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## **Financial Intermediation and Development: A Development Banker's Retrospective**

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**CARIBBEAN DEVELOPMENT BANK**



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by  
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## **Abstract**

This retrospective defines financial intermediation as the process of transforming assets and, in the process, adding social value. For it to define the work that development banks do, they must add to global welfare more than could be achieved by an extension of bilateral developmental transfers. This happens because those banks bring a degree of professionalism and objectivity to the policy advice function that typically accompanies all developmental assistance. The Caribbean Development Bank (CDB) clearly meets this criterion and greatly assisted the development of its members as a group. Long attachment to that organisation has given the author important insights on the general business of multilateral financing. Following the problems of the 1970s, developing countries were bound to run into debt service problems. The Articles of the World Bank allow for debt restructuring and had this taken place sometimes, it would have been better than the practice of “new loans” which that organisation preferred. The major change in financial architecture recommended, is the loosening of the dominance of any single member. But there should also be improvements in the monitoring and information functions of multilaterals, including local knowledge. This has implications for the future of CDB which should contain a more active role both in financing and monitoring its BMCs.

# Financial Intermediation And Development - A Development Banker's Retrospective

## 1. Introduction

Financial intermediation is the practice of transforming assets from one category into another. It is based on the assumption, that at some given time, one set of transactors are in possession of assets that could be put to use by others to yield a marginal social product that is larger than the sum of the two marginal utilities which would exist in equilibrium before the asset transformation took place. The increment in social benefit must be large enough to compensate a third agent, namely, the intermediary. (See Gurley and Shaw {1960}).

The most common transformation is from surplus deposits into advances to deficit accounts. The transformation of greatest interest to the development economist is from "short" to "long". That is, from typically a large number of small savers with short time horizons to a fewer number of investors with a much longer horizon, hence the term maturity transformation. This definition abstracts slightly from mutual fund transactions in which the categories of savers and investors are somewhat fused. This special case is also important but deserves a fuller treatment than could be given in a short paper.

In the case with which we are concerned, that is where the intermediary issues a fixed-value claim for a deposit, it acts both as a broker and an insurer. The latter function is often forgotten during normal times. In abnormal situations such as those recently experienced in some of the Caribbean Development Bank's (CDB) borrowing member countries (BMCs), and to a much larger extent in much of East Asia, the insurance function becomes pre-eminent and results in demands for adequate re-insurance. Part of the normal situation is the expectation that public policy would be able to perform the role of re-insurance through adequate inspection of intermediaries and fiscal competence to compensate depositors in the event of default. (See Diamond and Dybvig {1983}).

It would be supposed that, perhaps, the earliest and simplest of asset transformation should not have needed an intermediary. An enterprising deficit spender might have gone to a rich uncle

and persuaded him that he could put to better use, the nest egg that was proverbially hidden in a mattress. There is, in fact, a charming story of the exchange between the young J.M. Keynes and his father over a loan to support the former's penchant for the stock market. As I recall it, J.N. Keynes refused the loan, but offered his son the sound advice to be careful. This kind of direct transaction is also reflected in the Shylock and Antonio exchange in Shakespeare's Merchant of Venice. The latter is sufficiently advanced to show why intermediation becomes necessary. The storm that delayed the arrival of Antonio's ship and prevented the quick discharge of his obligation to Shylock is the classic illustration of how risk and uncertainty could invade the simple arrangement of a direct transformation.

Following this introduction, in Section 2, I shall seek to justify applying the notion of financial intermediation to the work that CDB has done in its BMCs. Section 3 will develop that theme by detailing some principal historical events involving CDB. Moving from the particular to the general, Section 4 will discuss some matters about the role of all multilateral banks, but in particular, small ones, in transmitting investment finance to, and aiding the structural adjustment and transformation of developing countries in the latter part of this millennium. The concluding section will try to assess where CDB will have to go in the early years of the next century.

## **2. The Caribbean Experience**

As Maurice Odle (1970) observed, the origin of the interest in financial intermediation amongst Caribbean writers during the period of the Caribbean Monetary Studies Programme (CMSP) stemmed from the perception of "the need for structural transformation of the region's economies. Perhaps, predictably, my own interest in the subject stems from about the same time as Odle's observation and is uniquely related to my role in the establishment and early functioning of CDB, where the original concern was with a very specific form of asset transformation. That is from the savings of donors to developmental investment in the BMCs coupled with an appropriate degree of self-help or counterpart transformation of regional domestic saving.

The Agreement establishing CDB came into force in January 1970. At that time the

authorized stock of Ordinary Capital Resources (OCR) consisted of 10,000 shares with a par value of US\$5,000 for an aggregate of US\$50 million, half paid in and half callable. This conformed entirely to the recommendation of the team of experts appointed in 1966 to examine "the possibility of establishing a financial institution for regional development in the Caribbean ....". The Report of that team was received in July 1967 and considered at a meeting of officials in Guyana in August at which I was part of the delegation of the Government of Barbados. In one way or another, I have been involved with CDB ever since, and seen its total resources rise to US\$1,002 million by December 31, 1997.

CDB came into existence at the start of what the UN styled the Second Development Decade and committed the developing world to achieving a growth rate of six per cent per annum. This is part of the background against which its performance as a unique financial intermediary is to be judged. Another part of that background is the crisis in commodity markets, and heightened political expectations which both emerged early in the 1970s.

How CDB would eventually start to tackle its task, was much influenced by the choice of its first President who was a man that had championed in public, the view that the criterion for distributing development assistance should be linked more to countries' self-help effort than to their needs. Those who have read what Sir Arthur Lewis had to say on this matter know that he understood the heart-wrenching nature of the dilemma. But he was convinced it was the way to ensure that developing countries used their own and other people's resources to effectively eliminate or reduce chronic poverty. He was particularly concerned with countries' efforts to increase their marginal savings rates and so he was implicitly interested in the spread of financial intermediaries. (See Lewis, {1972}). We should not be too surprised that part of the Charter mandate of CDB was to foster the development of capital markets in its BMCs.

The sense in which a multilateral development bank acts as an intermediary is very special. In place of normal depositors, we have what we have traditionally called donors, meaning countries such as those principally in the OECD which subscribe to the principles of the Development Assistance Committee of that group. Similarly, in place of the ordinary

entrepreneur, the investor is typically a member nation of one or more of several developing countries' groups. In what sense do the benefits of intermediation occur? That is in what sense does the gain in global economic welfare from the multilateralisation of development assistance, exceed what could be achieved through bilateral transfers?

Both groups of countries have a stake in this. Developmental assistance, whether bilateral or multilateral, is almost bound to be accompanied by conditions regarding the use of the assistance. For many developing countries, this has attached to it an aura of neocolonialism and it is resented. Not infrequently, sound macroeconomic advice is resisted by the latter, because it attracts this stigma. At the same time, many donors of developmental finance which have had no imperial aspirations, feel that their assistance could be more efficiently transferred if it went through a medium that was insulated from some of the normal pressures of political intrigue sometimes justifiably associated with bilateral transfers. The multilateralisation of assistance therefore appears to be a move in the direction of Pareto optimality. This has certainly been the gist of many remarks which have been made to me by officials from donor countries with which CDB has done business. This movement is further advanced by the fact that the multilateralisation of development assistance generally increases the scope of investment procurement leading to greater allocative efficiency.

CDB must have played a particularly critical role for many of the newer and smaller members of its BMCs as they began their individual national participation in the arena of development finance during a decade that turned out to be, in some ways, less friendly to the national aspirations of developing countries than had been anticipated at the start. Tables 1 and 2, and Figure 1 show respectively the pattern of the financing needs of these countries and that of CDB's cumulative financing, each over several years. It is customary to represent those needs by the magnitude of either or both the savings-investment gap or the export-import gap. Estimates of these for relevant members of CDB's BMCs are reported for the period 1980-96, for which a consistent series of data are available.

It is somewhat hackneyed to claim, but it has to be, nonetheless, that CDB and its BMCs



were exceedingly fortunate to have Professor Sir Arthur Lewis serve as the Bank's Founding President. He was in his mid-fifties and, as indicated above, had already acquired a reputation as an expert on the economic development of both advanced and underdeveloped regions when he assumed office. In the reference cited above (Lewis *ibid*) he had begun to articulate the philosophy of developmental assistance, then more commonly called foreign aid, that was to have a major influence on how assistance to developing countries would be processed. The early work of CDB was, therefore, conducted in a manner that would of necessity attract considerable approbation from objective critics. For a small bank whose size did not warrant the attention of the international capital market, it was good to be founded in such a tradition. Much of the success that it has been my good fortune to be associated with in subsequent years, had a foundation in that contingency.

What I think we must conclude is that CDB offered the region the opportunity to observe the start of the functioning of a very unique form of intermediation that conforms well to the notion highlighted by Odle (1970). A brief look at its history may now be appropriate.

### **3. The Growth of CDB's Intermediation**

As we saw above, CDB began operations in less than auspicious circumstances. The start of the 1970s, which was to be the beginning of the UN Second Development Decade, was a period of rising oil prices and interest rates that appeared to transform the prospects of most oil importing developing countries such as the majority of CDB's BMCs. The CARICOM region responded by trying to intensify the integration process and through it, that of regional import substitution. Hence in 1973 the Free Trade Association was formally transformed into a Common Market. CDB interpreted its role in this situation to be a provider of financing for economic infrastructure and for investment in the productive sectors. Anticipating the region's dynamic comparative advantage, its first loan was in the tourism sector to Cariblue Hotels Limited, St. Lucia. Noteworthy also, it was a loan to the private sector.

After four years of operation, in which time the first President felt that a foundation had

been well laid and he could return to the academy, CDB had made 110 loans to its BMCs with net financing of US\$40 million. The Bank was no less fortunate in the selection of a successor to Sir Arthur Lewis in the person of Mr. William Demas, my own predecessor in office.

The international recession of the 1970s; and, what it must now be generally admitted, an inappropriate response from some of CDB's larger BMCs in company with much of the Third World severely negatively damaged the development prospects of those economies. The initial adjustment was based on a definitively structuralist view of economic management. Hence, there were large tax increases and expenditure controls, (sic) import restrictions and price controls and a number of uneconomic subsidies. An official publication of CDB, The First Twenty Years succinctly sums up the result of those experiments when it says: "In the second half of the 1970s, it became clear that the BMCs needed to undertake major structural adjustment measures to stimulate production and domestic savings. Consequently, both Guyana and Jamaica entered into the International Monetary Fund programmes to improve the performance of output, the balance of payments and fiscal accounts. By the end of the period, however, Guyana had terminated its programmes twice and had begun negotiating the rescheduling of its external debt". p 9.

Unfortunately, in its case, much of that debt was official mainly multilateral and Guyana ran up against the orthodox view that such debt could not be subject to rescheduling. I have more to say of this view in the next section. But it cannot be denied that, as with many other Third World countries of the day, the apparent dominance of ideology over management seriously affected the chances of other remedial strategies. There can also be no denying the difficult balance between monitoring and support, that any regional or subregional development bank must strike in these circumstances.

This dilemma mirrors another that confronted CDB in the 1970s and early 1980s. The same publication continues later on: "Within this framework, the debate on the role of CDB as a Bank and as a development agency arose. This debate peaked at the 1980 and 1981 Annual Meetings of the Board of Governors as the Bank assessed its performance during the first decade of its existence and sought to define its future role. In 1980, Mr. Demas (William Demas,

President, 1974-87) was concerned that:

the functions of our Bank as a financial intermediary are not overwhelmed by the development agency functions. For it is only by striking a proper balance between these two functions that we can most effectively contribute towards satisfying the diverse development needs of our borrowing member countries.

This was especially pertinent given that the Bank's performance as a financial intermediary was the primary determinant of its access to new resources". (ibid)

The last sentence quoted reflects a major aspect of CDB's evolution into a full-fledged financial intermediary that participates in the full range of asset transformation on the world capital market. Figure 1 taken from CDB's 1997 Annual Report is a graphic portrayal of its intervention in its 17 BMCs between 1970 and 1997<sup>1</sup>. CDB has been the major source of development finance for its smaller BMCs and although providing a relatively small fraction of the investment capital of larger members, has frequently intervened in strategic sectors on strategic occasions in their development. CDB's contribution is generally appreciated by all its BMCs and is no less so by other member countries. Table 1 suggests how necessary this financing was. The savings gap of a group of relevant BMCs, though it fluctuated, generally rose by over 200 percent in the period 1980 to 1996. Table 2 reveals that between 1984 and 1993 the trade gap for all BMCs rose by over 120 percent.

I now wish to reflect briefly on what this period of work at a small development bank has suggested to me about official financial intermediation.

#### **4. Official Financial Intermediation and the Needs of Developing Countries**

As we have seen, CDB began operations at an auspicious time in the history of global finance. By the second year of its existence in August 1971, the United States of America had

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<sup>1</sup> These countries are: Anguilla, Antigua and Barbuda, The Bahamas, Barbados, Belize, British Virgin Islands, Cayman Islands, Dominica, Grenada, Guyana, Jamaica, Montserrat, St. Kitts and Nevis, St. Lucia, St. Vincent and the Grenadines, Trinidad and Tobago, Turks and Caicos Islands

abandoned gold convertibility that had been the buttress of the Bretton Woods arrangement. In 1973 the industrialised countries completed their recourse to a regime of floating exchange rates and coincidentally, the price of oil and other commodities and consequently, in part, the cost of industrial production rose significantly. Non-oil producing developing countries, to which group the majority of CDB's BMCs belonged, found themselves needing to finance a current account deficit on the balance of payments that moved from US\$16 bil. in 1973 to US\$41 bil. in 1974. (See Bacha and Diaz Alejandro {1982}). Table 2 shows that CDB's BMCs were seriously affected by this development.

The counterpart to the non-oil producing deficit was of course an oil-producing surplus. This gave rise to the need for an appropriate mechanism for intermediation. Bacha and Diaz Alejandro (ibid) explain that the emergence of the Euro-dollar market in the 1960s was propitious for this function. It afforded a network of global banks that had acquired skills in making large transfers of private finance to sovereign borrowers in circumstances that the official intermediaries found severely constraining. In retrospect, it is clear that the germ of a disastrous instability was planted. As can be seen from the experience of CDB and will be repeatedly emphasised in this Paper, a major benefit of official intermediation is the policy advice and technical assistance that accompanies financing. (See Rodrick {1995}). The fracture of the link between project financing and policy monitoring that occurred in the 1970s imparted a legacy to the development experience that is even now with us.

It would appear that ever since the classical economists discovered the allocative function of the market, commentators have oscillated between the view that it is a wonderful device for transmitting information and resources between actors and that which sees it as an institution likely to fail at the moment too much trust is placed in it. Perhaps Aristotle will always have the final word on this. The truth seems to be with neither camp but closer to the "golden mean" of moderation. A pragmatically regulated market in finance, in particular, appears to be the model that history prescribes. Be that as it may, the 1970s appear to have been a period when the pendulum had swung away from regulation and monitoring, to the mode that is now called liberalisation. This would coincide with a period of relative scarcity of finance for official

intermediaries and plenty for private banks. It may be that the easy acquiescence to this by the major official intermediaries was unfortunate. As is well known, the glut of private intermediation led in time to an excess demand for public intermediation to correct a disequilibrium that was caused by clear market failure in the former.

Worse yet, the practice of default that had emerged in the case of private intermediation and given rise to the need for recourse to official intermediation spread as well to financing arranged through the latter. By the end of the 1980s not only had this malaise affected the majority of the non-oil producing developing economies, but it had begun to be typical of a number of oil producers as well. The term Dutch disease began to be frequently employed in the analysis of the latter's macro-economies.

What follows is my personal reflection on how this problem developed and was handled, in particular, by the major multilateral lending institutions who did the bulk of official intermediation. The CDB had a close involvement with this. Three of its larger BMCs ran into serious difficulties; two, very serious indeed!

The circumstances that gave rise to the Euro-dollar market in the 1960s helped to fuel a large bout of world inflation. This led, in the first instance, to very low real interest rates that must have made borrowing on the international private capital market very attractive to non-oil producing developing countries in the 1970s and early 1980s. As we have seen above, Bacha and Diaz Alejandro (1982) show that the current account deficit of non-socialist non-oil producing LDCs moved from US\$16 bil. to US\$41 bil. in 1974. By 1981 it had moved to US\$60 bil. all in constant 1975 dollar terms. It is clear that in a region of generalised fixed or quasi-fixed exchange rates, the financing needs of the group would exceed their current account deficit.

Those authors show that this financing was arranged through a large variety of intermediaries. This would have brought with it conflicting criteria for eligibility that must have seriously taxed the abilities of domestic financial officials to manage. For instance, they show that net government to government transfers moved from US\$5.6 bil. in 1973 to \$11.3 bil. in 1981.

Net direct investment moved from US\$4.4 bil. to US\$9.2 bil. in the same interval. At the same time, net long term private borrowing moved from US\$10.4 bil. to US\$29 bil. Of major relevance for this paper, net long-term borrowing from official intermediaries, such as development banks, principally the World Bank, moved from US\$5.7 bil. to US\$22.6 bil. For serious note, IMF type net credit which was zero in 1973 and negative in 1979, was US\$5.3 bil. in 1981. So we have a pattern of a mélange of debt obligations which I suggest was bound to be exceedingly difficult to be managed by officials in the developing countries once the global economic situation changed.

Something else of major significance would occur about this time. It concerns the way the multilateral financial intermediaries would approach the threat of default by their borrowing members which ran into serious payments difficulty. With hindsight, it can be observed that elements of that approach which were sub-optimal were misjudged because of the charged political environment of the time. This was so in particular with radical demands for a new international economic order and related ideological charges and countercharges. That some of the problems have returned at the end of the century in an entirely different ideological atmosphere is, at least, salutary.

The sudden rise in the real price of oil at the start of the 1970s, its subsequent decline due to market response later in that decade followed by another rise and then a severe slump, had the effect of seriously affecting the developmental plans on which the long-run projections that determined long-run borrowings of both oil producing and oil importing developing countries, were based. Notwithstanding the East Asian miracle, and a relatively good performance by a well-known number of very small economies, investment plans by developing countries were bound to deviate from projections. Default, not only to international private financial intermediaries, but also to official ones, was, therefore, always likely, and happened dramatically in the 1980s. It was precisely this type of disequilibrium that official financial intermediaries should have been able to mitigate.

The framers of the Charter of the International Bank for Reconstruction and Development

(The World Bank) must have foreseen such an emergency. They allowed in Article IV, Section 4(c) that:

If a member suffers from an acute exchange stringency, so that the service of any loan contracted by that member or guaranteed by it or by one of its agencies cannot be provided in the stipulated manner, the member concerned may apply to the Bank for a relaxation of the conditions of payment. If the Bank is satisfied that some relaxation is in the interests of the particular member and of the operations of the Bank and in its members as a whole, it may take action under either, or both, of the following paragraphs with respect to the whole, or part, of the annual service:

(i) The Bank may, in its discretion, make arrangements with the member concerned to accept service payments on the loan in the member's currency for periods not to exceed three years upon appropriate terms regarding the use of such currency and the maintenance of its foreign exchange value; and for the repurchase of such currency on appropriate terms. (ii) The Bank may modify the terms of amortization or extend the life of the loan, or both.

Then in Section 7, we have: "In cases of default on loans made, participated in, or guaranteed by the Bank: (a) The Bank shall make such arrangements as may be feasible to adjust the obligations under the loans, including arrangements under or analogous to those provided in Section 4(c) of this Article.

Bearing the above in mind, I always found it curious that when several developing countries, including some of CDB's BMCs ran into severe servicing difficulties and applied to the World Bank for convenient relief, they were frequently told that it was impossible of the World Bank to reschedule loans. What I would dub a subterfuge evolved whereby the World Bank would make a new loan to members in difficulty. It appears to me that this may have often worsened the disequilibrium. Appropriate action under Article IV may frequently have been better. We may guess at why this practice was not encouraged.

What then of the future of international official financial intermediation in an age of privatization and globalization? To put the question in proper context, I suggest we return to Arthur Lewis' remarks about the state of the developing world in the early post-war years. He recalls: "Many doubted that the less developed countries were currently capable of development; they seemed to have inappropriate attitudes to economic effort; restrictive social customs, religions and institutions; even also intractable climates. Money spent pursuing development would almost certainly be wasted...." Lewis (*ibid*). Contrast that attitude to the approach we see now to the crisis in East Asia. The concern is not that recovery (development) is impossible but how long it will take to begin. With all their faults, the official financial intermediaries, global, regional and sub-regional, such as CDB, have had a hand in the attitudinal transformation that has taken place.

Indeed the current crisis has called into question the recent analysis of such institutions that put their future role in doubt. (See Worrell and Gonzales (1996)). Official intermediaries will continue to be necessary in particular for economies of the size of CDB's BMCs as will prudent management and some good fortune. (See Stiglitz {1998}). But the said crisis shows that even for very large developing economies, it is convenient to have in existence appropriately funded and staffed multilateral lending and monitoring institutions. There is at present much debate about whether the major two institutions, the World Bank and the IMF, should be supplemented by other intermediaries more relevant to the shocks that can emanate from the process of globalization. This is the debate about the so-called financial architecture. It does not appear to be a major issue to me, except that in whatever reforms are achieved, we should attempt to rescue international intermediation from the vagaries of the domestic politics of any single member, however large. And it is beyond dispute that the operations of private financial speculators are potentially so destabilising, when they get out of control as to require at least, some international surveillance.

It should also be apparent that local knowledge should play a far greater role in the monitoring exercise than has happened so far. From where we stand, it seems to me that the Asian Development Bank played a relatively minor role in analysing and articulating the emergent problems of the East Asian economies. Some of this may be due to the banker-client function that is inevitably a part of the work of all development banks. But even after discounting for that, local



monitoring appears to have been deficient. Of course, I see in this a lesson for us at CDB. We can agree that in a world of massive private capital flows, quick and accurate information will be at a premium. Although the process of establishing our own research capacity has been longer than I had anticipated, I am happy to report that it is starting to get going and I have no doubt it will be fully functioning in a reasonable time.

## **5. The Future Role of CDB**

What else of the future role of CDB itself? I began this retrospective by alluding to the incident between John Maynard Keynes and his father, John Neville. When the latter was asked by his enterprising son for a bridging loan, he refused the loan but offered what he considered sound advice. It must sometimes seem to BMCs of all development banks that the latter are long on advice and short on financing. This is not so much that talk is cheap. For good advice does not come cheap. But to be frank, even the best of advice and other technical assistance, without the required financing will not take a developing country far. In fact, although not always, often the advice is already available to the local planners. There is still a considerable role for finance. I am of the view that CDB should, in the future, be responsible for financing a much larger share of all its BMCs public sector investment programmes. It should have an increasing, though cautious role, in the financing of a vibrant private sector as well. All this has to be thought out carefully and this is the work of our strategic planning process which is currently in progress.

The Monetary Studies Programme over the last thirty years has been very much concerned with the issues I have discussed above. It was often the arena where much debate about the relevance of the advice that CDB's BMCs received from official intermediaries took place. It is beyond the scope of this paper to evaluate those debates, but suffice it to say that they sharpened the awareness and analytical competence of many of the leaders of our BMCs. CDB has been pleased to have been part of the process from its own inception and I would wish to see that partnership continued and strengthened.

**TABLE 1**  
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**SAVINGS GAP(US \$ mn) : 1980 - 1985**

Country	1980	1981	1982	1983	1984	1985
<b>MDCs (Total/Average)</b>	<b>(139.45)</b>	<b>(511.58)</b>	<b>(489.38)</b>	<b>(523.15)</b>	<b>(147.88)</b>	<b>(161.20)</b>
Barbados	(16.55)	(88.45)	(26.25)	12.10	54.65	92.55
Guyana	(67.06)	(115.66)	(81.67)	(98.00)	(44.13)	(47.29)
Jamaica	(55.84)	(307.47)	(381.46)	(437.25)	(158.40)	(206.46)
<b>LDCs (Total/Average)</b>	<b>(213.18)</b>	<b>(248.43)</b>	<b>(255.62)</b>	<b>(194.82)</b>	<b>(162.31)</b>	<b>(139.64)</b>
Antigua and Barbuda	(21.32)	(27.82)	(54.23)	(23.18)	(17.80)	(35.52)
Belize	(25.70)	(42.15)	(40.50)	(30.10)	(17.75)	8.75
Dominica	(41.70)	(29.22)	(20.41)	(15.52)	(29.44)	(23.09)
Grenada	(26.78)	(39.41)	(40.70)	(32.78)	(29.37)	(32.93)
Montserrat	(16.62)	(18.88)	(18.48)	(15.07)	(12.79)	(14.75)
St. Kitts and Nevis	(14.52)	(16.43)	(18.42)	(26.50)	(19.63)	(17.54)
St. Lucia	(36.37)	(51.26)	(37.41)	(11.41)	(21.00)	(18.11)
St. Vincent and the Grenadines	(30.17)	(23.26)	(25.47)	(22.86)	(14.33)	(6.46)
<b>All Countries (Total/Average) * *</b>	<b>(352.63)</b>	<b>(760.01)</b>	<b>(745.00)</b>	<b>(717.97)</b>	<b>(310.19)</b>	<b>(300.84)</b>

**SAVINGS GAP(US \$ mn) : 1986 - 1991**

Country	1986	1987	1988	1989	1990	1991
<b>MDCs (Total/Average)</b>	<b>55.34</b>	<b>(25.63)</b>	<b>(171.13)</b>	<b>(420.84)</b>	<b>(286.90)</b>	<b>(102.21)</b>
Barbados	30.60	7.75	7.30	(0.60)	(45.10)	(45.60)
Guyana	(56.67)	(44.36)	(19.40)	(32.92)	(66.56)	(8.00)
Jamaica	81.41	10.98	(159.03)	(387.32)	(175.24)	(48.61)
<b>LDCs (Total/Average)</b>	<b>(154.73)</b>	<b>(202.32)</b>	<b>(174.81)</b>	<b>(334.89)</b>	<b>(237.37)</b>	<b>(321.78)</b>
Antigua and Barbuda	(53.23)	(68.24)	(39.13)	(36.44)	7.75	(2.43)
Belize	0.00	8.90	4.75	(34.10)	8.90	(43.85)
Dominica	(9.86)	(15.15)	(22.68)	((51.39)	(47.86)	(49.18)
Grenada	(30.81)	(36.89)	(34.85)	(45.85)	(48.26)	(55.04)
Montserrat	(17.56)	(14.28)	(14.97)	(27.89)	(33.11)	(27.67)
St. Kitts and Nevis	(15.71)	(23.20)	(33.06)	(41.47)	(52.23)	(22.74)
St. Lucia	(18.41)	(28.11)	(21.19)	(64.75)	(40.06)	(48.16)
St. Vincent and the Grenadines	(9.15)	(25.35)	(13.68)	(33.00)	(32.50)	(63.71)
<b>All Countries (Total/Average)</b>	<b>(99.39)</b>	<b>(227.95)</b>	<b>(345.94)</b>	<b>(755.73)</b>	<b>(524.27)</b>	<b>(423.99)</b>

**SAVINGS GAP CONT'D (US \$ mn) : 1992 - 1996**

Country	1992	1993	1994	1995	1996
<b>MDCs (Total/Average)</b>	<b>22.05</b>	<b>(376.61)</b>	<b>(272.29)</b>	<b>(627.11)</b>	<b>(621.67)</b>
Barbados	121.65	86.00	80.15	61.50	125.40
Guyana	(66.25)	(71.33)	(49.80)	(47.90)	(43.71)
Jamaica	(33.35)	(391.28)	(302.64)	(640.71)	(703.36)
<b>LDCs (Total/Average)</b>	<b>(216.44)</b>	<b>(238.42)</b>	<b>(235.57)</b>	<b>(225.88)</b>	<b>(479.20)</b>
Antigua and Barbuda	11.90	25.14	7.71	(43.10)	(46.72)
Belize	(41.65)	(59.80)	(29.90)	(25.15)	(12.10)
Dominica	(24.78)	(25.78)	(36.70)	(37.33)	(31.70)
Grenada	(46.22)	(48.89)	(28.85)	(39.59)	(61.56)
Montserrat	(25.15)	(13.93)	(16.07)	60.22	49.96
St. Kitts and Nevis	(6.78)	(29.67)	(32.48)	(54.78)	(64.19)
St. Lucia	(36.51)	(25.28)	(29.49)	(4.15)	(44.37)
St. Vincent and the Grenadines	(47.25)	(60.21)	(69.79)	(82.00)	(268.52)
<b>All Countries (Total/Average)</b>	<b>(194.39)</b>	<b>(615.03)</b>	<b>(507.86)</b>	<b>(852.99)</b>	<b>(1100.87)</b>

\*Gross Domestic Savings minus Gross Domestic Investment

\*\*Excluding Trinidad & Tobago and Traditional Offshore Financial Centres

Source: CDB Economics & Programming Department

Table 2

## BALANCE OF TRADE (US\$ mn) : 1980 - 1985

Country	1980	1981	1982	1983	1984	1985
<b>MDCs (Total/Average)</b>	<b>4,164.63</b>	<b>3,793.78</b>	<b>(1,188.89)</b>	<b>(1,666.49)</b>	<b>(748.70)</b>	<b>(398.44)</b>
Bahamas	0.00	0.00	0.00	(567.00)	(604.30)	(630.70)
Barbados	(294.51)	(337.10)	(251.65)	(252.70)	(216.00)	(205.55)
Guyana	(7.22)	(83.02)	(36.73)	(50.33)	1.20	(42.40)
Jamaica	(120.06)	(280.39)	(345.06)	(308.50)	(122.06)	(103.42)
Trinidad and Tobago	4,586.41	4,494.30	(555.45)	(487.96)	192.46	583.63
<b>LDCs (Total/Average)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(609.84)</b>	<b>(654.56)</b>
Anguilla	-	-	-	-	(6.41)	(6.59)
Antigua and Barbuda	(58.63)	(97.96)	(117.63)	(89.15)	(114.26)	(149.67)
British Virgin Islands	- ...	...	...	...	(75.10)	(71.60)
Belize	(39.10)	(42.95)	(36.10)	(34.05)	(37.00)	(38.00)
Cayman Islands	(101.95)	(121.59)	(129.27)	(132.93)	(142.68)	(147.80)
Dominica	(37.93)	(30.48)	(23.00)	(17.59)	(32.19)	(26.89)
Grenada	(32.85)	(35.30)	(37.89)	-	(37.78)	(46.93)
Montserrat	(15.30)	(16.52)	(17.63)	(15.52)	(14.37)	(15.48)
St. Kitts and Nevis	(20.74)	(23.44)	(24.93)	(32.96)	(31.74)	(30.96)
St. Lucia	(77.74)	(88.00)	(76.44)	(59.30)	(70.74)	(72.96)
St. Vincent and the Grenadines	(41.67)	(34.11)	(28.67)	(29.33)	(23.07)	(17.07)
Turks and Caicos Islands	...	...	...	...	(24.50)	(30.60)
<b>All Countries (Total/Average)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(1,358.54)</b>	<b>(1,053.00)</b>

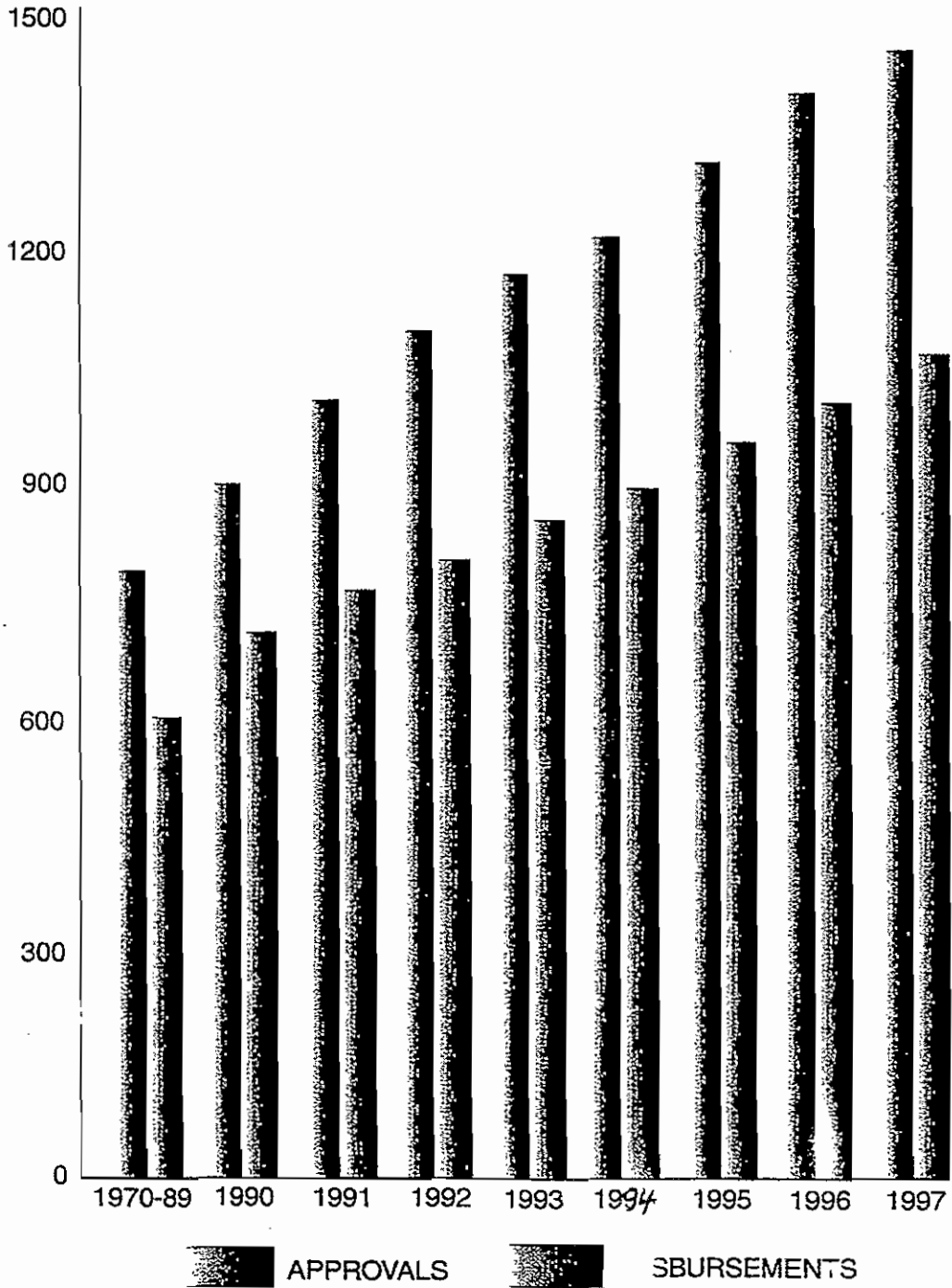
**BALANCE OF TRADE (US\$ mn) : 1986 - 1991**

Country	1986	1987	1988	1989	1990	1991
<b>MDCs (Total/Average)</b>	<b>(1,116.02)</b>	<b>(1,169.26)</b>	<b>(1,128.73)</b>	<b>(1,633.05)</b>	<b>(1,014.60)</b>	<b>(1,382.05)</b>
Bahamas	(647.10)	(724.00)	(712.50)	(959.90)	(857.60)	(855.60)
Barbados	(242.85)	(294.35)	(338.90)	(416.45)	(408.70)	(416.15)
Guyana	(49.50)	(21.40)	(1.00)	(7.70)	(45.60)	(5.00)
Jamaica	(69.12)	(351.90)	(357.30)	(606.00)	(522.10)	(424.30)
Trinidad and Tobago	(107.45)	222.39	280.97	357.00	819.40	319.00
<b>LDCs (Total/Average)</b>	<b>(665.68)</b>	<b>(758.69)</b>	<b>(818.55)</b>	<b>(1,055.65)</b>	<b>(1,056.68)</b>	<b>(1,136.92)</b>
Anguilla	(7.78)	(8.96)	(11.74)	(12.96)	(28.31)	(27.75)
Antigua and Barbuda	(180.89)	(195.71)	(176.31)	(217.19)	(202.01)	(209.29)
British Virgin Islands	(78.00)	(87.60)	(94.80)	(115.70)	(93.69)	(87.35)
Belize	(29.35)	(24.55)	(44.85)	(64.40)	(55.40)	(100.30)
Cayman Islands	(160.73)	(173.50)	(206.57)	(230.51)	(254.07)	(238.11)
Dominica	(11.23)	(9.57)	(20.21)	(48.12)	(47.88)	(40.86)
Grenada	(53.93)	(58.99)	(61.14)	(70.72)	(80.07)	(87.05)
Montserrat	(18.26)	(18.71)	(21.07)	(31.33)	(40.89)	(33.10)
St. Kitts and Nevis	(29.23)	(41.23)	(53.56)	(60.98)	(69.12)	(68.47)
St. Lucia	(51.81)	(75.00)	(72.22)	(124.85)	(107.82)	(147.51)
St. Vincent and the Grenadines	(11.07)	(31.96)	(20.19)	(35.19)	(35.00)	(52.94)
Turks and Caicos Islands	(33.40)	(32.90)	(35.90)	(43.70)	(42.40)	(44.20)
<b>All Countries (Total/Average)</b>	<b>(1,781.71)</b>	<b>(1,927.96)</b>	<b>(1,947.28)</b>	<b>(2,688.70)</b>	<b>(2,071.27)</b>	<b>(2,518.97)</b>

**BALANCE OF TRADE (US\$ mn) : 1992 - 1996**

Country	1992	1993	1994	1995	1996
<b>MDCs (Total/Average)</b>	<b>(1,174.67)</b>	<b>(1,780.15)</b>	<b>(1,289.80)</b>	<b>(1,852.35)</b>	<b>(2,309.21)</b>
Bahamas	(795.70)	(766.70)	(848.90)	(979.50)	(1,059.90)
Barbados	(277.75)	(326.70)	(354.70)	(445.70)	(456.20)
Guyana	(60.65)	(68.32)	(40.26)	(40.83)	(20.20)
Jamaica	(474.57)	(781.83)	(643.64)	(978.52)	(1,119.32)
Trinidad and Tobago	434.00	163.40	597.70	592.20	346.41
<b>LDCs (Total/Average)</b>	<b>(1,145.78)</b>	<b>(1,219.96)</b>	...	...	-
Anguilla	(32.97)	(33.21)	(37.40)	(45.80)	(51.10)
Antigua and Barbuda	(207.94)	(220.50)	(253.67)	(248.61)	(261.80)
British Virgin Islands	(87.19)	(99.48)	(102.95)	(103.21)	(97.53)
Belize	(104.30)	(118.60)	(80.40)	(69.00)	(86.40)
Cayman Islands	(296.09)	(280.78)	...	...	-
Dominica	(37.70)	(43.81)	(49.99)	(56.95)	(47.80)
Grenada	(79.85)	(95.59)	(89.11)	(99.51)	(123.72)
Montserrat	(28.25)	(21.96)	(27.12)	(21.76)	(17.33)
St. Kitts and Nevis	(51.16)	(62.64)	(69.70)	(80.57)	(90.94)
St. Lucia	(143.67)	(140.48)	(165.72)	(154.74)	(181.07)
St. Vincent and the Grenadines	(37.86)	(61.00)	(66.54)	(57.43)	(65.90)
Turks and Caicos Islands	(38.80)	(41.90)	...	...	-
<b>All Countries (Total/Average)</b>	<b>(2,320.44)</b>	<b>(3,000.10)</b>	...	...	-

CUMULATIVE FINANCING APPROVALS (NET)  
AND DISBURSEMENTS  
S'000 - (1970-1997)



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