, 2011 to December 31, 2012	$5,313
January 1, 2012 to December 31, 2013	3,936
January 1, 2013 to December 31, 2014	5,268
January 1, 2014 to December 31, 2019	6,338
January 1, 2015 to December 31, 2024	6,512
January 1, 2020 to December 31, 2029	33,773
January 1, 2025 to December 31, 2034	31,538
January 1, 2030 to December 31, 2039	21,491
January 1, 2035 to December 31, 2046	10,914
	$125,083

1/ Relates to amounts disbursed and outstanding

CARIBBEAN DEVELOPMENT BANK
SPECIAL FUNDS RESOURCES - OTHER SPECIAL FUNDS
SUMMARY STATEMENT OF CONTRIBUTIONS
For the year ended December 31, 2012

(expressed in thousands of United States dollars)

SCHEDULE 3

	Contributions	
Contributors	**Total** [1/]	**Amounts made available**
Members		
Canada	$7,011	$7,011
Other contributors		
Inter-American Development Bank [1/]	40,427	40,427
European Investment Bank [1/]	1,319	1,319
United States of America	4,456	4,456
European Union	3,932	3,932
International Development Association	19,658	19,658
	69,792	69,792
Total – December 31	**$76,803**	**$76,803**

1/Net of cancellations and repayments

Maturity structure of repayable contributions outstanding

January 1, 2013 to December 31, 2013	$3,666
January 1, 2014 to December 31, 2014	3,273
January 1, 2015 to December 31, 2015	3,192
January 1, 2016 to December 31, 2016	4,433
January 1, 2017 to December 31, 2017	3,468
January 1, 2018 to December 31, 2022	14,843
January 1, 2023 to December 31, 2027	12,273
January 1, 2028 to December 31, 2032	10,646
January 1, 2033 to December 31, 2037	7,540
January 1, 2038 to December 31, 2047	13,469
Total	**$76,803**

CARIBBEAN DEVELOPMENT BANK
SPECIAL FUNDS RESOURCES - OTHER SPECIAL FUNDS
SUMMARY STATEMENT OF CONTRIBUTIONS...*continued*
For the year ended December 31, 2012

(expressed in thousands of United States dollars)

	2011		
Contributors	**Total** [1/]	**Amounts not yet made available**	**Amounts made available**
Members			
Canada	$6,959	-	$6,959
Other contributors			
Inter-American Development Bank [1/]	41,053	-	41,053
European Investment Bank [1/]	1,293	-	1,293
United States of America	5,416	-	5,416
European Union	4,232	-	4,232
International Development Association	20,588	-	20,588
	72,582	-	72,582
Total – December 31	**$79,541**	**-**	**$79,541**

1/Net of cancellations and repayments

Maturity structure of repayable contributions outstanding

	$3,290
January 1, 2011 to December 31, 2011	3,322
January 1, 2012 to December 31, 2012	2,930
January 1, 2013 to December 31, 2013	2,850
January 1, 2013 to December 31, 2018	3,100
January 1, 2018 to December 31, 2023	17,007
January 1, 2023 to December 31, 2028	12,374
January 1, 2028 to December 31, 2033	11,168
January 1, 2033 to December 31, 2045	23,500
Total	**$79,541**

CARIBBEAN DEVELOPMENT BANK
SPECIAL FUNDS RESOURCES - OTHER SPECIAL FUNDS
SUMMARY STATEMENT OF CONTRIBUTIONS…*continued*
For the year ended December 31, 2012

(expressed in thousands of United States dollars)

SCHEDULE 3

	2012					
Currencies repayable	**Contri-butions made available 2011**	**Trans-lation adjust-ment**	**Draw-downs/ appro-priations from capital**	**Sub-total**	**Repay-ments**	**Contri-butions made available 2012**
Canadian dollars	$2,134	$56	$-	$ 2,190	$(51)	$2,139
Euros	5,526	108	-	5,634	(383)	5,251
Japanese yen	166	(17)	-	149	(44)	105
Pounds sterling	171	8	-	179	(51)	128
Special Drawing Rights	17,088	71	-	17,159	(806)	16,353
Swedish kroners	69	4	-	73	(21)	52
United States dollars	54,387	-	-	54,387	(1,612)	52,775
Total – December 31	**$79,541**	**$230**	**$-**	**$79,771**	**$(2,968)**	**$76,803**

	2011					
Currencies repayable	**Contri-butions made available 2010**	**Trans-lation adjust-ment**	**Draw-downs/ appro-priations from capital**	**Sub-total**	**Repay-ments**	**Contri-butions made available 2011**
Canadian dollars	$2,237	$(53)	$-	$2,184	$(50)	$2,134
Euros	6,102	(205)	-	5,897	(371)	5,526
Japanese yen	203	10	-	213	(47)	166
Pounds sterling	221	(1)	-	220	(49)	171
Special Drawing Rights	18,004	(113)	-	17,891	(803)	17,088
Swedish kroners	91	(2)	-	89	(20)	69
United States dollars	51,249	-	4,924	56,173	(1,786)	54,387
Total – December 31	**$78,107**	**$(364)**	**$4,924**	**$82,667**	**$(3,126)**	**$79,541**

CARIBBEAN DEVELOPMENT BANK
SPECIAL FUNDS RESOURCES - OTHER SPECIAL FUNDS
STATEMENT OF ACCUMULATED INCOME
For the year ended December 31, 2012

(expressed in thousands of United States dollars)

SCHEDULE 4

2012

Contributors	Brought forward 2011	Net Income/(Loss) 2012	Carried forward 2012
General Funds	$37,838	$2,945	$40,783
European Investment Bank	(783)	(161)	(944)
European Union	2,541	37	2,578
Inter-American Development Bank	482	(143)	339
International Development Association	222	6	228
Nigeria	6,124	(9)	6,115
United States of America	2,479	(171)	2,308
Total – December 31	**$48,903**	**$2,504**	**$51,407**

2011

Contributors	Brought forward 2010	Net Income/(Loss) 2011	Carried forward 2011
General Funds	$37,073	$765	$37,838
European Investment Bank	(677)	(106)	(783)
European Union	2,531	10	2,541
Inter-American Development Bank	522	(40)	482
International Development Association	229	(7)	222
Nigeria	6,119	5	6,124
United States of America	2,595	(116)	2,479
Total – December 31	**$48,392**	**511**	**$48,903**

CARIBBEAN DEVELOPMENT BANK
SPECIAL FUNDS RESOURCES - OTHER SPECIAL FUNDS
STATEMENT OF TECHNICAL ASSISTANCE AND OTHER GRANT RESOURCES
For the year ended December 31, 2012

(expressed in thousands of United States dollars)

SCHEDULE 5

	2012			
	Contributors			
Contributors	**Total** [1/]	**Amounts made available**	**Amounts utilized**	**Net Amounts available**
Members				
Canada	$52,890	$52,890	$36,484	$16,406
United Kingdom	22,209	22,209	9,942	12,267
Italy	522	522	252	270
	75,621	75,621	46,678	28,943
Other contributors				
Caribbean Development Bank	223,064	223,064	110,797	112,267
United States of America	1,407	1,407	1,407	-
Inter-American Development Bank	3,057	3,057	2,744	313
China	677	677	198	479
Venezuela	587	587	-	587
Nigeria	193	193	147	46
European Commission	1,711	1,711	-	1,711
Sub-total	230,696	230,696	115,293	115,403
Total – December 31	**$306,317**	**$306,317**	**$161,971**	**$144,346**
Summary				
Basic Needs Trust Fund	$149,750	$149,750	$78,881	$70,869
Other resources	156,567	156,567	83,090	73,477
Total – December 31	**$306,317**	**$306,317**	**$161,971**	**$144,346**

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

CARIBBEAN DEVELOPMENT BANK
SPECIAL FUNDS RESOURCES - OTHER SPECIAL FUNDS
STATEMENT OF TECHNICAL ASSISTANCE AND OTHER GRANT RESOURCES
For the year ended December 31, 2012

(expressed in thousands of United States dollars)

SCHEDULE 5

	2011			
	Contributors			
Contributors	**Total** 1/	**Amounts made available**	**Amounts utilized**	**Net Amounts available**
Members				
Canada	$39,897	$39,897	$33,833	$6,064
United Kingdom	18,658	18,658	6,333	12,325
Italy	522	522	252	270
	59,077	59,077	40,418	18,659
Other contributors				
Caribbean Development Bank	211,560	211,560	101,671	109,889
United States of America	1,407	1,407	1,407	-
Inter-American Development Bank	2,876	2,876	2,479	397
China	677	677	198	479
Venezuela	587	587	-	587
Nigeria	193	193	147	46
Sub-total	217,300	217,300	105,902	111,398
Total – December 31	**$276,377**	**$276,377**	**$146,320**	**$130,057**
Summary				
Basic Needs Trust Fund	$138,250	$138,250	$70,478	$67,772
Other resources	138,127	138,127	75,842	62,285
Total – December 31	**$276,377**	**$276,377**	**$146,320**	**$130,057**

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

NOTES TO SPECIAL PURPOSE FINANCIAL STATEMENTS

For the year ended December 31, 2012

(expressed in thousands of United States dollars)

A. Nature of operations and summary of significant accounting policies

Nature of operations

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

Summary of significant accounting policies

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

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

Foreign currency translation

Functional and presentation currency

The functional and presentation currency of the Fund is the United States dollar and the Fund's financial statements are rounded to the nearest thousand. Monetary assets and liabilities in currencies other than United States dollars are translated into United States dollars at market rates of exchange prevailing at the reporting date. Non-monetary items measured at historical cost in currencies other than United States dollars are translated into United States dollars using the exchange rates at the dates of the initial transactions.

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

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

Investments

All investment securities with the exception of equities are in a portfolio designated at fair value through profit or loss and reported at fair market value. Securities are recognized on the statement of financial position when the Fund assumes related contractual rights and derecognized when the rights to secure cash flows from the financial asset expire or when all risks and rewards of ownership have been substantially transferred.

Equity instruments are carried at cost where they do not have a quoted market price in an active market and their fair value cannot be reliably measured.

Regular way purchases and sales of financial assets are recognized on the trade date which is the date the Fund becomes a party to the contractual provisions of the instrument.

All securities are initially recognized at fair value, and transaction costs are expensed in the profit for the year in the statement of comprehensive income and accumulated net income. Gains and losses arising from changes in the fair value of securities designated at fair value through profit or loss are included in the profit for the year in the statement of comprehensive income and accumulated net income in the period in which they arise. Interest or dividend income earned whilst holding securities is reported as “Interest and similar income - investment and cash balances” in the statement of comprehensive income and accumulated net income.

Equity investments are assessed for impairment annually. The impairment assessment is based on the net book value of the underlying asset and adjusted if the carrying value is less than the Fund’s proportionate share of net assets. Impairment losses are recorded in income from investments and cash balances in the statement of comprehensive income and accumulated net income. Amounts distributed to the Fund are recorded as a return on investment until such investments are written off and are subsequently recorded as income.

Determination of fair value

For securities traded in active markets, the determination of fair values is based on quoted market prices or dealer price quotations. A security is regarded as quoted in an active market if prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm’s length basis. If the above criteria are not met, the market is regarded as being inactive.

For debt securities in inactive markets fair value is determined using valuation techniques. In these techniques, fair values are estimated from observable data in respect of similar financial instruments, using models to estimate the present value of expected future cash flows, or other valuation techniques, using inputs (for example, LIBOR yield curve, FX rates, volatilities and counterparty spreads) existing at the reporting date.

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

Investments…*continued*

The Fund uses widely recognized valuation models for determining fair values of non-standardized financial instruments. For these securities, inputs into models are generally market-observable.

Loans

Loans and receivables are non-derivative financial assets that have fixed or determinable payments that are not quoted in an active market. After initial measurement, loans and receivables are subsequently measured at amortized cost using the effective interest rate method less any impairment. Interest income is recognized by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

All loans by the Fund are made either from currencies available from members' subscriptions or from currencies borrowed and the principal amounts are payable to the Fund in the currencies lent. The balances outstanding on loans to members and their agencies are secured by guarantees of the Governments of the member countries in which the loans are made.

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

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

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

Cash and cash equivalents

For the purposes of the statement of cash flows, cash and cash equivalents comprise balances with maturities of three months or less from the date of acquisition, and comprise:

	2012	2011
Due from banks	**$5,596**	$3,341
Time deposits	**3,934**	4,234
Cash and cash equivalents	**$9,530**	$7,575

Technical assistance and grants

Technical assistance and grants for capital projects to borrowing member countries are provided either from non-reimbursable grants received from contributors or from other resources specifically allocated for this purpose. The contributions from donors are included in the financial statements from the date of the contribution agreement. Technical assistance is recognized when the project is approved and becomes effective.

Interest income and charges on contributions

Interest income and charges on contributions are recognized in the statement of income and accumulated income for all interest-bearing instruments using the effective interest rate method.

The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability.

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 which is indicated to the Board of Directors.

B. **Investments**

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

The annualized rate of return on the average investments held during the year, including realized and unrealized gains and losses was 3.55% (2011: 0.62%). Net realized losses on investments traded during 2012 amounted to $147 (2011: $4), while net unrealized gains amounted to $(1,755) (2011: losses of $225).

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 the contributors and are for specific types of projects as agreed between the Bank and the contributors. In accordance with the Agreement, each Special Fund, its resources and accounts are kept entirely separate from other Special Funds, their resources and accounts.

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.

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:

	2012	2011
Canada		
Agricultural[1]	**$ 7,011**	$6,959
Technical assistance resources	**52,890**	39,897
Italy		
Technical assistance resources	**$522**	$522
China		
Technical assistance resources	**$677**	$677
Venezuela		
Technical assistance resources	**$587**	$587
Nigeria		
Technical assistance resources	**$193**	$ 193
United Kingdom		
Technical assistance resources	**$22,209**	$18,658
Inter-American Development Bank		
975/SF-RG	**$14,212**	14,211
Less repayments	**(4,365)**	(3,946)
	9,847	10,265
Second Global Loan	**5,077**	5,074
Less repayments	**(4,420)**	(4,209)
	657	865
1108/SF-RG Global Credit	**20,000**	20,000
1637/SF-RG Credit	**9,923**	9,923
	$40,427	$41,053
Technical assistance resources	**$3,057**	$2,876

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

(expressed in thousands of United States dollars)

C. **Funds***…continued*

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.

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 was subject to interest at the rate of 1% for the first ten years and 2% thereafter and is repayable during the period 2012 to 2042.

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

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

	2012	**2011**
European Investment Bank		
Global loan II – B	**$1,319**	$1,293

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

(expressed in thousands of United States dollars)

C. **Funds**…*continued*

	2012		2011		Due Dates
United States of America					
Contributions					
Agricultural	**$7,052**		$7,052		1988-2018
Less repayments	**(5,267)**	**1,785**	(4,973)	$2,079	
Employment Investment Promotion	**6,732**		6,732		1990-2000
Less repayments	**(4,474)**	**2,258**	(4,209)	2,523	
Housing	**8,400**		8,400		1983-2012
Less repayments	**(7,987)**	**413**	(7,586)	814	
		$4,456		$5,416	
Technical Assistance resources		**$1,407**		$1,407	

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

	2012		2011	
European Union				
First Contribution	**$7,715**		$7,566	
Less repayments	**(5,153)**	**$2,562**	(4,788)	$2,778
Second Contribution	**3,270**		3,207	
Less repayments	**(1,900)**	**1,370**	(1,753)	1,454
		$3,932		$4,232

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.

(expressed in thousands of United States dollars)

C. **Funds**...*continued*

International Development Association

	2012		2011		Due dates
Credit No. 960/CRG	**$6,480**		$6,480		1990-2029
Less repayments	**(3,175)**	**3,305**	(2,981)	$3,499	
Credit No. 1364/CRG	**8,337**		8,302		
Less repayments	**(3,210)**	**5,127**	(2,947)	5,355	1993-2033
Credit No. 1785/CRG	**7,121**		7,091		
Less repayments	**(1,887)**	**5,234**	(1,666)	5,425	1997-2030
Credit No. 2135/CRG	**8,560**		8,525		2000-2030
Less repayments	**(2,568)**	**5,992**	(2,216)	6,309	
		$19,658		$20,588	

The credits are subject to a service charge of 0.75% per annum on amounts outstanding. In addition, the credits totaling $43,338 (2011: $43,159) 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.

	2012	2011
Caribbean Development Bank		
Technical assistance resources	**$223,064**	$211,560

(expressed in thousands of United States dollars)

D. **Total accumulated income and total comprehensive 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.

E. **Loans**

The average interest rate earned on loans outstanding was 2.16% (2011: 2.16%). There were no impaired loans at December 31, 2012 and 2011.

F. **Accounts receivable**

	2012	**2011**
Accounts receivable	**$70,212**	$69,209

G. **Accounts payable**

	2012	**2011**
Accounts payable	**$1,492**	$3,173
Interfund payables	**5,586**	5,776
Total	**$7,078**	$8,949

PART VI

APPENDICES

APPENDIX I-A

DISTRIBUTION OF LOANS, SECONDARY MORTGAGE, EQUITY AND GRANTS APPROVED (NET) BY COUNTRY AND BY FUND - 2012 ($'000)

Country	Ordinary Capital Resources	Special Development Fund	Other Special Funds	Total	Percentage of Total
Antigua and Barbuda	(487)	(1,065)	-	(1,552)	-1.0%
Anguilla	-	269	-	269	0.2%
Barbados	2,085	86	-	2,171	1.4%
Bahamas	-	224	-	224	0.1%
Belize	5,262	15,726	-	20,988	13.6%
Dominica	4,939	9,969	-	14,908	9.6%
Dominican Republic	-	-	426	426	0.3%
Grenada	(1)	2,695	361	3,055	2.0%
Guyana	9,200	31,311	-	40,511	26.2%
Haiti	-	6,533	-	6,533	4.2%
Jamaica	9,466	17,049	-	26,515	17.1%
St. Kitts and Nevis	(503)	1,606	(10)	1,093	0.7%
Cayman Islands	-	72	-	72	0.0%
St. Lucia	(22)	12,525	(41)	12,462	8.1%
Montserrat	-	1,868	-	1,868	1.2%
Turks and Caicos Islands	-	(94)	-	(94)	-0.1%
Trinidad and Tobago	-	27	-	27	0.0%
St. Vincent and the Grenadines	6,522	11,664	-	18,186	11.8%
British Virgin Islands	-	48	-	48	0.0%
Regional	(4)	6,380	649	7,025	4.5%
Total	**36,457**	**116,893**	**1,385**	**154,735**	
Percentage of Total	**23.6**	**75.5**	**0.9**		**100.0**
LDCs	15,710	61,816	310	77,836	50.3%
MDCs	20,751	48,697	0	69,448	44.9%
Regional	(4)	6,380	1,075	7,451	4.8%

APPENDIX I-B

DISTRIBUTION OF LOANS, SECONDARY MORTGAGE, EQUITY AND GRANTS APPROVED (NET) BY SECTOR AND BY FUND - 2012 ($'000)

Sector	Ordinary Capital Resources	Special Development Fund		Total
Total All Sectors	**36,457**	**116,893**	**1,385**	**154,735**
Agriculture and Rural Development	**(534)**	**(33)**	**787**	**220**
Agriculture (excluding Crop Farming)	-	100	-	100
Irrigation, Drainage and Land Reclamation	(534)	-	-	(534)
Feeder Roads and Bridges	-	(133)	787	654
Manufacturing and Industry	-	1,195	-	1,195
Micro and Small Scale Enterprises	-	1,195	-	1,195
Tourism	**-**	**-**	**404**	**404**
Transportation and Communication	**15,229**	**32,507**	**-**	**47,736**
Transport Policy and Administrative Management	(98)	113	-	15
Road Transport	15,722	32,394	-	48,116
Air Transport	(395)	-	-	(395)
Power, Energy, Water and Sanitation	**3,939**	**2,774**	**(10)**	**6,703**
Power and Energy	-	(218)	-	(218)
Water and Sanitation	3,939	2,992	(10)	6,921
Social Infrastructure and Services	**13,407**	**70,240**	**13**	**83,660**
Education - General	9,932	16,957	-	26,889
Education - Basic	(1,804)	(112)	-	(1,916)
Education - Secondary/Vocational	-	4,000	-	4,000
Education - Post Secondary	-	(55)	-	(55)
Health	-	(343)	-	(343)
Housing	-	(134)	-	(134)
Other Social Infrastructure and Services	5,279	49,927	13	55,219
Environmental Sustainability and Disaster Risk Reduction	**943**	**13,045**	**(54)**	**13,934**
Environmental Sustainability	-	447	-	447
Sea Defence/Flood Prevention/Control	(22)	(60)	(54)	(136)
Disaster Prevention and Preparedness	-	9,626	-	9,626
Reconstruction Relief and Rehabilitation	965	3,032	-	3,997
Financial, Business and Other Services	**3,490**	**(2,306)**	**-**	**1,184**
Financial Policy and Administrative Management	3,583	(146)	-	3,437
Financial Intermediaries	(93)	(2,160)	-	(2,253)
Multi-Sector and Other	**(17)**	**(529)**	**245**	**(301)**
Government and Civil Society	(17)	(1,091)	-	(1,108)
Other	-	562	245	807

APPENDIX I-C

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

Country	Agriculture and Rural Development	Mining and Quarrying	Manufacturing and Industry	Tourism	Transportation and Communication
Antigua and Barbuda	-	-	37	-	(395)
Anguilla	-	-	23	-	-
Barbados	-	-	86	-	-
Bahamas	-	-	24	-	-
Belize	-	-	19	-	-
Dominica	-	-	38	-	37
Dominican Republic	426	-	-	-	-
Grenada	228	-	48	-	-
Guyana	-	-	12	-	34,400
Haiti	-	-	133	-	-
Jamaica	(534)	-	66	-	-
St. Kitts and Nevis	-	-	108	-	(98)
Cayman Islands	-	-	72	-	-
St. Lucia	-	-	30	-	-
Montserrat	-	-	58	-	-
Turks and Caicos Islands	-	-	-	-	-
Trinidad and Tobago	(5)	-	32	-	-
St. Vincent and the Grenadines	-	-	59	-	13,679
British Virgin Islands	-	-	48	-	-
Regional	105	0	302	404	113
Total	**220**	**0**	**1,195**	**404**	**47,736**

Power, Energy, Water and Sanitation	Social Infrastructure and Services	Environmental Sustainability and Disaster Risk Reduction	Financial, Business and Other Services	Multi-Sector and Other	Total
-	-	-	(1,194)	-	(1,552)
-	-	246	-	-	269
-	(1,498)	-	3,583	-	2,171
-	200	-	-	-	224
686	20,309	-	-	(26)	20,988
6,256	4,197	4,380	-	-	14,908
-	-	-	-	-	426
(123)	2,910	-	(8)	-	3,055
-	6,746	-	-	(647)	40,511
-	3,830	2,570	-	-	6,533
(2)	27,065	(80)	-	-	26,515
(211)	1,329	(35)	-	-	1,093
-	-	-	-	-	72
150	5,498	6,784	-	-	12,462
-	1,927	-	-	(117)	1,868
-	809	148	(1,051)	-	(94)
-	-	-	-	-	27
-	4,448	-	-	-	18,186
-	-	-	-	-	48
(53)	5,890	(79)	(146)	489	7,025
6,703	**83,660**	**13,934**	**1,184**	**(301)**	**154,735**

APPENDIX I-D
DISTRIBUTION OF LOANS APPROVED (NET)
BY COUNTRY AND BY FUND - 2012 ($'000)

Country	Ordinary Capital Resources	Special Development Fund	Other Special Funds	Total	Percentage of Total
Antigua and Barbuda	(487)	(1,102)	-	(1,589)	-1.6%
Barbados	2,085	-	-	2,085	2.2%
Belize	5,262	9,429	-	14,691	15.2%
Dominica	4,939	4,999	-	9,938	10.3%
Grenada	(1)	(263)	-	(264)	-0.3%
Guyana	9,200	24,453	-	33,653	34.9%
Jamaica	9,466	10,000	-	19,466	20.2%
St. Kitts and Nevis	(503)	(299)	-	(802)	-0.8%
St. Lucia	(22)	6,802	(54)	6,726	7.0%
Turks and Caicos Islands	-	(1,051)	-	(1,051)	-1.1%
St. Vincent and the Grenadines	6,522	7,106	-	13,628	14.1%
Regional	(4)	-	-	(4)	-0.0%
Total	**36,457**	**60,074**	**(54)**	**96,477**	
Percentage of Total	37.8	62.3	-0.1		100.0
LDCs	15,710	25,621	-54	41,277	42.8%
MDCs	20,751	34,453	0	55,204	57.2%
Regional	-4	0	0	-4	-0.0%

APPENDIX I-E
DISTRIBUTION OF LOANS APPROVED (NET)
BY SECTOR AND BY FUND - 2012 ($'000)

Sector	Ordinary Capital Resources	Special Development Fund	Other Special Funds	Total
Total All Sectors	**36,457**	**60,074**	**(54)**	**96,477**
Agriculture and Rural Development	**(534)**	**(133)**	**-**	**(667)**
Irrigation, Drainage and Land Reclamation	(534)	-	-	(534)
Feeder Roads and Bridges	-	(133)	-	(133)
Transportation and Communication	**15,229**	**32,106**	**-**	**47,335**
Transport Policy and Administrative Management	(98)	-	-	(98)
Road Transport	15,722	32,106	-	47,828
Air Transport	(395)	-	-	(395)
Power, Energy, Water and Sanitation	**3,939**	**2,543**	**-**	**6,482**
Power and Energy	-	(187)	-	(187)
Water and Sanitation	3,939	2,730	-	6,669
Social Infrastructure and Services	**13,407**	**18,363**	**-**	**31,770**
Education - General	9,932	17,200	-	27,132
Education - Basic	(1,804)	(112)	-	(1,916)
Health	-	(343)	-	(343)
Housing	-	(268)	-	(268)
Other Social Infrastructure and Services	5,279	1,886	-	7,165
Environmental Sustainability and Disaster Risk Reduction	**943**	**9,902**	**(54)**	**10,791**
Sea Defence/Flood Prevention/Control	(22)	(60)	(54)	(136)
Disaster Prevention and Preparedness	-	6,862	-	6,862
Reconstruction Relief and Rehabilitation	965	3,100	-	4,065
Financial, Business and Other Services	**3,490**	**(2,160)**	**-**	**1,330**
Financial Policy and Administrative Management	3,583	-	-	3,583
Financial Intermediaries	(93)	(2,160)	-	(2,253)
Multi-Sector and Other	**(17)**	**(547)**	**-**	**(564)**
Government and Civil Society	(17)	(547)	-	(564)

APPENDIX I-F

LOAN APPROVALS - 2012 ($'000)

Country	No. of Loan Projects	CDB	Public	Private	Unknown
Barbados	1	3,583	3,583	-	-
Belize	4	15,168	15,168	-	-
Dominica	2	10,206	10,206	-	-
Guyana	1	34,200	34,200	-	-
Jamaica	1	20,000	20,000	-	-
St. Lucia	1	6,862	6,862	-	-
St. Vincent and the Grenadines	1	13,628	13,628	-	-
Total	**11**	**103,647**	**103,647**	**-**	**-**
LDCs	8	45,864	45,864	-	-
MDCs	3	57,783	57,783	-	-

APPENDIX I-G

GROSS LOANS APPROVALS BY PROJECT AND LOAN EQUIVALENT - 2012 ($'000)

	Project Name	Country
1	TA - ESTABLISHING A CENTRAL REVENUE AUTHORITY	Barbados
2	ROAD SAFETY PROJECT	Belize
3	TA - EDUCATION SECTOR REFORM	Belize
4	YOUTH AND COMMUNITY TRANSFORMATION PROJECT	Belize
5	DETAILED DESIGNS - EXPANSION OF WATER AND SEWERAGE FACILITIES, AMBERGRIS CAYE	Belize
6	THIRD WATER SUPPLY PROJECT - WATER AREA-1 NETWORK UPGRADE	Dominica
7	NDM - REHABILITATION AND RECONSTRUCTION - TROPICAL STORM OPHELIA	Dominica
8	FOURTH ROAD PROJECT - WEST COAST DEMERARA ROAD IMPROVEMENT	Guyana
9	SECOND STUDENT LOAN	Jamaica
10	NDM - REHABILITATION AND RECONSTRUCTION - HURRICANE TOMAS ADD. LOAN	St. Lucia
11	FOURTH RD PROJECT - SOUTH LEEWARD H/WAY REHABILITATION AND UPGRADE	St. Vincent and the Grenadines
Total		
LDCs	16,823	0.37
MDCs	22,783	0.39
LDCs	0.42	0.45
MDCs	0.58	0.55
Total		**0.38**

	OCR		SDF		Other Special Funds		
	Amount	Loan Equivalent	Amount	Loan Equivalent	Amount	Loan Equivalent	Total
	3,583	1.00	-	-	-	-	3,583
	5,362	0.74	1,886	0.26	-	-	7,248
	-	-	2,000	1.00	-	-	2,000
	-	-	5,200	1.00	-	-	5,200
	-	-	720	1.00	-	-	720
	3,939	0.65	2,167	0.35	-	-	6,106
	1,000	0.24	3,100	0.76	-	-	4,100
	9,200	0.27	25,000	0.73	-	-	34,200
	10,000	0.50	10,000	0.50	-	-	20,000
	-	-	6,862	1.00	-	-	6,862
	6,522	0.48	7,106	0.52	-	-	13,628
	39,606		**64,041**		**-**		**103,647**
	29,041	0.63	-	-	45,864		
	35,000	0.61	-	-	57,783		
	-	0.44					
	-	0.56					
		0.62	**-**				

APPENDIX II-A
SUMMARY OF TOTAL FINANCING APPROVED (NET) (1970 - 2012)
LOANS, CONTINGENT LOANS, EQUITIES AND GRANTS ($'000)

Financing_Type	1970-2011	2012	Total
Loans	3,474,586	96,477	3,571,063
Contingent Loans	5,204	-	5,204
Equity	33,193	-	33,193
Grants	374,372	58,258	432,630
Total	**3,887,355**	**154,735**	**4,042,090**

APPENDIX II-B
SUMMARY OF TOTAL FINANCING APPROVED (NET) BY SECTOR (1970 - 2012)
LOANS, CONTINGENT LOANS, EQUITIES AND GRANTS ($'000)

Sector	1970-2011	2012	Total
Agriculture and Rural Development	370,072	220	370,292
Environmental Sustainability and Disaster Risk Reduction	324,595	13,934	338,529
Financial, Business and Other Services	84,409	1,184	85,593
Manufacturing and Industry	333,810	1,195	335,005
Mining and Quarrying	36,143	-	36,143
Multi-Sector and Other	692,246	(301)	691,945
Power, Energy, Water and Sanitation	265,523	6,703	272,226
Social Infrastructure and Services	856,256	83,660	939,916
Tourism	103,993	404	104,397
Transportation and Communication	820,308	47,736	868,044
Total	**3,887,355**	**154,735**	**4,042,090**

APPENDIX II-C
DISTRIBUTION OF LOANS, CONTINGENT LOANS, EQUITY AND GRANTS APPROVED (NET) BY SECTOR AND BY FUND (1970 - 2012) ($'000)

Sector	Ordinary Capital Resources	Special Development Fund	Other Special Funds	Total
Total All Sectors	**2,186,508**	**1,407,734**	**447,848**	**4,042,090**
Agriculture and Rural Development	**188,826**	**138,780**	**42,686**	**370,292**
Agriculture (excluding Crop Farming)	127,853	37,422	19,478	184,753
Crop Farming	3,725	6,216	2,919	12,860
Export Crops	39,223	23,389	4,732	67,344
Mixed Farming	207	279	3,070	3,556
Irrigation, Drainage and Land Reclamation	10,999	6,958	565	18,522
Fishing	-	2,478	872	3,350
Land Settlement and Rural Development	3,947	36,960	684	41,591
Feeder Roads and Bridges	2,872	25,078	10,366	38,316
Mining and Quarrying	**31,409**	**3,875**	**859**	**36,143**
Fossil Fuels	30,862	926	853	32,641
Metal Ores	547	190	-	737
Non-Metallic Minerals	-	2,759	6	2,765
Manufacturing and Industry	**181,287**	**89,346**	**64,372**	**335,005**
Industrial Development	174,707	60,508	27,190	262,405
Micro and Small Scale Enterprises	-	20,574	1,992	22,566
Agro-Industries	93	5,477	34,245	39,815
Textile, Wearing Apparel and Leather Goods	-	300	311	611
Forest Industries	3,502	348	-	3,850
Chemicals and Chemical Products	-	13	541	554
Non-Metallic Mineral Products	2,985	73	-	3,058
Construction	-	2,053	93	2,146
Tourism	**80,338**	**12,972**	**11,087**	**104,397**
Transportation and Communication	**579,366**	**215,547**	**73,131**	**868,044**
Transport Policy and Administrative Management	9,903	4,731	118	14,752
Road Transport	360,122	141,941	29,741	531,804
Water Transport	41,534	41,444	15,579	98,557
Air Transport	159,557	26,913	27,587	214,057
Communication	8,250	518	106	8,874
Power, Energy, Water and Sanitation	**142,406**	**102,598**	**27,222**	**272,226**
Power and Energy	(150)	2,650	1,742	4,242
Electric Power	63,891	32,810	1,860	98,561
Alternative Energy	8,250	-	1,791	10,041
Water and Sanitation	70,415	67,138	21,829	159,382

APPENDIX II-C cont'd

DISTRIBUTION OF LOANS, CONTINGENT LOANS, EQUITY AND GRANTS APPROVED (NET) BY SECTOR AND BY FUND (1970 - 2012) ($'000)

Sector	Ordinary Capital Resources	Special Development Fund	Other Special Funds	Total
Social Infrastructure and Services	395,465	414,365	130,086	939,916
Education - General	68,020	71,143	25,766	164,929
Education - Basic	9,050	33,295	12,998	55,343
Education - Secondary/Vocational	17,762	14,350	5,769	37,881
Education - Post Secondary	156,893	101,965	2,574	261,432
Health	4,091	2,467	2,151	8,709
Housing	109,370	36,108	23,053	168,531
Other Social Infrastructure and Services	30,279	155,037	57,775	243,091
Environmental Sustainability and Disaster Risk Reduction	110,872	213,600	14,057	338,529
Environmental Sustainability	-	2,975	135	3,110
Sea Defence/Flood Prevention/ Control	(22)	(60)	(54)	(136)
Disaster Prevention and Preparedness	3,722	17,393	3,916	25,031
Reconstruction Relief and Rehabilitation	107,172	193,292	10,060	310,524
Financial, Business and Other Services	46,769	36,542	2,282	85,593
Financial Policy and Administrative Management	32,083	8,305	1,596	41,984
Financial Intermediaries	14,686	28,237	686	43,609
Multi-Sector and Other	429,770	180,109	82,066	691,945
Government and Civil Society	95,083	20,041	14,711	129,835
Urban Development	34,797	9,750	156	44,703
Policy-Based Loans/Structural Adjustment Programme	298,800	129,896	37,000	465,696
Regional/Multulateral Trade Agreements	-	2,244	7,491	9,735
Other	1,090	18,178	22,708	41,976

Skeldon, Guyana

APPENDIX II-D
DISTRIBUTION OF LOANS, CONTINGENT LOANS, EQUITY AND GRANTS APPROVED (NET) BY COUNTRY AND BY SECTOR (1970 - 2012) ($'000)

Country	Agriculture and Rural Development	Mining and Quarrying	Manufacturing and Industry	Tourism	Transportation and Communication
Antigua and Barbuda	6,638	0	4,008	1,922	28,099
Anguilla	2,871	-	6,538	1,193	20,712
Barbados	18,921	100	31,811	41,791	88,113
Bahamas	10,086	-	11,408	2,187	24,891
Belize	27,734	-	15,192	1,259	80,363
Dominica	21,952	-	17,835	7,506	33,369
Dominican Republic	426	-	-	-	-
Grenada	19,137	451	19,870	4,553	68,645
Guyana	64,257	-	18,380	128	101,369
Haiti	10,000	-	543	-	-
Jamaica	80,789	932	90,434	15,646	105,995
St. Kitts and Nevis	6,164	123	10,757	1,746	46,915
Cayman Islands	1,308	388	1,670	6,429	23,047
St. Lucia	22,558	62	25,134	14,197	75,983
Montserrat	1,408	87	1,872	168	6,024
Turks and Caicos Islands	1,510	18	2,728	1,302	2,940
Trinidad and Tobago	42,218	30,875	32,614	4	38,262
St. Vincent and the Grenadines	16,779	2,939	13,160	541	67,910
British Virgin Islands	3,503	-	5,336	403	36,018
Regional	744	0	2,757	1,328	467
Regional: LDC Focus	1,365	119	605	430	11,059
Regional: MDC Focus	25	-	-	-	6,313
Regional: LDC/MDC Focus	9,899	49	22,353	1,664	1,550
Total	**370,292**	**36,143**	**335,005**	**104,397**	**868,044**

Power, Energy, Water and Sanitation	Social Infrastructure and Services	Environmental Sustainability and Disaster Risk Reduction	Financial, Business and Other Services	Multi-Sector and Other	Total
272	27,318	41	(615)	33,259	**100,942**
12,284	5,670	4,112	404	55,000	**108,784**
4,297	122,017	520	7,193	74,157	**388,920**
15,289	200	98	164	24	**64,347**
55,161	84,339	17,792	8,724	47,201	**337,765**
28,184	56,145	50,144	946	16,633	**232,714**
-	-	-	-	-	**426**
7,962	50,005	44,154	1,034	21,014	**236,825**
12,453	44,834	571	-	54,576	**296,568**
-	30,839	5,440	-	19,086	**65,908**
15,995	115,643	119,747	56,704	132,038	**733,923**
32,714	66,126	13,119	520	40,189	**218,373**
9,775	5,551	-	44	-	**48,212**
29,047	121,849	44,809	5,625	48,283	**387,547**
3,495	9,575	-	378	114	**23,121**
240	21,666	719	(326)	88	**30,885**
3,219	(16,549)	4	8	32,752	**163,407**
33,083	70,051	17,994	339	65,043	**287,839**
4,812	11,664	15,672	1	-	**77,409**
1,960	16,601	1,640	1,340	7,186	**34,023**
1,091	12,690	617	491	5,346	**33,813**
-	9,602	-	-	3,020	**18,960**
893	74,080	1,336	2,619	36,936	**151,379**
272,226	**939,916**	**338,529**	**85,593**	**691,945**	**4,042,090**

APPENDIX II-E
APPROVALS OF LOANS, CONTINGENT LOANS, EQUITY AND GRANTS (NET) BY COUNTRY AND BY YEAR (1970 - 2012) ($'000)

Country	1970 - 2006	2007	2008	2009	2010	2011	2012	Total
Antigua and Barbuda	49,230	22,202	364	30,300	371	27	(1,552)	100,942
Anguilla	34,346	(145)	18,469	669	55,165	11	269	108,784
Barbados	243,560	32,413	49	13,313	62,141	35,273	2,171	388,920
Bahamas	53,928	22	3	24	10,146	-	224	64,347
Belize	249,769	(1,768)	12,325	13,660	40,679	2,112	20,988	337,765
Dominica	169,435	2,546	15,261	12,856	5,270	12,438	14,908	232,714
Dominican Republic	-	-	-	-	-	-	426	426
Grenada	184,368	7,381	7,955	20,460	3,529	10,077	3,055	236,825
Guyana	225,364	(979)	13,669	1,639	16,095	269	40,511	296,568
Haiti	-	10,000	11,055	10,000	17,599	10,721	6,533	65,908
Jamaica	464,932	61,125	160,817	779	20,475	(720)	26,515	733,923
St. Kitts and Nevis	178,729	(2,075)	6,409	6,787	8,873	18,557	1,093	218,373
Cayman Islands	48,492	12	52	(291)	(125)	-	72	48,212
St. Lucia	265,664	(347)	44,782	20,692	13,755	30,539	12,462	387,547
Montserrat	17,216	55	1,108	220	63	2,591	1,868	23,121
Turks and Caicos Islands	30,081	(237)	937	328	(31)	(99)	(94)	30,885
Trinidad and Tobago	163,428	24,812	(1,088)	(24,812)	23	1,017	27	163,407
St. Vincent and the Grenadines	164,557	10,549	12,199	25,625	37,311	19,412	18,186	287,839
British Virgin Islands	58,619	3,016	-	-	54	15,672	48	77,409
Regional	-	-	-	15,300	6,559	5,139	7,025	34,023
Regional: LDC Focus	22,619	10,453	741	-	-	-	-	33,813
Regional: MDC Focus	18,960	-	-	-	-	-	-	18,960
Regional: LDC/MDC Focus	96,635	18,478	36,266	-	-	-	-	151,379
Total	**2,739,932**	**197,513**	**341,373**	**147,549**	**297,952**	**163,036**	**154,735**	**4,042,090**
LDCs	1,472,949	61,642	131,657	141,306	182,513	122,058	77,836	2,189,961
MDCs	1,170,348	117,393	173,450	(9,057)	108,880	35,839	69,448	1,666,301
Regional	96,635	18,478	36,266	15,300	6,559	5,139	7,451	185,828

Note: Cancellations prior to 2009 are deducted in the year in which approvals were made.

APPENDIX II-F
DISTRIBUTION OF LOANS APPROVED (NET)
BY COUNTRY AND BY FUND (1970 - 2012) ($'000)

Country	Ordinary Capital Resources	Special Development Fund	Other Special Funds	Total	Percentage of Total
Antigua and Barbuda	70,746	14,255	9,346	94,347	2.6%
Anguilla	94,387	11,599	500	106,486	3.0%
Barbados	349,088	6,909	29,779	385,776	10.8%
Bahamas	57,629	2,376	3,240	63,245	1.8%
Belize	179,578	115,404	11,265	306,247	8.6%
Dominica	51,212	113,959	34,902	200,073	5.6%
Grenada	63,323	118,256	30,687	212,266	5.9%
Guyana	68,895	164,715	22,164	255,774	7.2%
Jamaica	472,666	166,911	74,831	714,408	20.0%
St. Kitts and Nevis	104,821	88,578	9,025	202,424	5.7%
Cayman Islands	39,884	4,703	3,313	47,900	1.3%
St. Lucia	193,853	129,362	37,665	360,880	10.1%
Montserrat	485	11,178	1,372	13,035	0.4%
Turks and Caicos Islands	13,071	12,100	-	25,171	0.7%
Trinidad and Tobago	153,808	5,018	2,566	161,392	4.5%
St. Vincent and the Grenadines	148,096	93,535	22,039	263,670	7.4%
British Virgin Islands	59,542	14,791	1,894	76,227	2.1%
Regional	8,246	-	-	8,246	0.2%
Regional: LDC Focus	10,000	5,232	2,626	17,858	0.5%
Regional: MDC Focus	7,266	5,544	2,174	14,984	0.4%
Regional: LDC/MDC Focus	39,912	742	-	40,654	1.1%
Total	**2,186,508**	**1,085,167**	**299,388**	**3,571,063**	
Percentage of Total	61.2	30.4	8.4		100.0
LDCs	1,028,998	732,952	164,634	1,926,584	53.9%
MDCs	1,109,352	351,473	134,754	1,595,579	44.7%
Regional	48,158	742	0	48,900	1.4%

APPENDIX II-G
DISTRIBUTION OF LOANS APPROVED (NET) BY SECTOR AND BY FUND (1970 - 2012) ($'000)

Sector	Ordinary Capital Resources	Special Development Fund	Other Special Funds	Total
Total All Sectors	**2,186,508**	**1,085,167**	**299,388**	**3,571,063**
Agriculture and Rural Development	**188,826**	**123,011**	**36,835**	**348,672**
Agriculture (excluding Crop Farming)	127,853	35,704	18,865	182,422
Crop Farming	3,725	5,895	2,780	12,400
Export Crops	39,223	23,314	4,674	67,211
Mixed Farming	207	100	1,421	1,728
Irrigation, Drainage and Land Reclamation	10,999	6,803	409	18,211
Fishing	-	2,437	694	3,131
Land Settlement and Rural Development	3,947	25,567	312	29,826
Feeder Roads and Bridges	2,872	23,191	7,680	33,743
Mining and Quarrying	**31,409**	**3,294**	**436**	**35,139**
Fossil Fuels	30,862	535	430	31,827
Metal Ores	547	-	-	547
Non-Metallic Minerals	-	2,759	6	2,765
Manufacturing and Industry	**181,287**	**73,426**	**47,544**	**302,257**
Industrial Development	174,707	59,702	13,383	247,792
Micro and Small Scale Enterprises	-	8,563	1,137	9,700
Agro-Industries	93	5,086	32,318	37,497
Textile, Wearing Apparel and Leather Goods	-	2	260	262
Forest Industries	3,502	-	-	3,502
Chemicals and Chemical Products	-	-	446	446
Non-Metallic Mineral Products	2,985	73	-	3,058
Tourism	**80,338**	**10,803**	**6,935**	**98,076**
Transportation and Communication	**579,366**	**209,834**	**68,857**	**858,057**
Transport Policy and Administrative Management	9,903	3,101	-	13,004
Road Transport	360,122	140,460	29,679	530,261
Water Transport	41,534	40,982	15,041	97,557
Air Transport	159,557	25,254	24,137	208,948
Communication	8,250	37	-	8,287

APPENDIX II-G cont'd
DISTRIBUTION OF LOANS APPROVED (NET)
BY SECTOR AND BY FUND (1970 - 2012) ($'000)

Sector	Ordinary Capital Resources	Special Development Fund	Other Special Funds	Total
Power, Energy, Water and Sanitation	**142,406**	**97,606**	**22,720**	**262,732**
Power and Energy	(150)	520	-	370
Electric Power	63,891	32,625	1,577	98,093
Alternative Energy	8,250	-	-	8,250
Water and Sanitation	70,415	64,461	21,143	156,019
Social Infrastructure and Services	**395,465**	**208,163**	**63,160**	**666,788**
Education - General	68,020	36,592	16,558	121,170
Education - Basic	9,050	32,037	12,050	53,137
Education - Secondary/Vocational	17,762	8,672	5,769	32,203
Education - Post Secondary	156,893	92,472	2,174	251,539
Health	4,091	1,157	1,875	7,123
Housing	109,370	35,347	22,884	167,601
Other Social Infrastructure and Services	30,279	1,886	1,850	34,015
Environmental Sustainability and Disaster Risk Reduction	**110,872**	**201,886**	**11,501**	**324,259**
Sea Defence/Flood Prevention/Control	(22)	(60)	(54)	(136)
Disaster Prevention and Preparedness	3,722	10,798	1,495	16,015
Reconstruction Relief and Rehabilitation	107,172	191,148	10,060	308,380
Financial, Business and Other Services	**46,769**	**31,438**	**-**	**78,207**
Financial Policy and Administrative Management	32,083	5,209	-	37,292
Financial Intermediaries	14,686	26,229	-	40,915
Multi-Sector and Other	**429,770**	**125,706**	**41,400**	**596,876**
Government and Civil Society	95,083	3,226	4,400	102,709
Urban Development	34,797	750	-	35,547
Policy-Based Loans/Structural Adjustment Programme	298,800	119,760	37,000	455,560
Other	1,090	1,970	-	3,060

APPENDIX II-H
CONTINGENT LOANS APPROVED (NET)
BY COUNTRY AND BY FUND (1970 - 2012) ($'000)

Country	Ordinary Capital Resources	Special Development Fund	Other Special Funds	Total	Percentage of Total
Antigua and Barbuda	-	4	-	4	0.1%
Anguilla	-	-	71	71	1.4%
Barbados	-	384	156	540	10.4%
Belize	-	829	152	981	18.9%
Dominica	-	-	809	809	15.5%
Grenada	-	241	-	241	4.6%
Jamaica	-	286	-	286	5.5%
St. Kitts and Nevis	-	178	56	234	4.5%
St. Lucia	-	145	50	195	3.7%
Montserrat	-	87	-	87	1.7%
Turks and Caicos Islands	-	1,054	-	1,054	20.3%
Trinidad and Tobago	-	200	-	200	3.8%
St. Vincent and the Grenadines	-	217	131	348	6.7%
British Virgin Islands	-	50	104	154	3.0%
Total	**-**	**3,675**	**1,529**	**5,204**	
Percentage of Total	0.0	70.6	29.4		100.0
LDCs	0	2,805	1,373	4,178	80.3%
MDCs	0	870	156	1,026	19.7%

APPENDIX II-I
CONTINGENT LOANS APPROVED (NET)
BY SECTOR AND BY FUND (1970 - 2012) ($'000)

Sector	Ordinary Capital Resources	Special Development Fund	Other Special Funds	Total
Total All Sectors	**-**	**3,675**	**1,529**	**5,204**
Agriculture and Rural Development	**-**	**460**	**147**	**607**
Agriculture (excluding Crop Farming)	-	185	96	281
Crop Farming	-	-	51	51
Export Crops	-	75	-	75
Land Settlement and Rural Development	-	200	-	200
Mining and Quarrying	**-**	**391**	**131**	**522**
Fossil Fuels	-	391	131	522
Manufacturing and Industry	**-**	**52**	**-**	**52**
Industrial Development	-	52	-	52
Tourism	**-**	**93**	**-**	**93**
Transportation and Communication	**-**	**2,096**	**243**	**2,339**
Transport Policy and Administrative Management	-	1,267	104	1,371
Road Transport	-	245	38	283
Air Transport	-	584	101	685
Power, Energy, Water and Sanitation	**-**	**583**	**852**	**1,435**
Power and Energy	-	222	824	1,046
Water and Sanitation	-	361	28	389
Multi-Sector and Other	**-**	**-**	**156**	**156**
Urban Development	-	-	156	156

APPENDIX II-J
GRANTS APPROVED (NET)
BY COUNTRY AND BY FUND (1970 - 2012) ($'000)

Country	Ordinary Capital Resources	Special Development Fund	Other Special Funds	Total	Percentage of Total
Antigua and Barbuda	-	1,958	4,633	6,591	1.5%
Anguilla	-	1,421	806	2,227	0.5%
Barbados	-	1,220	937	2,157	0.5%
Bahamas	-	982	120	1,102	0.3%
Belize	-	21,597	7,498	29,095	6.7%
Dominica	-	15,513	16,319	31,832	7.4%
Dominican Republic	-	-	426	426	0.1%
Grenada	-	15,044	9,274	24,318	5.6%
Guyana	-	34,691	6,103	40,794	9.4%
Haiti	-	65,908	-	65,908	15.2%
Jamaica	-	17,588	1,016	18,604	4.3%
St. Kitts and Nevis	-	9,753	5,773	15,526	3.6%
Cayman Islands	-	280	32	312	0.1%
St. Lucia	-	17,989	8,483	26,472	6.1%
Montserrat	-	7,168	2,831	9,999	2.3%
Turks and Caicos Islands	-	3,744	916	4,660	1.1%
Trinidad and Tobago	-	618	1,197	1,815	0.4%
St. Vincent and the Grenadines	-	15,085	8,346	23,431	5.4%
British Virgin Islands	-	680	348	1,028	0.2%
Regional	-	20,587	5,190	25,777	6.0%
Regional: LDC Focus	-	6,931	5,924	12,855	3.0%
Regional: MDC Focus	-	976	-	976	0.2%
Regional: LDC/MDC Focus	-	58,951	27,774	86,725	20.0%
Total	-	318,684	113,946	432,630	
Percentage of Total	0.0	73.7	26.3		100.0
LDCs	0	182,927	71,151	254,078	58.7%
MDCs	0	56,219	9,405	65,624	15.2%
Regional	0	79,538	33,390	112,928	26.1%

APPENDIX II-K

GRANTS APPROVED (NET)

BY SECTOR AND BY FUND (1970 - 2012) ($'000)

Sector	Ordinary Capital Resources	Special Development Fund	Other Special Funds	Total
Total All Sectors	**-**	**318,684**	**113,946**	**432,630**
Agriculture and Rural Development	-	15,309	4,039	19,348
Agriculture (excluding Crop Farming)	-	1,533	294	1,827
Crop Farming	-	321	88	409
Export Crops	-	-	58	58
Mixed Farming	-	179	207	386
Irrigation, Drainage and Land Reclamation	-	155	156	311
Fishing	-	41	178	219
Land Settlement and Rural Development	-	11,193	372	11,565
Feeder Roads and Bridges	-	1,887	2,686	4,573
Mining and Quarrying	**-**	**190**	**292**	**482**
Fossil Fuels	-	-	292	292
Metal Ores	-	190	-	190
Manufacturing and Industry	**-**	**15,679**	**6,090**	**21,769**
Industrial Development	-	754	3,583	4,337
Micro and Small Scale Enterprises	-	12,011	712	12,723
Agro-Industries	-	391	1,556	1,947
Textile, Wearing Apparel and Leather Goods	-	109	51	160
Forest Industries	-	348	-	348
Chemicals and Chemical Products	-	13	95	108
Construction	-	2,053	93	2,146
Tourism	**-**	**2,057**	**3,080**	**5,137**
Transportation and Communication	**-**	**3,617**	**4,031**	**7,648**
Transport Policy and Administrative Management	-	363	14	377
Road Transport	-	1,236	24	1,260
Water Transport	-	462	538	1,000
Air Transport	-	1,075	3,349	4,424
Communication	-	481	106	587

APPENDIX II-K cont'd

GRANTS APPROVED (NET)

BY SECTOR AND BY FUND (1970 - 2012) ($'000)

Sector	Ordinary Capital Resources	Special Development Fund	Other Special Funds	Total
Power, Energy, Water and Sanitation	**-**	**4,409**	**3,650**	**8,059**
Power and Energy	-	1,908	918	2,826
Electric Power	-	185	283	468
Alternative Energy	-	-	1,791	1,791
Water and Sanitation	-	2,316	658	2,974
Social Infrastructure and Services	**-**	**206,202**	**66,926**	**273,128**
Education - General	-	34,551	9,208	43,759
Education - Basic	-	1,258	948	2,206
Education - Secondary/Vocational	-	5,678	-	5,678
Education - Post Secondary	-	9,493	400	9,893
Health	-	1,310	276	1,586
Housing	-	761	169	930
Other Social Infrastructure and Services	-	153,151	55,925	209,076
Environmental Sustainability and Disaster Risk Reduction	**-**	**11,714**	**2,556**	**14,270**
Environmental Sustainability	-	2,975	135	3,110
Disaster Prevention and Preparedness	-	6,595	2,421	9,016
Reconstruction Relief and Rehabilitation	-	2,144	-	2,144
Financial, Business and Other Services	**-**	**5,104**	**2,182**	**7,286**
Financial Policy and Administrative Management	-	3,096	1,496	4,592
Financial Intermediaries	-	2,008	686	2,694
Multi-Sector and Other	**-**	**54,403**	**21,100**	**75,503**
Government and Civil Society	-	16,815	10,311	27,126
Urban Development	-	9,000	-	9,000
Policy-Based Loans/Structural Adjustment Programme	-	10,136	-	10,136
Regional/Multulateral Trade Agreements	-	2,244	7,491	9,735
Other	-	16,208	3,298	19,506

APPENDIX II-L
GRANTS APPROVED (NET)
BY COUNTRY AND BY YEAR (1970 - 2012) ($'000)

Country	1970 - 2006	2007	2008	2009	2010	2011	2012	Total
Antigua and Barbuda	5,304	383	364	-	371	132	37	6,591
Anguilla	1,330	206	202	44	165	11	269	2,227
Barbados	1,327	130	49	463	79	23	86	2,157
Bahamas	792	22	3	24	37	-	224	1,102
Belize	17,088	533	3,025	180	960	1,012	6,297	29,095
Dominica	22,475	482	2,508	(41)	1,380	58	4,970	31,832
Dominican Republic	-	-	-	-	-	-	426	426
Grenada	16,362	55	2,255	976	533	818	3,319	24,318
Guyana	26,100	(461)	6,169	1,639	220	269	6,858	40,794
Haiti	-	10,000	11,055	10,000	17,599	10,721	6,533	65,908
Jamaica	4,711	343	4,926	779	475	321	7,049	18,604
St. Kitts and Nevis	12,112	22	852	150	448	47	1,895	15,526
Cayman Islands	176	12	52	-	-	-	72	312
St. Lucia	16,864	(3)	2,782	129	368	596	5,736	26,472
Montserrat	6,594	55	1,108	220	63	91	1,868	9,999
Turks and Caicos Islands	3,213	-	437	35	18	-	957	4,660
Trinidad and Tobago	516	26	18	188	23	1,017	27	1,815
St. Vincent and the Grenadines	16,283	10	1,768	61	311	440	4,558	23,431
British Virgin Islands	926	-	-	-	54	-	48	1,028
Regional	-	-	-	7,050	6,559	5,139	7,029	25,777
Regional: LDC Focus	11,661	453	741	-	-	-	-	12,855
Regional: MDC Focus	976	-	-	-	-	-	-	976
Regional: LDC/MDC Focus	66,981	8,478	11,266	-	-	-	-	86,725
Total	**231,791**	**20,746**	**49,580**	**21,897**	**29,663**	**20,695**	**58,258**	**432,630**
LDCs	130,212	12,208	27,149	11,754	22,270	13,926	36,559	254,078
MDCs	34,598	60	11,165	3,093	834	1,630	14,244	65,624
Regional	66,981	8,478	11,266	7,050	6,559	5,139	7,455	112,928

Note: Cancellations prior to 2009 are deducted in the year in which approvals were made.

APPENDIX III

RESOLUTIONS OF THE BOARD OF GOVERNORS DURING 2012

No.	Subject	Date of Adoption
1/12	Audited Financial Statements and Reports of Independent Auditors	May 23, 2012
2/12	Allocation of Net Income	May 23, 2012
3/12	Expenses of Governors and Alternates Attending Meetings of the Board of Governors	May 23, 2012
4/12	Place and Date of Forty-Third (2013) Annual Meeting	May 23, 2012
5/12	Election of Officers of the Board of Governors	May 23, 2012
6/12	Appreciation	May 24, 2012

BOARD OF GOVERNORS

CDB's highest policy-making body is the Board of Governors on which each Member Country is represented. The Board of Governors meets once a year when CDB's operations are reviewed and major policy decisions taken. Special meetings are held as necessary. As at December 31, 2012, CDB's Board of Governors was as follows:

Hon. Dr. Kenny Anthony	**St. Lucia**	**Chairman**
Mr. Luis Videgaray Caso	**Mexico**	**Vice-Chairman**
Hon. John Baird	**Canada**	**Vice-Chairman**

COUNTRY GROUP	GOVERNOR	ALTERNATE GOVERNOR
Anguilla, British Virgin Islands, Cayman Islands Montserrat and Turks and Caicos Islands	Dr. the Hon. Orlando Smith Premier, British Virgin Islands	Vacant
Antigua and Barbuda	Hon. Harold Lovell Minister of Finance, the Economy and Public Administration	Mr. Whitfield Harris, Jr. Financial Secretary
The Bahamas	Hon. Michael B. Halkitis Minister of State for Finance Ministry of Finance	Mr. Ehurd Cunningham Ag. Financial Secretary Ministry of Finance
Barbados	Hon. Christopher Sinckler Minister of Finance and Economic Affairs	Mr. Grantley Smith Director of Finance and Economic Affairs
Belize	Hon. Dean Barrow Prime Minister and Minister of Finance	Mr. Joseph Waight Financial Secretary
Canada	Hon. John Baird Minister of Foreign Affairs	Mr. Rob Stewart Assistant Deputy Minister, International Trade and Finance Branch
Colombia	Mr. Mauricio Cardenas Santa Maria Minister of Finance and Public Credit	Mr. José Darío Uribe Governor Banco de la Republica
Dominica	Hon. Roosevelt Skerrit Prime Minister and Minister for Finance, Foreign Affairs and Information Technology	Mrs. Rosamund Edwards Financial Secretary
Germany	Ms. Gudrun Kopp, MdB Parliamentary State Secretary Federal Ministry for Economic Cooperation and Development	Dr. Claus-Michael Happe Head of Division IC 5 Federal Ministry of Finance

Grenada	Hon. V. Nazim Burke Minister of Finance, Economy, Planning, Energy, and Cooperatives	Mr. Timothy N.J. Antoine Permanent Secretary Ministry of Finance
	Guyana Dr. the Hon. Ashni Singh Minister of Finance	Mr. Clyde Roopchand Chief Planning Officer
Haiti	Hon. Marie Carmelle Jean-Marie Minister of the Economy and Finance	Mr. Charles Castel Governor Central Bank of Haiti
Italy	Prof. The Hon. Vittorio Grilli Minister of Economy and Finance	Mr. Carlo Monticelli Head of Int'l. Financial Relations, Department of the Treasury, Ministry of Economy and Finance
Jamaica	Hon. Dr. Peter Phillips Minister of Finance	Dr. Wesley Hughes, CD Financial Secretary Ministry of Finance and the Public Service
Mexico	Mr. Luis Videgaray Caso Secretary of Finance and Public Credit	Mr. Gerardo Rodríguez Regordosa Under-Secretary of Finance and Public Credit
People's Republic China	Mr. Zhou Xiaochuan Governor People's Bank of China	Mr. Yi Gang Deputy Governor People's Bank of China
St. Kitts and Nevis	The Hon. Dr. Denzil Douglas Prime Minister and Minister of Finance, Sustainable Development, Human Resource Development	Hon. Joseph Parry Premier and Minister of Finance Nevis Island Administration
St. Lucia	Hon. Dr. Kenny D. Anthony Prime Minister and Minister for Finance	Dr. Reginald Darius Permanent Secretary, Ministry of Finance, Economic Affairs And Social Security
St. Vincent and the Grenadines	Dr. the Hon. Ralph Gonsalves Prime Minister and Minister of Finance Trade and Consumer Affairs	Hon. Dr. Douglas Slater Ministry of Foreign Affairs, Foreign

Trinidad and Tobago	Sen. Dr. the Hon. Bhoendradatt Tewarie Minister of Planning, Economic and Social Restructuring and Gender Affairs	Hon. Stephen Cadiz Minister of Trade and Industry
United Kingdom	Rt. Hon. Justine Greening M.P. Secretary of State for International Development	Hon. Alan Duncan, M.P. Minister of State for International Development
Venezuela	Ms. Edmée Betancourt de Garcia President Venezuelan Economic and Social Development Bank (BANDES)	Ms. María J. Mendoza Rojas Ministry of Popular Power for Foreign Affairs

BOARD OF DIRECTORS AND VOTING GROUPS

The powers of the Board of Governors, except those specially reserved to it under the Charter, have been delegated to the Board of Directors, which is responsible for the conduct of investments, borrowing programmes, technical assistance, administrative budget, and submits accounts pertaining to each financial year for approval by the Board of Governors. The Board of Directors comprises 17 members, 12 representing Regional Members and 5 representing non-Regional Members. Directors are appointed for two-year terms of office and are eligible for re-appointment. As at December 31, 2012, CDB's Board of Directors was as follows:

CHAIRMAN

Wm. Warren Smith, Ph.D - President

COUNTRY GROUP	DIRECTOR	ALTERNATE DIRECTOR
JAMAICA	Mrs. Rose Lemonius-Stewart Director Loan Administration, Monitoring & Disbursement Unit Economic Management Division	Dr. Carol Nelson Senior Director International Financial Institutions Unit Ministry of Finance and Planning
TRINIDAD AND TOBAGO AND HAITI	Mr. Clint Ramcharan Deputy Permanent Secretary (Ag.) Ministry of Planning and Sustainable Development	Mr. Michael Mendez Deputy Permanent Secretary Ministry of Finance
	ADVISER	
	Mr. Hancy Pierre-Louis C/o Ministry of Finance, 204, Palais des Ministeres, Rue Mgr. Guilloux, Port-au-Prince, HAITI	
THE BAHAMAS	Mr. Ehurd Cunningham Acting Financial Secretary Ministry of Finance	Vacant
GUYANA	Mr. Neermal Rekha Financial Secretary Ministry of Finance	Mr. Keith Burrowes Chairman Guyana Office for Investment
BARBADOS	Mrs. Juanita Thorington-Powlett Permanent Secretary, Investment Ministry of Finance and Economic Affairs	Mr. Seibert Frederick Manager (Ag.) Public Investment Unit Ministry of Finance and Economic Affairs
ST. LUCIA AND DOMINICA	Mrs. Rosamund Edwards Financial Secretary Ministry of Finance, Industry and Planning ST. LUCIA	Dr. Reginald Darius Permanent Secretary Ministry of Finance, Economic Affairs, and Social Security DOMINICA

GRENADA AND ST. VINCENT AND THE GRENADINES	Mr. Maurice Edwards Director General, Finance and Planning Ministry of Finance and Economic Planning ST. VINCENT AND THE GRENADINES	Mr. Mervin Haynes Director of Economic and Technical Cooperation Ministry of Finance GRENADA
BELIZE AND ANGUILLA, BRITISH VIRGIN ISLANDS, CAYMAN ISLANDS, MONTSERRAT, AND TURKS AND CAICOS ISLANDS	Ms. Yvonne S. Hyde Chief Executive Officer Ministry of Finance and Economic Development, BELIZE	Mr. Kenneth Jefferson, JP Financial Secretary Office of the Financial Secretary Portfolio of Finance and Economics CAYMAN ISLANDS
ANTIGUA AND BARBUDA AND ST. KITTS AND NEVIS	Mrs. Janet Harris Financial Secretary Ministry of Finance ANTIGUA AND BARBUDA	Mr. Whitfield Harris, Jr. Financial Secretary Ministry of Finance, the Economy and Public Administration ST. KITTS AND NEVIS
COLOMBIA	Mr. Alberto de Brigard Perez Advisor Banco de la Republica	Mr. Adolfo Meisel Roca Manager, Cartegena Branch Banco de la Republica
VENEZUELA	Ms. Beatriz H. Bolivar Chief Oficina Nacional de Crédito Público	Mr. José A. Mendoza López Director General of Financial Operations (E) Oficina Nacional de Crédito Público
MEXICO	Mr. Jorge Alberto Mendoza Sanchez Deputy Director General for North America, Asia-Pacific and the Caribbean Secretaría de Hacienda y Crédito Público	Ms. Maria Isabel Lozano Santin Director International Financial Affairs Unit Ministry of Finance

CANADA	Ms. Louise Clément Minister Counsellor (Development) Canadian High Commission	Mr. Zheng Zhang First Secretary (Development) Canadian High Commission
UNITED KINGDOM	Mr. Harry Hagan Head Department for International Development - DFID Caribbean	Ms. Cherianne Clarke Growth Policy Adviser Department for International Development - (DFID) Caribbean
ITALY	Mrs. Stefania Bazzoni Head of Office, Relations with Multilateral Development Banks Department of the Treasury Ministry of Economy and Finance	Mr. Pablo Facchinei Senior Adviser Multilateral Development Bank Ministry of Economy and Finance
GERMANY	Dr. Martin Kipping Advisor to the Executive Director The World Bank	Dr. Martin Kipping Advisor to the Executive Director The World Bank
PEOPLE'S REPUBLIC OF CHINA	Mr. He Jianxiong Director-General International Department The People's Bank of China (PBC)	Mr. BU Yu Alternate Director for China to CDB and Chief Representative Representative Office for CDB of the PBC Embassy of the People's Republic of China

The Benque Viejo Del Carmen Polyclinic in Belize

PRINCIPAL OFFICERS OF THE BANK

DECEMBER 2012

Office of the President

President	Dr. W^m. Warren Smith*
Deputy Director, with responsibilities for Internal Audit	Dr. Kathleen Gordon
Head (Ag.), Office of Independent Evaluation	Ms. Anne Bramble

Corporate Services

Vice-President (Corporate Services) and Bank Secretary	Mrs. Yvette Lemonias Seale**
Director, Information and Technology Solutions Department	Mr. Mark Taitt**
Director (Ag.), Finance and Corporate Planning Department	Mr. Adrian Debique**
Deputy Director, Finance Division	Mr. Carlyle Assue
Deputy Director (Ag.), Corporate Planning Division	Ms. Monica LaBennett
Director, Human Resources and Administration Department	Mr. Phillip Brown**
Deputy Director (Ag.), Human Resources Division	Mrs. Fay Alleyne-Kirnon
General Counsel, Legal Department	Mr. Douglas Leys**
Deputy General Counsel, Legal Department	Vacant

Operations

Vice-President (Operations)	Dr. Carla Barnett**
Director (Ag.), Economics Department	Dr. Juliette Melville**
Director, Projects Department	Mrs. Tessa Williams Robertson**
Division Chief, Social Sector Division	Mrs. Yvonne Moses Grant
Head of Procurement, Procurement Policy Unit	Mr. Norman Cameron
Division Chief (Ag.), Technical Cooperation Division	Mr. Clairvair Squires
Division Chief (Ag.), Economic Infrastructure Division	Mr. Andrew Dupigny

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* Chairman, Advisory Management Team

** Member, Advisory Management Team

DEPOSITORIES AND CHANNELS OF COMMUNICATION

COUNTRY	DEPOSITORY	CHANNEL
Anguilla	*ECCB P.O. Box 89 Headquarters Building Basseterre St. Kitts and Nevis	Permanent Secretary, Finance Office of the Permanent Secretary, Finance P.O. Box 60 The Valley Anguilla
Antigua and Barbuda	ECCB P.O. Box 89 Headquarters Building Basseterre St. Kitts and Nevis	Permanent Secretary Ministry of External Affairs and Defence St. John's Antigua and Barbuda
The Bahamas	Central Bank of The Bahamas P.O. Box N-4868 Nassau The Bahamas	Financial Secretary Ministry of Finance and Planning P.O. Box 3017 Nassau The Bahamas
Barbados	Central Bank of Barbados P.O. Box 1016 Bridgetown Barbados	Director of Finance and Economic Affairs Ministry of Finance Government Headquarters Bay Street, St. Michael Barbados
Belize	Central Bank of Belize P.O. Box 852 Belize City Belize	Permanent Secretary Ministry of National Development P.O. Box 42, Administrative Building Belmopan Belize
British Virgin Islands	ECCB P.O. Box 89 Headquarters Building Basseterre St. Kitts and Nevis	Financial Secretary Ministry of Finance Central Administration Building Road Town Tortola British Virgin Islands
Canada	Bank of Canada 234 Wellington Street Ottawa Canada	President Canadian International Development Agen 200 Promenade du Portage Hull, Quebec K1A OG4 Canada
Cayman Islands	ECCB P.O. Box 89 Headquarters Building Basseterre St. Kitts and Nevis	Financial Secretary Office of the Financial Secretary Portfolio of Finance and Economic Develo Government Administration Building George Town, Grand Cayman Cayman Islands

*Eastern Caribbean Central Bank

COUNTRY	DEPOSITORY	CHANNEL
Colombia	Banco de la Republica Carrera 7a, Numero 14-18 Oficina Principal Bogota Colombia	General Manager Cerrera 7a, Numero 14-18 Oficina Principal Bogota Colombia
Dominica	ECCB P.O. Box 89 Headquarters Building Basseterre St. Kitts and Nevis	Financial Secretary Ministry of Finance, Industry and Planning Government Headquarters Kennedy Avenue Roseau Dominica
Germany	Deutsche Bundesbank P.O. Box 10 06 02 Wilhelm-Epstein Strasbe 14 Postfach 10 06 02 D-60006 Frankfurt am Main Germany	Bundesministerium für Wirtschaftliche Zusammenarbeit und Entwicklung (BMZ) Referat 412 Stresemannstrabe 94 D-10963 Berlin Germany
Grenada	ECCB P.O. Box 89 Headquarters Building Basseterre St. Kitts and Nevis	Permanent Secretary Ministry of Finance St. George’s Grenada
Guyana	Bank of Guyana Avenue of the Republic Georgetown Guyana	Secretary to the Treasury Ministry of Finance P.O. Box 1073 Georgetown Guyana
Haiti	Banque de la 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 Economy and Finance Via XX Settembre 97 00187 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

COUNTRY	DEPOSITORY	CHANNEL
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
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

COUNTRY	DEPOSITORY	CHANNEL
Turks and Caicos Islands	First Caribbean Int'l. Bank Main Branch Grand Turk Turks and Caicos Islands	Permanent Secretary 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
Venezuela	Banco Central de Venezuela Av. Urdaneta Esquina Las Carmelitas Caracas Venezuela	President Venezuelan Economic and Social Development Bank Avenida Universidad Traposos as Colón Torre BANDES, Piso 7 Caracas 1010 Venezuela

FIVE YEARS AT A GLANCE

APPROVALS	2008	2009	2010	2011	2012
No. of Capital Projects (New)					
Approved for Loan Financing	19	24	13	20	9
(Of which OCRInvolved In)	(11)	(10)	(13)	7	(7)
No. of Additional Loans, TA Loans, Equity and Guarantees Approved	5	6	1	2	2
			-$M-		
Gross Loans, Equity and Guarantees Approved	297.5	151.2	270.5	166.5	103.6
(of which OCR accounted for)	174.8	116.0	224.0	69.5	39.6
Net Loans, Equity and Guarantees Approved	291.8	150.6	270.5	162.8	96.4
Amount Approved for Grants	49.6	15.6	30.0	21.9	60.0
LOAN DISBURSEMENTS			-$M-		
Amount Disbursed - OCR	101.6	115.7	246.4	94.9	49.5
Amount Disbursed - SFR	33.2	64.1	49.3	47.2	35.0
Total Disbursed	134.8	179.8	295.7	142.1	84.5
Net Transfers	1.6	70.0	180.1	15.4	(42.6)
PORTFOLIO			-$M-		
OCR Loans Outstanding	769.2	818.3	993.5	1,007.5	972.3
SFR Loans Outstanding	495.1	539.5	570.5	594.1	607.1
Total Loans Outstanding	1,264.3	1,357.8	1,564.0	1,601.6	1,579.4
FINANCIAL PERFORMANCE			-$M-		
Comprehensive Income - OCR	42.0	21.0	41.5	40.8	15.3
Comprehensive Income - SFR	8.9	6.5	7.3	2.1	2.8
	50.9	27.5	48.8	42.9	18.1
Operating Income - OCR	28.2	31.7	28.1	21.5	22.5
ADMINISTRATION					
Total Staff in Place at Dec. 31 (No.)	201	190	185	180	171
Total Administrative Expenses	23.0	23.0	24.3	24.9	27.4
Administrative Expenses to Total Average Loans Outstanding (%)	1.8	1.8	1.7	1.6	1.7

Caribbean Development Bank
P.O. Box 408, Wildey, St. Michael BB11000, Barbados,W.I.
Tel: (246) 431-1600 • Telefax: (246) 426-7269
Homepage: www.caribank.org • Email: info@caribank.org

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