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Overview Of Central American Economic Integration Bank (bcie)

by Deborah Tyroler

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The Central American Economic Integration Bank (Banco Centroamericano de Integracion Economica-BCIE) was created in 1960 to support integration efforts. Founding members were Costa Rica, El Salvador, Guatemala, Honduras and Nicaragua. Since 1960, the BCIE has extended \$2 billion in loans to Central America. As a result of the economic and financial crisis of the 1980s, the bank was forced to seek alternatives for increasing its finances. According to BCIE president Federico Alvarez, these alternatives are part of a process of internal reinforcement and restructuring, which implies the inclusion of non-regional associates. Mexico and Taiwan have joined the BCIE with capital contributions of \$122.5 million and \$150 million, respectively. In July, Venezuela became an associate. According to Alvarez, the Colombian government has also expressed interest in joining the BCIE in the near future. Alvarez said that in Venezuela's case, funds will be used in industrial modernization programs, highway improvement, electricity grid interconnections and other public works. The BCIE is currently engaged in talks with the Inter- American Development Bank (IDB) toward channeling support loans to the region. Alvarez said IDB president Enrique Iglesias "has taken a personal interest in supporting BCIE actions, and this reflects a desire to provide more direct and continued support to the projects carried out by the bank." As part of this cooperation strategy effort with the IDB, the BCIE plans to promote projects for highway repair and upgrades, export promotion, and support for small- and medium- scale enterprises. Under a new strategy called "financial engineering," the BCIE hopes to dispel rumors of the bank's precarious financial status resulting from member-nation debt service payment arrears. According to Alvarez, despite economic recession and fiscal crisis, "We never for a moment failed to pay our debts to our creditor institutions, and that has allowed us to enjoy strong economic solvency." He added that in the first six months of the year, the BCIE was able to obtain \$140 million in loan payments from debtor nations. (Basic data from Inter Press Service, 08/13/91)

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