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Mexico Receives US\$9.5 Billion in Loans from Multilateral Institutions, U.S.

by LADB Staff

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President Ernesto Zedillo's administration, seeking to promote a stable economy before the 2000 presidential election, secured as much as US\$9.5 billion in loans from multilateral financial institutions and the US government to devote to domestic social programs and to cover maturing short-term debts. Finance Secretary Jose Angel Gurria Trevino and Banco de Mexico (central bank) chief governor Guillermo Ortiz Martinez announced the loans during a trip to Washington in late May. Gurria and Ortiz were part of a Mexican delegation attending the annual spring meetings of the International Monetary Fund (IMF) and the World Bank.

The loans include US\$3 billion to US\$4 billion from the World Bank, US\$1.5 billion from the Inter-American Development Bank (IDB), and US\$4 billion from the US government's Export-Import Bank (Eximbank). Mexico committed to use US\$1 billion from the World Bank to develop low-cost housing and improve agriculture productivity. Another US\$2 billion to US\$3 billion will be devoted to 12 other social projects. "We were not looking just at new expenditures, but we are also reviewing the 20 or 30 existing programs to see how they can be improved and made more effective,"

World Bank President James Wolfensohn told reporters after meeting with Gurria. Wolfensohn said the World Bank loan would help ensure stability during the transition to the next administration. "Regardless of the outcome of the 2000 election, [Gurria] wants to ensure that there is no break in the social programs or the structural reforms in Mexico," Wolfensohn said. "I give him great support for doing that." Meanwhile, the IDB awarded US\$1.5 billion in loans to help Mexico cover short-term debts and to strengthen education, health programs, water and sewerage infrastructure, and initiatives to help indigenous communities.

IDB president Enrique Iglesias said Mexico's ability to maintain a strong economy despite the financial crisis in Brazil last year was a major factor in awarding the loans. Finally, Gurria and US Eximbank president James Harmon formalized a loan worth US\$4 billion to finance investment projects in Mexico. The loan was first promised by US President Bill Clinton during a visit with Zedillo in Yucatan state in February.

The loans, which will be disbursed over a two-year period, will be directed toward companies seeking to invest in industrial equipment, aviation, raw materials, and other products in Mexico. Mexico is also negotiating a standby loan of US\$5.2 billion from the IMF. The loan would help Mexico cover US\$7 billion in bonds and other debt instruments that mature in 1999 and 2000. Gurria said Mexico hopes to conclude an agreement with the IMF on this loan by the end of June. (Sources: La Jornada, 04/22/99; Notimex, Reuters, El Universal, 04/28/99; Novedades, 04/29/99; Excelsior, El Economista, 04/29/99, 04/30/99)

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