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When Rotberg Speaks

THE WORLD BANK is the largest non-resident borrower in the world, having raised a record $8.5 billion in the fiscal year just ended and thinking in terms of borrowing $9 billion or so in the fiscal year to come. The organization, moreover, has $9.7 billion in its "petty cash" denominated in 25 currencies and trades hundreds of billions of dollars daily. The marginal cost of its borrowing last year amounted to a very respectable 10.93 percent (the cost of funds being only 6.6 percent when the $8 billion in equity is taken into account), the total cost of its overall indebtedness of $33 billion is 8.4 percent while the current yield on its investments is 13.5 percent.

It is, therefore, of more than passing interest what Eugene Rotberg, the affable Philadelphia lawyer who is treasurer of the World Bank, thinks about the financial markets, interest rates and currencies.

For example, Mr. Rotberg commented Friday that the recent market flurry over the failure of the Penn Square Bank, following as it did so closely on the problems of Drysdale Government Securities, was in no way as disruptive for the financial markets as the collapse of Herstatt in the 1970s. In those days, commercial banks had to pay a spread of 3 to 4 percent for three- and six-month money over the U.S. Treasury bill rate.

Although there has certainly been some flight to quality, reflected in the improvement in the bond and short-term money markets, the spread differential over Treasury bill rates has been "within the range of volatility of the past few years," he told a group of reporters.

The World Bank evaluates the credit standing of the banks in which it places some of its funds, reviews their capital and deposit base and liquidity of the instrument in which it invests. Some 95 percent of the dollar-based deposits — which range from $1 billion to $4.5 billion at any given time — are in the top nine banks in the United States. The remainder is widely deposited, but certainly not in the likes of Penn Square. Mr. Rotberg says he has not increased the percentage of his investments in Treasury securities and he is as confident as ever in the strength of those top banks.

Although the World Bank treasurer is reluctant to predict a trend for interest rates — noting only that they will both be higher and lower than they are today — he sees no let-up in the volatility of rates. That is one reason why his organization has decided to change to variable rate lending. Variable rates, he points out, are fairer and do not depend on the judgment of a small group of World Bank treasury officials.

Under this program, which has just been approved, the World Bank will put all the money it borrows from now on into a pool with the lending rate being a weighted average of the rates attached to each market borrowing plus a 50-basis-point spread. With the pool becoming larger and larger, the rate will be adjusted every six months. The rate for the next six months will be 11.43 percent, down from 11.6 percent. Mr. Rotberg figures the