## Talking Business with Qureshi and Rotberg of World Bank

## Third World's Debt Burden

The World Bank, along with its affiliated institution, the International Monetary Fund, is playing a major role in dealing with international debt. Problems facing the International Bank for Reconstruction and Development, as the World Bank is formally known, were discussed by two of its officials, Moeen A. Qureshi, a senior vice president for finance, and Eugene H. Rotberg, treasurer, at a recent meeting with reporters and editors of The New York Times.

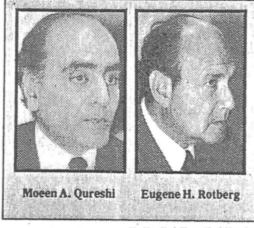
## Q. What is the third world's debt situation?

QURESHI: There is no doubt whatsoever that the problem is very large. The total debt of the developing countries is probably between \$700 billion and \$900 billion, of which a large component is short-term debt. That means two kinds of problems: the size of the debt in relation to the capacity of the developing countries to service it and also its structure, or maturity.

Right now, the debt situation cannot be divorced from the broader economic situation in the developing world. The developing countries are confronted with a finance problem and a development problem, both affected by the recession.

## Q. Is there a need for an additional financial institution to deal with the debt problem?

QURESHI: Another institution is not needed. What is needed are ways to restore confidence in the private sector lenders, to get the developing countries to adjust by making policy changes and to maintain capital flows in the interim so the developing countries have time to make adjustments and develop adequate debt/service ratios.



The New York Times/Jack Manning

This may require the development of new instruments, more effective use of multilateral and bilateral institutions and programs. But I don't see one institution suddenly being funded to resolve the debt problem. There are many complex aspects to the problem, and one new institution can't do that.

ROTBERG: There is no reasonable evidence to support the notion that the existing institutions are not working well. What you have to ask yourself is whether the current institutions have the financial market capacity to encourage lending by the commercial banking sector. That is a very subtle question because it deals with finance as well as what is in the heads of commercial bankers about whether they want to increase flows.

Q. Have countries that have had trouble paying their private commercial debt been paying you on time?

QURESHI: Yes, they have paid us on time. Our

arrears over 90 days on an outstanding portfolio of more than \$33 billion are less than \$350,000.

Q. Why have you been so successful in your lending programs, while others have had so much difficulty?

QURESHI: First, let's talk about the others. There have been delays and difficulties, but there is no evidence that any major borrower in the world is not paying interest on its debt.

One reason we are a preferred creditor is that the country realizes we are giving it long-range economic advice.

Another reason is that, unlike some bilateral lending institutions and most commercial banks, it takes the World Bank five or six years to disperse the funds. The significance is not merely technical. On our balance sheet, we have \$33.7 billion in outstanding loans, but there is also \$36 billion in loans that have been signed but not yet dispersed. Failure of a country to service debts at the World Bank would jeopardize not only new lending but also disbursement on already-committed loans. That is the guts of project lending.

Q. Interest rates are an important part of your business. What is your outlook for the credit markets?

ROTBERG: We probably have the most actively traded portfolio in the world, and a year ago we were very certain that over the following 12 months interest rates were going to decline. Unquestionably, the outlook for the next year is more uncertain than the one just past.

QURESHI: We certainly expect continued volatility in the market. There are too many unpredictable things that can affect monetary aggregates and interest rates. But we do see rates moving into a much narrower band in the coming years because some of the fundamentals, like inflation, are much better.

Kenneth N. Gilpin