

ROTBERG'S LIBOR ALLERGY

The World Bank found itself in a perverse situation last month: it was criticized for being too profitable. The bank recorded a net profit for the last fiscal year of over \$1 billion, and treasurer Eugene Rotberg swiftly had to explain the 40% increase to counter claims of overcharging developing country borrowers.

"There are three reasons for the profit surge," he told *Euromoney*, "and overcharging isn't one of them. We had a higher rate of return on liquid assets, we reduced the cost of total funds and lowered the cost of outstanding debt."

Rotberg paid tribute to the bank's swap programme for helping to lower its cost of funds, but dismissed suggestions that this had left room for providing easier terms. "We've only got a very modest margin of 0.37% on our borrowings. To get it any lower, our cost of borrowing would exceed our return on the loan portfolio, and I don't think that would be very prudent," he joked.

Rotberg hinted — but wouldn't comment further — at the inclusion of some new instruments in the bank's borrowing plans for next year. Among bankers, the consensus is that these will probably take the form of some variable rate short-term lending, probably in sterling, and a possible note issuance facility. "But you can be sure it won't be linked to Libor," said a director of one of the bank's frequently used lead managers. "Rotberg thinks Libor is too expensive and volatile. He's allergic to it."