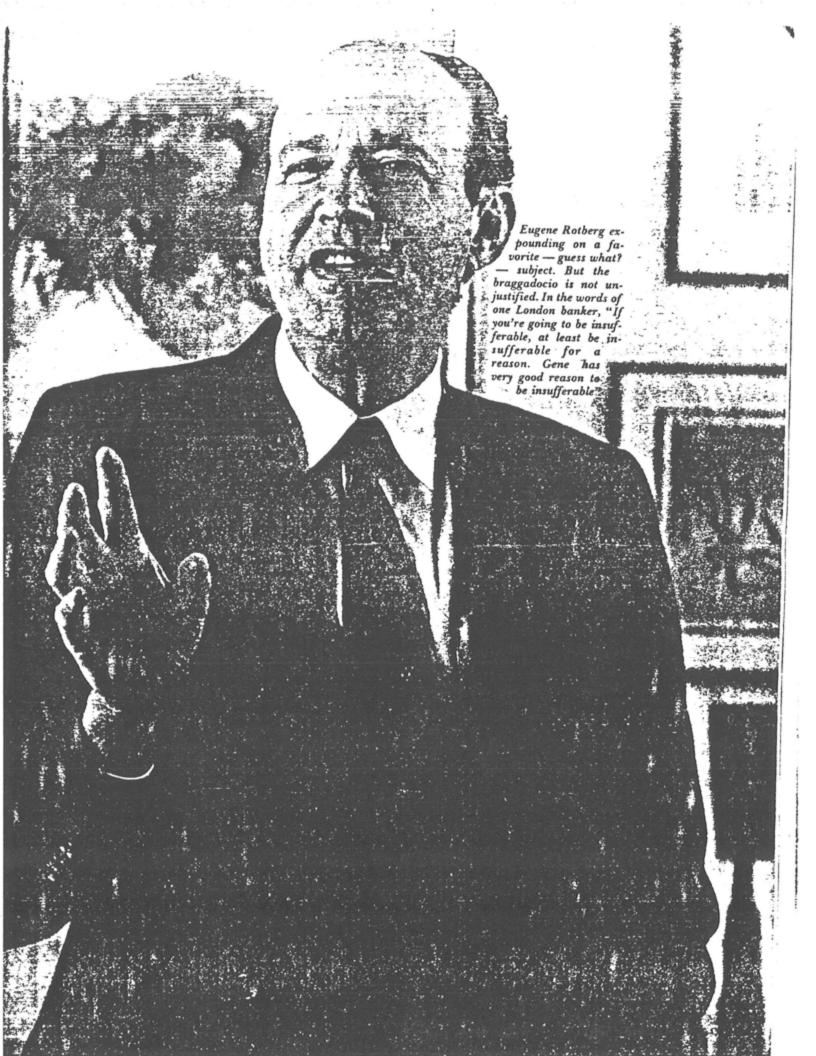
World Bank treasurer Eugene Rotberg









Others, though, see The Tower as a symbol, a Rotberg statement in wood and glass. Depending on whom you talk to, The Tower is a metaphor for:

A) The size of the World Bank's borrowing program and the enormous underwriting commissions it generates:

B) The impossibility of obtaining a lead-managership of a World Bank deal;

C) Gene Rotberg's ego.

Even if you take Rotberg's word that The Tower means none of the above - that it was the architect's idea, not his own it's not hard to see why an informed observer could see such imagery. After all, A, B and C are vital elements in the banking world's perception of the 54-year-old Rot-

berg. He is the world's biggest nonsovereign borrower - in the last fiscal year he borrowed \$11.5 billion, and in the current one he plans to tap the markets for \$14.2 billion - and he is indisputably the biggest single dispenser of commissions (\$70 million in the last year alone). Attaining the mandate for a World Bank deal can seem like a Sisyphean task (see box, above). And as for his ego, well . . .

Listen to Rotberg:

"We did the first foreign public issue in Japan. We were the first nonresident borrower from Japanese trust banks. I think most people would agree that we pioneered currency swaps, and I suspect we do more currency swaps than everybody else in the

The investment banking business relies on a combination of nagging and guilt," says World Bank treasurer Eugene Rotberg. "The guilt takes the form of them telling you, 'We have been coming to you for a long time, we have been doing research reports, we have initiated this idea, it's been a costly, time-consuming experience. our reputation depends on it.' That's guilt. The nagging is just a constant. 'Won't you name us?' '

No one is subjected to as much nagging and guilt as Gene Rotberg - understandably, in view of Rotberg's position as the world's biggest dispenser of underwriting commissions (story). And on no one does this treatment have so little effect. Many call, but few are chosen: That, in a nutshell, is the way it is with the World Bank.

Rotberg's practice of turning to the same lead managers in the breadand-butter deals - Deutsche Bank, say, for Eurobonds or the five-firm rotating group for U.S. bond issues makes those deals virtually impregnable. Below the top rung the bank does make some changes from time to time; for instance, it is constantly adding new names to its Swiss franc syndicate. But even in those cases, aspirants have a long, uphill struggle convincing Rotberg of their worthiness. "If someone claims they can

world put together. I think we were the first nonresidents to borrow from the German savings and cooperative banks. We were one of the first, if not the first, to do a Swiss franc-linked index issue. We were among the first to borrow Kuwaiti dinars. We are clearly the largest nonresident borrower from OPEC. We have done many things that have not been replicated - we were the only institution to do long-term. fixed-rate private placements with central banks. We have yet to see an instrument come to the market that we have not already looked at ourselves or had brought to us.

"If I want to make myself feel reasonably satisfied, I look at two numbers. We have \$46 billion of outstanding debt. and the average cost of it is 8.66 percent. That 8.66 is way below what anyone else has. It's so far below, it's out of sight.

In the words of one of Rotberg's principal underwriters, "Gene is proud of his abilities - let's put it that way.'

#### One-track mind

No one could be prouder. In voice and manner, Rotberg often resembles New York's controversial mayor, Edward Koch. and where he most resembles Koch is n his boundless absorption in his institution. - and by implication, his own - account

Boasting about how many deals a firm has done also cuts, little ice with Rotberg. "They say, 'Look where we are in the *Institutional Investor* league tables.' I tell them, 'You can take that and stuff it.' " And bringing over a firm's top officials to see Rotberg is also a waste of time. "The most ineffective thing you can do is go in with the president or chairman to see me," he says, "unless the chairman knows the issues the World Bank faces as well as his staff — which is very rare."

Nevertheless, obtaining a mandate for a World Bank deal is not exactly an impossible dream. For one thing, anytime the bank enters a new market or toys with a new instrument, it is wide open to overtures from anyone. When the World Bank entered the short-term discount note market in September 1982, for instance, it brought Lehman

Brothers Kuhn Loeb into the management group, even though Lehman was not one of the bank's five traditional U.S. managers. And with Rotberg spurning the long-term fixed-rate market in favor of more short-term and floating-rate deals, the opportunities to break into the group have multiplied. "The syndicate is not so fixed anymore," says one of the traditional U.S. managers. "It is fixed on plain-vanilla fixed-rate deals, but you've got to wonder how often the bank will be doing those. It's an open ball game."

But before a bank can hope to lead a deal, it will have to establish its bona fides with Rotberg and his crew. Although much has been made of Rotberg's decision in June 1980 to have Banque Paribas lead his first Eurodollar deal, what is often overlooked are the years of cultivation that went into it. "With Gene, there is no such thing as a free lunch," says Paribas International chairman Pierre Haas. "For years I spoke to him on the phone without anything coming out of it for us except co-lead in a Euro-French franc issue." Similarly, the selection of Baring Brothers & Co. to lead the World Bank's Eurosterling deals shouldn't have surprised anyone. Not only had Baring done sterling deals for the World Bank in the 1950s and 1960s, it had continued to advise the

bank throughout the period when the sterling market was closed to foreign borrowers.

Sometimes. in fact, the best way to woo the World Bank is to downplay your abilities in order to establish your credibility. "If I were someone approaching the World Bank people," says one of Rotberg's top aides, Jessica Einhorn, "I'd spend twelve months demonstrating my knowledge of the marketplace and their balance sheet and telling them why they shouldn't use me in a particular transaction or why I am equal to but not necessarily better than anybody else."

Above all, says Rotberg, aspiring bankers should try to understand the World Bank's decision-making apparatus, its balance sheet and its peculiar problems. "Very few people have taken the time and trouble to understand all this," he complains. "If I were a banker, I would spend most of my time focusing on the bank as an institution and not on the markets, because if all you know is the markets, everybody knows it, and we've already set up a structure for plain-vanilla transactions. If you come in and say, What you ought to do is a seven-year fixed-rate bond, I'd say: Thank you very much, I've already heard that 40 times in the last week. What was your name again?" "

plishments. "Frankly, Gene finds finance boring," says one of his top aides at the World Bank, Jessica Einhorn. "If you say to him, 'Gee, Gene, theoretically, in the marketplace they are valuing a warrant at this, but there's a man at the University of Pennsylvania who's discovered that the market is wrong, and it should value it at this' — well, his eyes glaze over. The only interest he has in the financial world is raising money or investing money for the World Bank. If you're not talking about his transactions or his operations, he couldn't be less interested."

On the other hand, who can blame him? As one London banker puts it: "If you're going to be insufferable, at least be insufferable for a reason. Gene has very good reason to be insufferable." With a mere \$3 billion of its \$55 billion balance sheet representing paid-in capital of member governments, the World Bank has relied on its borrowing capacity to fund the sweeping expansion of its development lending. Rotberg's operations - on both the borrowing and investing sides - have been the cornerstones of that expansion. Former World Bank president Robert McNamara, who brought Rotberg to the bank fifteen years ago, notes that "what Gene has done can be seen in the figures:

The bank went from \$100 million a year in borrowings when he started, to more than \$10 billion today. Had that not happened, the bank would not have been able to do what it's done the last fifteen years. And in terms of liquidity management, the bank now has the most sophisticated cash management operation in the world. It's an extraordinary record of accomplishment."

Perhaps what has been most extraordinary is that the exponential expansion of the bank's borrowings has not diminished its creditworthiness one iota. In every country in which it borrows, the World Bank's credit is deemed second only to that of the government itself. Reflects David Bock, director of the bank's financial policy and analysis department: "It's a fascinating thing, why this institution - based in Washington, D.C., lending to developing countries, owned by governments should be the most highly regarded borrower in the world. When Mexico was going downhill and LIBOR was 220 basis points above U.S. Treasuries, we couldn't print enough bonds. The flight to quality was straight to us.'

The World Bank under Rotberg has also been one of the international capital markets' most innovative borrowers: it has indeed pioneered everything he says it has. And in everything from samurai bonds to currency swaps, the World Bank has been the bellwether, blazing a path for other, lesser issuers to follow.

#### A throwback

Although anyone who hands out \$70 million in commissions a year is bound to win a special place in bankers' hearts, the praise for Rotberg's performance seems, for the most part, sincere and well warranted. "There are very few financial officers in any corporation as good as he is,' says Pierre Haas, chairman of Paribas International. "He has never had an accident. And when you borrow \$10 billion a year and never make a mistake and do that for years - that takes not only a very deep technical knowledge but also a knowledge of who you deal with and what you can expect further." Comments Goldman, Sachs & Co. co-chairman John Whitehead: "Gene is in the upper 1 percent of chief financial officers of any organization, public or private. He's extremely able, very bright, very demanding. And the staff that he's recruited and trained is as professional a staff as I've seen anywhere in the financial world."

What bankers appreciate most about Rotberg is that he is a throwback to the

illustrations by Frank Fitzgerald

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### "By forever harping on the success of the bank's borrowing program, Rotberg is building a foundation for the next bond issue and the ones to follow."

good old days of relationship banking. At a time when customer loyalty can be measured in microseconds, Rotberg uses the same lead managers deal after deal, trusts in their advice and scrupulously refrains from pushing, squeezing or forcing them to the wall. "It's viewed as a partnership approach and not an adversarial approach,' says Morgan Guaranty Trust Co. executive vice president Roberto Mendoza, who has worked closely with Rotberg on swaps and other deals. "Gene and his team are distinguished by developing a long-standing relationship with their underwriters and not trying to take a momentary advantage that will be expensive in the long run." Notes Whitehead: "Gene wants a price that is fair to the issuer and fair to the buyer. He doesn't like to have overpriced issues that screw the market and leave a lot unsold."

The gospel according to Rotberg is as follows: "You don't ever, ever ask for something you don't deserve. There are no games to be played. There is only one market, and the difference between the issuer and a buyer is only a few basis points. There's where there is room for negotiation. If it's more than that, someone is being hurt.

"We don't believe you can outfox the market on a given transaction," Rotberg continues. "You can call on underwriters to take bonds, but that's not the market. That is simply something they will do from time to time that we don't think is in their best interest or ours. It's not in our interest, because if the bonds are put into accounts that are uninformed, the investor sooner or later will know it and will be distressed at either his investment banker or issuer. If the investment banker takes the bonds, and he does it because he doesn't understand the market, we don't want to deal with him. because he's uninformed. And if he's informed and does it, then he's being foolish, and we don't want to deal with foolish people."

Not only does Rotberg commonly reject offers he deems unrealistic, but he has actually broken transactions where he felt, because of events after the pricing, that "we were getting too good a deal." In one such case involving a loan from a Belgian bank, interest rates suddenly rose during the 24 hours between the pricing and the signing. Rotberg offered to back out of the loan — but in this case the bank was equally gentlemanly and insisted that a deal was a deal.

Of course, there is more to Rotberg's posture than simply the spirit of fair play. As Whitehead points out: "If you're the World Bank, you can screw the market only so often. Sooner or later it comes back to

haunt you." Nevertheless, Rotberg's kidgloves approach is in stark contrast to the squeeze-them-into-submission attitude of some other multinational borrowers such as the European Investment Bank. And bankers cheerfully point out that, based on the two institutions' respective performances, over the years, it's not hard to conclude which approach works best.

Working with Rotberg can indeed seem like a remarkably soothing exercise compared with the haggling and bluffing that goes on with other borrowers. "It's easier to deal with Gene than with other chief financial officers because you cut through a lot of the bullshit," says David Batten, managing director at First Boston Corp., one of the World Bank's principal U.S. underwriters. "If you think something is worth \$3, you don't come in asking \$4. He forces you into a realistic quote. And then he tells you what he'll do. That's the ultimate way he'll bargain." Notes Morgan's Mendoza, "His perception in a negotiation is that if there is room to negotiate, it implies the underwriter has not given him the best terms in the first place."

#### Sheltered life

In this respect, and in others, the world of Gene Rotberg seems to be an impressively well-ordered one. He is comfortable with his longtime underwriters; comfortable, after fifteen years, with his job; comfortable, after 30 years of marriage, with his wife and two daughters. He can rely on a talented, energetic staff who do the actual nitty-gritty negotiating of most of the 120odd deals the World Bank does each year and who sort through the reams of financial proposals that come across Rotberg's desk. Wherever he goes in the world, he is fussed over and feted (although Rotberg insists he turns down most dinner invitations). To anyone used to the anxieties and frustrations that are an international banker's lot - to anyone, in short, who has trouble getting phone calls returned - Rotberg's life can appear incredibly sheltered.

Under the circumstances, it's not surprising that Rotberg's view of things often takes on a distinctly rosy hue. Remarks Einhorn: "When I joined the bank, I used to laugh at the fact that Gene thought everybody in the world was a nice guy. I said to him, 'There you are, the largest nonresident borrower in this market, bo you really think everybody is a nice guy, everybody likes good food, everybody likes to talk about opera? That's not the way the world is."

Deep down. Rotberg recognizes that

all is not sweetness and harmony - that some people might even not like him. "I know some people," he says, "who think we're real bastards, who think we give them such a hard time, who think we're awful." (He declines, however, to divulge their names.) To be sure, there is an ironhand-in-velvet-glove side to Rotberg that some of his underwriters, when pressed, admit to seeing. "He can be so tough that sometimes you think he's picking on you." says Goldman Sachs partner Frank Smeal. who's dealt with Rotberg throughout his tenure at the World Bank. "Sometimes we feel put upon. But he's like the Rex Harrison character in My Fair Lady when he says, 'It's not that I treat you badly; I don't treat anyone else any better.' '

Though Rotberg doesn't like to haggle, he also doesn't blindly accept his bankers' suggestions; in his own way, he can be quite insistent that his terms, not the banker's, are best. Sometimes he resorts to withering sarcasm. Relates an aide: "He'll walk into a meeting of our underwriters and say, 'You guys are doing a terrific job. You guys are doing a so much better job than anyone else that it makes me wonder what it is you guys are doing. Let me tell you what you could be doing: You could be swapping our paper, you could be doing this, you could be doing that. I just wanted to know why you guys are doing such a

good job."

From time to time, Rotberg will play on his good-guy image, using it as a guiltinducing weapon. In the negotiations over the World Bank's first Eurosterling deal. for example, Rotberg was convinced that he could do ten basis points better than what his British managers were suggesting. But instead of insisting on it, he gently told them: "You gentlemen know the market. I'm going to rely on your advice at the end of the day. Of course, if we go ahead with the spread you suggest, and the issue then trades in the secondary market at a premium, then we would have to conclude that you're either uninformed or you want to make a lot of money on it. And you have to remember that we receive proposals in the market all day long. But we'll do what you say." Remembers Andrew Tuckey, director of lead-manager Baring Brothers & Co.: "It was quite a subtle form of pressure. It was very elegant and most persuasive." The underwriters caucused and surprise - promptly saw things Rotberg's way.

On occasion, in the experience of at least one banker, Rotberg can even be downright nasty. "He tried to force us to accept a swap proposal on his terms," this man recalls, "and when we wouldn't do it, he became completely distraught and somewhat unreasonable about it, and he took us out of his syndicate entirely. He went through a punishment—reward phase: He would reward people for the slightest reasons and punish them for the slightest reasons. He became a bit of a megalomaniac." (Rotberg, though, denies he ever

#### Tactics

Rotberg is not averse to playing his European managers off against his American ones - calling Deutsche Bank, say, after getting a bid from the U.S. group, and asking Deutsche what the issue could be done for in the Euromarket. This practice, he says, has been facilitated by the advent of Securities and Exchange Commission Rule 415 in the U.S. "What 415 has done," he says, "is give us the capacity to respond very quickly in the U.S. and immediately have a similar competitive bid in Europe. But we've never taken improper advantage of it. If one of our U.S. managers comes in with a bid that's simply meant to meet the European bid, he'll be turned down. The proof of that is that we haven't done a U.S. bond issue in a year."

Despite the trust he puts in his bankers, Rotberg shows no hesitancy in rejecting the conventional wisdom and going his own way. When the World Bank made its debut in the international floating-rate-note market earlier this year, for instance, Rotberg spurned proposals for a LIBOR-based floater; what he wanted was an FRN issue with a spread over U.S. Treasury bills. The fact that no one had ever done such an issue before didn't faze him in the least.

"We decided we didn't want to use as a benchmark the rate that commercial banks charge each other," he explains. "First, because we're better than any commercial bank in the world in terms of credit. Second, because the deposit rate in the LIBOR market is a function of panic and hysteria. When the papers are filled with news about Continental Illinois, every bank in the U.S. has to pay between 50 and 100 basis points more for three-month deposits than it did a week ago." Eventually, Rotberg received a bid for a T-bill-based floater from a very untraditional World Bank manager, Bankers Trust International, and despite fears that such an issue would be of little interest to non-U.S. investors, the deal was a success.

His stance on a LIBOR floater was an apt indication that, sugarcoated banking relationships notwithstanding. Gene Rotberg can be a very stubborn, argumentative man. "Argumentation and discussion are what Gene lives on," says someone who has known him for almost twenty years. "Gene is never in doubt, but he is not someone who refuses to listen. He listens very carefully, and then," this man laughs, "he goes his own way." Within the World Bank, says David Bock, "the debates with him are very intense because he's very intense. We've squabbled over virtually everything at one time or another." Rarely, however, are these arguments of the screaming. shouting variety; rather, they are akin to a tussle between two French intellectuals at a Left Bank café over existentialist theory.

### "Argumentation and discussion are what Gene lives on."

(Asked once about what mistakes he had made as World Bank treasurer. Rotberg responded, "What do you mean by mistake?" Nonplussed, his interrogator suggested that one mistake would be tapping a market that wasn't very deep. Replied Rotberg, "What do you mean by deep?") Often these discussions are verbal tours de force, as Rotberg proceeds to ask himself all the questions the other side would ask, answer them and adroitly paint his adversary into an intellectual corner.

On the other hand, Rotberg is content not to win every argument. The joke among his staff, in fact, is that the definition of consensus decision making at the World Bank is "everybody yelling at Gene until he changes his mind." Says Einhorn: "Intellectually, Gene is very secure. When we were going up to New York to discuss floating-rate notes, he brought seven people with him. Most people like small, elegant meetings. But he says, 'The more intelligent people there are in a room, the better off I am.'"

What Rotberg particularly savors is a chance to practice his verbal give-and-take with a large group. "He loves being on a stage; there's no two ways about it," says a colleague. "He gets a tremendous kick out of turning on a crowd, out of reaching out to strangers." With his breezy style and his showman's bent for audience participation ("How many of you out there bought long-term bonds at 13 percent? 16 percent? 20 percent?"), Rotberg rarely disappoints a crowd - be they bankers, fellow borrowers or institutional investors. "Anyone who can keep a group of traders mesmerized for three hours is a unique individual," says one of Rotberg's American investment bankers. "And Gene has been known to do that."

Indeed, Rotberg's greatest contribution to the World Bank, when all is said and done, may be his sheer talent for salesmanship. His boss, senior vice president Moeen Qureshi, puts it this way: "Gene's greatest ability is the ability to convey to the outside world that this organization is not just a bunch of do-gooders, that this is a bunch of hardheaded people who want to make absolutely sure that every dollar they lend is usefully spent." In deal after deal, his underwriters say, it has been Rotberg's salesmanship - his talent for communicating the strength of the World Bank's balance sheet, the prudence of its lending policies, the safeguards for its bondholders that has turned the tide. By forever harping, to anyone who will listen, on the successes of the bank's borrowing program, Rotberg is doing more than indulging in self-congratulation; he is building a foundation for the next bond issue and all the ones to follow. "Gene," says Bock, "is

the best bond salesman that ever was."

Rotberg, in fact, often seems more suited to the role of Wall Street deal maker than to the position of treasurer of a huge multinational development agency. The thought wasn't lost on his old boss, Bob McNamara. "Gene," he says, "could have left anytime in the last ten years and made five times, ten times what he was making at the bank." But as much as the money tempted Rotberg, he couldn't face up to the idea of leaving the public sector. "I've always wanted to be in public service," he says. "Always."

#### Goliath-baiting

That commitment, in great measure, can be traced to the example of Rotberg's father, a Philadelphia neighborhood lawyer whose practice centered on helping ordinary people in trouble: a woman who had been left by her husband, a laborer who was having difficulties with an insurance company. "He was always David tilting at Goliaths," recalls a family friend. When the younger Rotberg finished University of Pennsylvania Law School in 1954, he dismissed the notion of private practice and instead took a job with the ultimate Goliathbaiting agency, the Securities and Exchange Commission.

His specialty was market regulation. but he soon displayed for more interest in the theoretical part of the job than in the nuts-and-bolts market-cop role. Moseley, Hallgarten, Estabrook & Weeden executive vice president Frederick Moss, who moved up through the SEC ranks with Rotberg, remembers that "he'd go over the evidence, was a good trial lawyer, spoke well, was good on his feet. But he wasn't a jugular kind of person in his enforcement work. When we worked together on an enforcement proceeding, we'd split the witnesses. But when it came time to interrogate them. Gene would always say, 'You do it.' '

What fascinated Rotberg was the structure of the securities industry, particularly the growing institutionalization of the markets and the quasi-monopoly position of the New York Stock Exchange. In the mid-1960s he spearheaded the SEC's push to crack open the NYSE's commission rate schedule. It was Rotberg, more than anyone else, who set in motion the forces that would culminate in the complete unfixing of commissions on "Mayday." May 1, 1975, and the dawning of a new, competitive era on Wall Street. Recalls Investment Company Institute president David Silver, another of Rotberg's old SEC colleagues, "Gene was the driving intellectual force in the events that led up to Mayday.'

The commission rate controversy gave

## "If you're not talking about his transactions or his operations, he couldn't be less interested."

Rotberg some true Goliaths to tilt at: the oligarchs of Wall Street. In one celebrated incident, he and Moss were interrogating a group from Morgan Stanley & Co. Each of the Morgan Stanley people introduced himself by describing his pedigree: Yale this, Princeton that. Then they looked at Moss and Rotberg and asked, "And who are you?" Moss and Rotberg introduced themselves as SEC investigators. "We know that," a Morgan Stanley man said. "But who are you?" Rotberg delighted in tweaking the noses of these barons. When one of the NYSE's great nemeses, Donald Weeden of Weeden & Co., was running for a congressional seat, Rotberg would appear at hearings with a "Weeden for Congress" button fixed to his lapel. But then, as now, Rotberg displayed an instinct fordiplomacy: He refrained from pushing for complete elimination of fixed commission rates and tried to make the changes as tolerable as possible. Relates Silver, "Gene could make the prospects of death by hanging, drawing and quartering sound not only palatable but highly enjoyable."

Throughout his SEC stint Rotberg remained every bit the theoretician, talking about "breaking mental sets, the fictions and labels in terms of which people consider things." (He was also something of an absentminded professor. "You'd go through his desk drawer and find a whole bunch of uncashed paychecks," recails Moss.) It was this intellectual bent, apparently, that in 1969 caught the eye of McNamara, who had just taken over the World Bank presidency. The fact that Rotberg didn't seem to care that much about money also helped. "I could only pay international civil servant salaries," relates McNamara, "so I had to find someone who would be willing to work for less than what the market paid him." Rotberg, who wasn't optimistic about the SEC's future under the new Nixon administration, consulted some of his Wall Street friends, including Donald Regan at Merrill Lynch and John Gutfreund at Salomon Brothers. They urged him to take the World Bank job. Rotberg jokingly suggests they did so to get him out of their hair. "John Gutfreund may not recall it," says Rotberg, "but when I said, 'I'm not sure about coming to the bank,' he said: 'I'll tell you what I'll do. You take my job, and I'll take that job.' I think," Rotberg adds, "we both made a wise decision. I know I did - I don't know about him."

#### Global smorgasbord

Rotberg, with his legal background, his admitted ignorance of the fine points of corporate finance and his gadfly mentality, could hardly have been considered the ideal

candidate for the World Bank job. And indeed, as one old friend recalls, "in his first couple of months there, he ran around like a chicken with its head cut off." But Rotberg maintains the transition wasn't as difficult as it seemed. "What you had to do," he says. "was cut through the language and ask yourself why people behave the way they do. What gives them pleasure, what gives them pain? That's the guts of finance, and it's the same in the securities business."

Given the mandate by McNamara to vastly expand the bank's borrowing program and its sources of funds, Rotberg responded in bravura fashion. He tapped virtually every market known to man and virtually every currency, up to and including the Lebanese pound and the Libyan dinar. But he was also selective; as Rotberg sees it, the global capital market is a great smorgasbord, and the trick is not to fill up on any one dish. "If there's a market for \$3 billion in a given currency in a plainvanilla bond, you don't want to issue \$3 billion. You want to issue \$1 billion," he explains. "The idea is never to test a market to its limit. The idea is to walk away from it before anyone begins to question whether you have issued too much paper in that

Perhaps Rotberg's most daring move was his decision, in the late 1970s, to load up on debt in such low-interest currencies as the Swiss franc, the deutsche mark and the yen. It came at a time when most corporate borrowers, having been badly burned by those currencies' appreciation against the dollar, were avoiding them like the plague. But as Rotberg recalls, "It was our view that the dollar would not be devalued 70 percent against the Swiss franc, which is what it would have had to devalue for the life of the loan to make up for the interest rate differential." Furthermore, he concluded that the high dollar interest rates would inevitably cause the other currencies to depreciate. "I can assure you." he says, "that if deutsche marks were at 6 percent and dollars at 7, we would not be borrowing deutsche marks at 6. But when deutsche marks were at 7 and dollars at 13, we took the view that 13 would pull funds from the deutsche mark into the dollar."

In retrospect, it all seems eminently logical — but at the time it hardly seemed so. "It really took a lot of nerve on Gene's part," says a colleague. "But he just seems to have something in his gut that predicts the way things will turn out." The decision turned out to be a master stroke. As Morgan's Mendoza points out, "If you look at what the effective financing cost of the World Bank has been in the last five years

relative to what a naive policy of just borrowing dollars for the same maturity would have been, they have saved big, big numbers." How big? From mid-1977 to the end of last year, the bank's deutsche mark, Swiss franc and yen borrowings saved it about \$1 billion a year in interest costs, and the exchange rate gain netted the bank a further \$3 billion.

In all this, Rotberg had the full support of Robert McNamara. So involved was McNamara in the borrowing program, in fact, that he regularly participated in meetings with the bank's American underwriters about the pricing of dollar bond issues. "He was involved in every single detail," says Rotberg. "He personally negotiated all the dollar borrowing transactions before Rule 415." He was also just about the only person in the world who could regularly oneup Rotberg. McNamara once asked Rotberg why World Bank paper sold at some constant discount to U.S. Treasury securities. Rotberg proceeded to tick off five specific reasons. Unimpressed, McNamara then said, "Okay, Gene, now quantify each." On another occasion, during a pricing meeting, McNamara turned to Rotberg and asked, "What is the present value of the difference between a coupon of 11.48 and 11.51 on a nineteen-year bond issue?" Rotberg reached for his calculator, and McNamara shook his head and sighed. "Do you mean to say," he snapped, "that you're the treasurer of the World Bank and you can't do that in your head?"

#### No letup

Rotberg's number-crunching skills may have been no match for McNamara's, but his energy level was. Six years ago, though, it appeared that all that globe-trotting had finally taken its toll: Rotberg suffered a heart attack and underwent doublebypass surgery. When he came back to the bank, he decided to cut down on his traveling - but as far as anyone could see, he was still the same old hyperkinetic Gene Rotberg. Senior financial adviser for public affairs Sheldon Rappaport, a lifelong friend whom Rotberg brought over from the SEC to the bank, says: "Gene thinks he's slowed down, but I don't think anyone around him thinks he's slowed down. Gene is compulsive. He abhors a vacuum. And it's that inability to relax that causes him to go out and look for new things to do. He finds issues; he finds problems."

If anything, the years after the heart attack have been even more eventful for Rotberg than the decade preceding it. For starters, he steered the bank at long last into the Eurodollar bond market. It was an abrupt about-face: for years Rotberg had castigated the market for its all-consuming obsession with tombstones, for its unrealistic terms and for its ambiguous and sometimes deceitful placing practices. But in 1980, when Banque Paribas came calling with a Eurobond proposal, Rotberg

shocked the market by accepting it. For the World Bank treasurer, it was a case of sheer pragmatism — the need to diversify dollarfunding sources - overcoming principle. "We treat the Euromarket as if the people in it are not what they are," he says today, "as if they would actually like to stay in business. Even though, left to their own devices, you'll find them buried under their own tombstones." Rotberg made it clear he would not entertain kamikaze bids; instead, he would do things his way, which meant relying on two firms. Deutsche Bank and Credit Suisse First Boston, to lead the lion's share of his straight Eurodollar bond transactions.

Even more dramatic moves were still to come. In August 1981 the World Bank began doing currency swaps, mainly swapping out of dollars and into those coveted low-interest-rate currencies such as the Swiss franc. The swaps were a way of increasing the bank's profile in those currencies without having to tap those markets directly in its own name. In other words, the bank could build up its Swiss franc exposure without overstaying its welcome in the market. Since then the bank has done some \$3.8 billion in swaps, and, according to Rotberg, the swaps have reduced the average cost of the bank's medium- and longterm borrowings by about 90 basis points.

The most radical shift - for Rotberg and for the institution as a whole - occurred in July 1982, when, after years of soul-searching, the bank decided to change the way it priced its loans to LDCs. The World Bank since its inception had offered long-term, fixed-rate loans. But as rates skyrocketed in the late 1970s, the bank found itself funding a low-rate portfolio with increasingly costly fixed-rate debt. "The rate volatility was eating us up," recalls Bock. What's more, by locking itself into a fixed-rate lending policy, the bank was locking itself out of the burgeoning short-term and floating-rate debt market. The bank was completely dependent on a long-term, fixed-rate bond market that was fast drying up. The solution: The World Bank would henceforth price its loans on a variable-rate basis, with the rate reset every six months based on changes in the bank's cost of funds.

The change opened the door to a plethora of new borrowing vehicles for Rotberg and his team. Floating-rate-note issues in the U.S. and Europe, short-term discount notes in the U.S., short-term borrowings from central banks - all were now in the realm of possibility. But first, World Bank officials still had to overcome a hard core of opposition within the bank's board to the notion of short-term borrowing. The West German government representative, in particular, was dead-set against it. Says senior vice president Qureshi: "The question is perfectly legitimate. The World Bank is a long-term lending agency. Why is it borrowing short-term, then?" Some board members still had reservations about the swap program: They thought swaps were

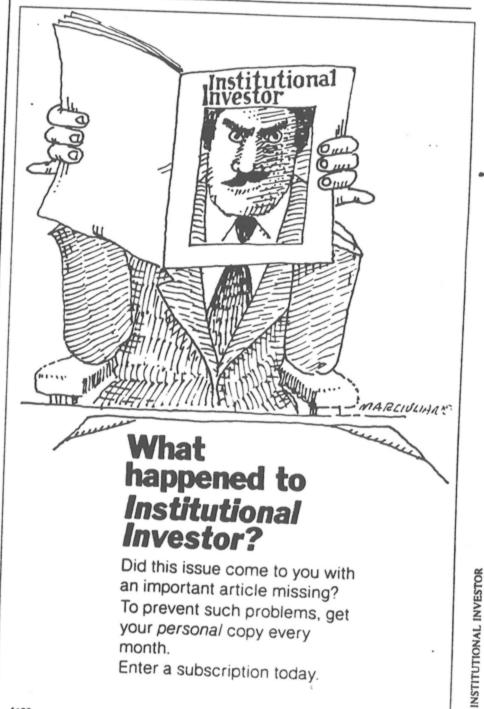
"The bank will lose its attraction to me if it becomes a less-than-dynamic development institution. Then there's no point in my being here."

tantamount to currency speculation and saw variable-rate debt adding a further element of dice-rolling to the bank's financial profile.

#### Buckling down

Though Rotberg was champing at the bit ("Gene is less than patient with the bureaucracy around here," says Bock), he buckled down to the plodding task of ed-

ucating board members about the new instruments. And, piece by piece, he got the program he wanted. (In fiscal 1984 slightly less than 20 percent of the bank's new borrowings were variable rate or short term, and in fiscal 1985 the percentage will be slightly higher.) Rotberg's dogged persistence and powers of persuasion no doubt helped, but in the opinion of some colleagues, what may have been decisive was



the board's perception that Rotberg was truly committed to the long-range purposes of the institution.

In the view of Qureshi: "I don't think, if Gene were to leave tomorrow, that he would be an easy person to replace. If one were looking for a guy who was a financial animal, that's not very difficult to find. You could even find financial people who are very articulate, who make excellent salesmen. But in addition to that, to be successful within the World Bank, you need something else: a certain commitment to and understanding of the other side of the house. After all, the objective of this institution is not just to churn out money; it is to do development effectively and well.

You've got to have a guy who believes in that. And Gene does."

As Rotberg himself puts it: "My emotional satisfaction comes from what this bank does on the asset side. The bank will lose its attraction to me if it becomes a less-than-dynamic development institution. Then there's no point in my being here." Indeed, Rotberg hints that "you will hear rumors that I am leaving the bank," and he goes on to say that the reason he would leave — the only reason — would be if the bank were unable to expand enough to meet the needs of the developing world. The vehicle for that expansion, in his mind, is the proposed "World Bank Bank" — an off-shoot of the institution, which would en-

gage in cofinancings with the commercial banking system and, to that end, would fund itself like a commercial bank and leverage its capital like a commercial bank. He is not exactly saying he will leave if the World Bank Bank idea isn't approved, but . . .

If Rotberg does leave - and decides to dabble in the private sector for the first time in his life - it won't be to become a bond salesman. Three-and-a-half years ago, when Rotberg was unsure how he would fit into the new regime of World Bank president A.W. Clausen, he explored with each of his five principal U.S. underwriters the possibility of setting up a joint venture that would advise developing countries on the management of their assets and liabilities. He thinks the idea still has a lot of merit. "Anything that will keep me involved in the process of development, including the World Bank, is interesting," he says.

#### Restless

But with all due respect to his commitment to LDCs, friends and associates also see a personal motive behind all this talk about the World Bank Bank and his possible departure. Says a colleague: "The bank has come a long way from the point where it would put him in a position where he would have to resign on substantive grounds. Those big battles are behind him. If he leaves, I think it will be because he wants to make another career for himself." The fact is that Rotberg is a restless man. forever in search of outlets for that restlessness - be it the World Bank Bank or something else. The evidence of that restlessness is strewn throughout his office: the professional-quality photographs he has taken in his travels, the eclectic collection of international objets d'art, including pre-Columbian stone sculptures from Mexico. an inlaid chest from the Philippines, a brass bell from Upper Volta and a nine-foot-tall wood-and-plaster statue of a woman in the style of Dubuffet. (He eventually moved the statue out of his office because, in his words, "she tended to stare down at the men who sat there trying to sell us zerocoupon bonds.") Lying in a desk drawer is an unproduced play he wrote two years ago about eight people who meet at a New York cocktail party. ("It is great foolishness to try to combine Ionesco, Arthur Miller and Tom Stoppard on one piece of paper," Rotberg says.)

Rotberg, in short, is a very multifaceted man. But somehow, no matter what subject the conversation starts with — opera, modern architecture, photography it always ends up with the World Bank and its borrowing program. And, of course,

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