5-6-1998

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LADB Article Id: 54763
ISSN: 1054-8890

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by LADB Staff
Category/Department: Mexico
Published: 1998-05-06

In late April, the Chamber of Deputies approved a resolution to shut down the domestic development bank (Banco Nacional de Comercio Interior, BNCI). Under the legislation, the BNCI's functions will be transferred to other government financial institutions such as the national development bank (Nacional Financiera, NAFIN). The BNCI is scheduled to cease operations by May 15. President Ernesto Zedillo's administration first proposed to eliminate the BNCI as part of a master plan to overhaul the government's development banks.

The plan includes consolidation of some operations to avoid duplication of services (see SourceMex, 02/18/98). Members of the two major opposition parties overwhelmingly supported the elimination of the BNCI, which they said was mismanaged and corrupt. But the legislative delegation of the center-left Partido de la Revolucion Democratica (PRD) criticized Zedillo's initiative for failing to mention fraud as a principal reason for the BNCI's demise.

"The BNCI became inefficient because officials became involved in political activities outside of the institution's mission," said PRD Deputy Enrique Bautista Villegas. "The BNCI's operations were also hurt by poor management and fraud on the part of bank officials." The center-right Partido Accion Nacional (PAN) also criticized the management of the BNCI and urged the administration to thoroughly prosecute all cases of fraud. "We have to go after those responsible for running the bank and see that criminal charges are brought," Deputy Julio Fassler said during the debate preceding the vote to eliminate the BNCI.

But BNCI officials said economic conditions, and not fraud, were the principal reasons why the bank's debt rose to 12 billion pesos (US$1.41 billion). "The BNCI was the government institution that felt the greatest impact from the peso devaluation," said outgoing BNCI president Jorge Nicolin Fisher. Nicolin said the bank's overdue debt grew by five times between 1994 and 1998. With the elimination of the BNCI, the federal government will assume 11.6 billion pesos (US$1.37 billion) in liabilities once held by the development bank. [Note: Peso- dollar conversions in this article are based on the Interbank rate in effect on May 6, reported at 8.47 pesos per US$1.00] (Sources: Reuters, 04/27/98; El Economista, 04/28/98, 04/29/98; El Universal, 04/28/98, 04/29/98; Novedades, 04/29/98)

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