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LADB Staff

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## **Economy News Briefs: Development Banks, Bonds, Tax Collections**

by LADB Staff

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### *Government may overhaul development banks*

The Secretaria de Hacienda y Credito Publico (SHCP) is studying several proposals to restructure Mexico's system of development banks. The changes will affect such institutions as Nacional Financiera (NAFIN), Banco Nacional de Comercio Exterior (BANCOMEXT), Banco Nacional de Credito Rural (BANRURAL), Banco Nacional de Obras Publicas (BANOBRAS), and Banco Nacional de Comercio Interior (BNCI).

SHCP spokesman Marco Provencio said the SHCP is considering many options, including merging two or more of the banks into a single institution. The merger proposal has drawn strong criticism from agricultural groups, which argue that BANRURAL best serves their constituencies as a separate institution.

In a letter to President Ernesto Zedillo, the Confederacion Nacional Campesina (CNC), the Confederacion Nacional de Propietarios Rurales (CNPR), and the Central Campesina Independiente (CCI) asked the administration not to merge BANRURAL because it offers credit to small-scale producers who usually cannot obtain commercial loans.

Responding to these concerns, Provencio said the SHCP considers the merger proposal an option of last resort. More likely, the SHCP will opt to better coordinate the operations of banks that serve similar constituencies, such as BANCOMEXT and NAFIN. "Merger would not be an end in itself," said Provencio. "The goal is efficient use of public resources." The BNCI, meanwhile, could cease operations before year-end. The bank's elimination must be approved by the Chamber of Deputies.

The proposed changes follow reports that some banks, particularly NAFIN, have lost money because of inefficient management and corruption. The directors of NAFIN and BANOBRAS are suspected of diverting funds to political campaigns for the governing Partido Revolucionario Institucional (PRI). A committee in the Chamber of Deputies is investigating former NAFIN director Oscar Espinosa Villarreal's possible role in the heavy losses incurred by the institution between 1991 and 1993 (see SourceMex, 02/11/98).

### *Highway agency to issue bonds in Mexican Stock Exchange*

In mid-February, the federal highway agency Caminos y Puentes Federales de Ingresos y Servicios Conexos (CAPUFE) announced plans to partially privatize the agency by issuing bonds in the Bolsa Mexicana de Valores (BMV), effective in January 1999. CAPUFE director Francisco Javier Alejo Lopez made the proposal during a meeting with members of the Senate transportation committee (Comision de Transportes). Alejo said the CAPUFE issues will be long-term bonds with "very good"

returns for investors. "The revenues will allow us to expand and modernize the country's network of roads and bridges," he said.

The decision is part of a government plan to allow the agency greater flexibility to adopt its own budget. Alejo Lopez said the Zedillo administration is proceeding with privatization because of CAPUFE's solid financial situation. The agency recently took over operation of 23 financially troubled highways from three private engineering companies (see SourceMex, 09/03/97). Alejo said the 23 toll highways will have direct links to the CAPUFE's existing transportation infrastructure network, which includes 13 highways, 17 domestic bridges, and 12 international highways.

### *Government reports higher tax collections in 1997*

The federal treasury reported a significant increase in collection of income taxes (impuesto sobre la renta, ISR) and the value-added tax (impuesto al valor agregado, IVA) during 1997. In a mid-February report, the SHCP said ISR collections totaled almost 134 billion pesos (US\$16.52 billion) last year, a 13.9% increase relative to 1996. Similarly, the government collected more than 97.4 billion pesos (US\$12 billion) from the IVA, about 12% more than in 1996. The government's tax revenue from all sources in 1997 surpassed 310 billion pesos (US\$38.2 billion), about 14% more than in 1996.

The SHCP cited various factors for the increased contributions, including recovery of the Mexican economy, a more efficient system of tax collection, and a crackdown on tax evaders. On a related matter, the Servicio de Administracion Tributaria (SAT) said the Mexican customs service collected about US\$8.3 billion in import taxes and other fees during 1997, about 28% more than the US\$6.47 billion collected in 1996. SAT said customs officers confiscated 700 firearms and more than 560,000 kg of contraband last year. [Note: Peso-dollar conversions in this article are based on the Interbank rate in effect on Feb 18, reported at 8.11 pesos per US\$1.00] (Sources: The News, 01/14/98; Reuter, 02/11/98; Notimex, 02/10-12/98; El Economista, 02/12/98, 02/13/98; El Nacional, 02/13/98; Novedades, 02/13/98, 02/16/98; Excelsior, 02/12/98, 02/13/98, 02/18/98; El Universal, 02/12/98, 02/16/98, 02/18/98)

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