

Jan. 15, 1981

# Once the World Bank starts to borrow in sterling expect



## NOTEBOOK

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EXPECT a sterling bond issue from the World Bank before the end of June.

Yesterday Mr Eugene Rotberg, the treasurer of the World Bank, was in London talking to investment institu-

tions at a seminar on the bank's finances.

The thrust of his presentation was that the bank was not a social welfare agency but a highly sophisticated development bank, that combined rigorous analysis of the projects for which it lent money with very great strength and security for its creditors and shareholders.

Mr Rotberg made it clear that the bank had at present no specific plans to make a sterling issue. Indeed given present sterling and dollar interest rates it had decided for the time being not to finance in either of those currencies.

Instead it would continue to borrow in the traditional "hard" currencies, like the German mark, the Swiss franc and the Japanese yen, to take advantage of the lower interest rate in those currencies. Last week the bank decided against making a dollar Eurobond issue

because of market conditions.

But looking ahead the picture is rather different. The bank wants to borrow another \$2 billion before the end of its financial year on June 30. It is shut out of the German mark market until the end of March as the Bundesbank has informally closed that market to all foreign borrowers until then to try to protect the exchange rate of the mark.

So should long-term dollar and sterling rates drop, there is no doubt that the bank will make some dollar and/or sterling issues. At the moment given the fact that long term dollar rates are lower, the choice would be for dollar issues. But should sterling rates fall Mr Rotberg makes no secret of the fact that the bank would like to tap the sterling market too.

Such an issue would be on the domestic sterling market, rather like the issue made for the Danes at the end of

July — a £75 million foreign issue that was the first such offering for several years.

This really is something to watch for, for though at the moment the idea is just a gleam in Mr Rotberg's eye (with knowing winks from merchant bankers Baring), it would give a further seal of approval to the UK as a foreign lender.

The World Bank is not just, despite its little local difficulties with countries like India, a prime name on the markets. Although it could claim to have been rather clever in its fund raising policy.

For the last three years it has been raising funds almost exclusively in currencies like the mark and the Swiss franc. Not only did it get the benefit of a low coupon on those issues. The "strong" currencies have in fact tended to be a lot less strong over the last three years and the bank has

been able to earn a large paper profit for its borrowers, who bear the currency risk on the money they borrow.

So if the World Bank thinks sterling issues make sense it may find others will follow. But sterling interest rates have to come down first.

others to follow