

Market Place

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World Bank's Wide Prestige

THE World Bank must enter the financial markets, year in and year out, to raise the money it lends to less developed countries. In the last 12 months alone, the institution borrowed \$5.3 billion. Currently it has some \$27 billion in outstanding debt.

That makes the International Bank for Reconstruction and Development (as it is officially known) something of an investment banker's dream, for each financing brings with it a good-sized fee. The World Bank receives no special advantage, because it is a development bank.

Until recently, three investment bankers have served as the World Bank's banker in the United States: Morgan Stanley, Salomon Brothers and First Boston. But now that elite coterie is being widened to include two others. Merrill Lynch and Goldman Sachs will also help manage the bank's American underwritings, the institution said yesterday, confirming Wall Street reports.

"We have had three of the finest underwriters in the country, and now we have five of them," commented Eugene H. Rotberg, vice president and treasurer of the World Bank.

For the Wall Street houses, the new appointments bring prestige as well as the promise of more business.

As one Wall Street executive said, "To be known as a banker for the World Bank brings a certain cachet." Or, as another investment banking executive remarked, "The bank has a world reputation and

presumably could borrow money from anyone. Not to be one of their managing underwriters is embarrassing to an established investment banking firm."

But if being tapped as investment banker to the World Bank means one thing to the Wall Street club, it is serious business for the bank itself. The new appointments are a prologue to its return to the American capital markets.

"We expect to have a substantial and increasing borrowing program in the United States over the next several years," Mr. Rotberg said.

For the last three years, the bank has raised all its funds outside the United States in countries with significantly lower interest rates. Its average cost of borrowing in the fiscal year ended June 30 was 7.83 percent for borrowings that had an average maturity of about nine years.

Mr. Rotberg said the bank had also concluded that currency risks involved in financing in other currencies were not enough to offset those low interest rates. The bank carries no currency risk, since its loans are made in whatever currencies it borrows, but it tries to minimize the cost of its loans to its borrowers.

Now that American interest rates have come down, borrowing in the United States is a more palatable option for the bank. It is now watching the American markets, waiting for the right point to begin scheduling its own massive financings.

While the sale of the securities of any corporation involves some preparation, laying the groundwork for the markets to absorb the multimillion-dollar of-

ferings of the World Bank will be an even larger job.

"As an issuer of securities, the World Bank is probably the best known organization in the world," said Donald Regan, chairman of Merrill Lynch & Company.

But because the bank has not issued securities in the United States for three years, he added, "there will have to be a large reacquaintance program for institutions on the bank's securities and how they trade."

The World Bank has confirmed reports that Merrill Lynch and Goldman Sachs have joined its elite coterie of underwriters.

While there may be a good deal of overlap among the clients of the five investment bankers, each of them may bring in some additional customers that the others may have missed. The bank's securities are sold mainly to institutional investors, such as insurance companies and pension funds. Investors in 98 countries hold World Bank securities denominated in 18 currencies.

The World Bank is an unusual credit. Its capital, totaling more than \$40 billion, comes from 135 member countries. Its members recently authorized another \$40 billion that has not yet been paid. Despite the bank's huge debt, it carries top credit ratings. Both Standard & Poor's and Moody's rate the bank as triple-A. Its securities tend to sell for only one-half to three-fourths percentage point above United States Government bonds with similar maturities.

Mr. Rotberg pointed out that none of the countries that borrow from the World Bank has ever defaulted. Its commitments this year amounted to \$11.5 billion. It supervises more than 1,600 projects in 100 countries, worth some \$100 billion.

"The bank has an impeccable record," says John Gutfreund, managing partner at Salomon Brothers. "It is unique in terms of its financial sophistication."

Adds John Whitehead, a co-chairman of Goldman Sachs: "A case could be made that the bank's credit is even stronger than the credit of any one of the countries behind it, including the United States."