

Financial Sector Restructuring Loan

MEXICO

SECTOR: Finance

PROJECT NAME: Financial Sector Restructuring Loan
(869/OC-ME)

TOTAL COST: \$1,750 million

FINANCING:

IDB \$ 750 million
OTHER \$1,000 million (IBRD)

DATE OF APPROVAL: June 21, 1995

GENERAL DESCRIPTION: The main objective of the program is to strengthen the banking system with an international financial support package that will enable the government to convert its short-term debt to longer-term maturities, as well as improve the institutional and regulatory framework in the medium-term.

To achieve the objectives of the program, the government will: (a) limit financial losses by taking appropriate holding actions; (b) determine the health of the banking system by means of diagnostic studies and an accelerated program of on-site inspections; (c) restructure targeted banks; (d) reform accounting standards to achieve consistency with international standards; (e) improve enforcement of regulations and undertake regulatory reforms; (f) study the need to remove obstacles to securitization and secured lending; (g) study the consistency of development finance operations; and (h) study the need for a revised scheme for deposit protection.

CONSULTANTS: Specialized consultants will be retained to assist in the preparation of restructuring plans of banks; and an independent auditing firm will be hired to assist in the diagnostic studies of banks and certify accuracy of the accounts.

GOODS AND EQUIPMENT: International public bidding procedures will be followed for public and private sector purchases over \$5 million. Loan funds will finance the CIF costs of eligible imports.

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