

# BNDES

Brazilian  
Development  
Bank

General  
Information  
and Data



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# B N D E S

## The Brazilian Development Bank

### A - INSTITUTIONAL

#### ■ What is the BNDES?

Founded in 1952, the Brazilian Development Bank (BNDES) is the financial institution responsible for the medium and long-term investment credit policy of the Brazilian government, its controlling stockholder.

The BNDES has two wholly-owned subsidiaries: the Special Agency for Industrial Financing (FINAME), which finances exports and the commercialization of machinery and equipment; and BNDES Participações S.A. (BNDESPAR), whose responsibility is to strengthen the equity and financial structure of private companies and to develop capital markets.

The activities of the BNDES are aimed at the financing of investments that increase the level of competitiveness of the Brazilian economy, and the improvement of the standard of living of the Brazilian population.

#### ■ What is the current financing emphasis of the BNDES?

- Increase exports.
- Expand and modernize infrastructure.
- Increase the competitiveness of Brazilian companies.
- Create new jobs.
- Reduce regional disparities.

## ■ What are the BNDES's functions as manager of the Brazilian Privatization Program (PND)?

The BNDES advises the Brazilian government in the privatization process, which begins with calls-for-tenders for consulting services for the PND, and concludes with the sale of shares at auctions held in the stock exchanges.

## ■ Why is the BNDES, a public financial institution, the principal financial agent for medium and long-term investment credit in Brazil?

Even with expectations of an increase in the supply of credit from private financial institutions, the presence of the BNDES is important for overcoming deficiencies in the market, such as in the financing of exports and infrastructure (energy, telecommunications, sanitation, railways, ports and highways).

In order to make these investments viable, the BNDES has been establishing partnerships with other domestic and/or foreign institutions, joining efforts in the most efficient ways for raising and utilizing funds.

## Knowledge of the Brazilian Market

Ever since its foundation, the BNDES has played an active role in the transformation of Brazil's economy through the creation and financing of development strategies. Over the years, it has accumulated vast knowledge and an enormous amount of information on the country's economy and its different sectors. It has also maintained close contact with all major Brazilian companies and business groups.

The BNDES's comprehensive and dynamic vision of the Brazilian economy, and its highly experienced staff, make it one of the best sources of reference for multinational companies seeking to invest in Brazil.

### ■ What is the social impact of the BNDES's activities?

In addition to the positive effects of its day-to-day financing activities on the creation of jobs and income, the BNDES plays an important role in investments of social importance in areas such as public transportation, environmental pollution, health, education and small-scale farming. It also supports social actions, either alone or in conjunction with non-governmental organizations (NGOs), in the area of micro-credit, utilizing innovative methods for the financing of low-income enterprises. The BNDES also earmarks a portion of its annual profit for the constitution of a Social Fund, utilizing non-redeemable investments.

## ■ How does the BNDES operate in the less-developed regions of the country?

As a result of its continental size, Brazil has cross-regional disparities in income, population density, climate, education and culture. In its financing capacity, the BNDES offers differentiated conditions for supporting programs in the less-developed regions. It also seeks to attract new enterprises and financing for investment in infrastructure, aimed at developing these areas.

### B – CLIENTS

## ■ Who may obtain funds from the BNDES?

- Legally incorporated private-sector companies with operations established in Brazil.
- The Brazilian government at all levels (federal, state, and municipal) and its agencies or companies, to the extent allowed for by law.

A company is considered as Brazilian if it has operational activities established in the country, independent of the origin of its controlling capital.

## ■ Does the BNDES provide financing for the public sector?

The BNDES's focus is the financing of enterprises in the private sector, always in accordance with the risk evaluation of each company. Financing for the public

sector, when it occurs, is aimed at social or infrastructure projects, in accordance with the applicable legislation provided by Congress and the Brazilian Central Bank, which define the terms and limits for public debt.

## C – PRODUCTS AND SERVICES

### ■ What types of operations are carried out with funds from the BNDES?

Financing and co-financing, security underwriting and structured operations such as project finance.

### ■ What does the BNDES finance?

- Export of goods and services.
- Acquisition and leasing of new machinery and equipment.
- Civil projects and installations, and projects to improve the level of technology, quality and productivity, including training, information technology, and environmental and energy controls.
- Other fixed investments, excluding land.

### ■ How does the BNDES finance exports?

Through BNDES-*exim*, the Bank finances exports of goods and services via the following lines:

- *Pre-Shipment*: finances the production of export goods linked to specific shipments.

- *Special Pre-Shipment*: finances the production of export goods that are not linked to specific shipments.
- *Post-Shipment*: finances the commercialization of goods and services abroad through supplier's and buyer's credits.

Through BNDES-*exim*, Brazilian companies of any size have access to credit lines under conditions adapted to the requirements of international trade, with financing structured on a case-by-case basis.

BNDES-*exim* operates in practically all sectors of the economy and also finances the export of goods and services. It acts in partnership with a network of accredited financial agents throughout Brazil, comprising nearly all banks operating in the country, and operates in conjunction with over 108 foreign banks worldwide. As a result, it offers greater ease of access to export credit for small, medium and large-scale companies, handling operations of any value.

To facilitate the export of products made in Brazil, BNDES-*exim* uses the same guarantee instruments traditionally offered by the largest export credit agencies in the world. One of the most important of these is export credit insurance, which covers the commercial and political risks involved in the exporting of goods and services. This instrument is already available in Brazil, and is operated by the Brazilian Export Credit Insurance Company (SBCE).

## ■ How does the Bank finance small-scale enterprises?

The BNDES finances small and medium-sized companies by the onlending of its funds through more than 180 accredited financial institutions. In total,

these institutions have some 16,000 service outlets in more than 4,000 Brazilian cities and towns. Thus, this extended network multiplies the financing activity of the Bank by providing a service branch near the company or enterprise and its business environment.

## ■ How does one proceed with a financing request?

*a)* For financing in excess of R\$ 7 million, the interested party should present the relevant information and documentation directly to the BNDES, in accordance with the Guide for Preliminary Application (for direct operations); and

*b)* When the value is less than or equal to R\$ 7 million, or is earmarked for the acquisition of new machinery or equipment of any value, the interested party should contact one of the many BNDES-accredited financial institutions, which are exclusively authorized to conduct onlending operations of BNDES funds (indirect operations). The institution then analyzes the application, defines the guarantees and credit-risk spread that it considers appropriate, and assumes the risk of the operation.

## ■ What qualifications must be fulfilled for access to BNDES lines of credit (direct operations)?

Companies applying for loans must:

- be legally incorporated in Brazil;
- have a satisfactory credit rating;
- be up-to-date with all legal, tax and social obligations;
- have no extraordinary restrictions or conditions on record;

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a) **Financial Cost** reflects the BNDES's cost of raising funds and may be one of the following four alternatives:

- (i) **Long Term Interest Rate (TJLP)** – The rate is defined by the Brazilian Central Bank and incorporates the anticipated inflation over the following 12 (twelve) months and the real international interest rate plus the medium to long term assessment of the country risk.
- (ii) **BNDES Monetary Unit (UMBNEDES) plus Currency Basket charges** – The UMBNEDES is based on the average cost of the BNDES's Currency Basket. The Currency Basket is a bundle of BNDES debt obligations in foreign currencies. The cost of the Currency Basket is based on the rates and charges, including taxes, applicable on BNDES debt obligations in foreign currencies, readjusted on a quarterly basis.
- (iii) **US Dollar + Libor rate.**
- (iv) **US Dollar + Fixed rate.**

b) **Basic Spread** remunerates the BNDES's operational activities. The standard rate, set at 2.5% per annum, is applied to financing operations in general, while a special value of 1% per annum is used for export financing, international competitive bids, technological and environmental improvements, operations for companies located in areas supported by regional programs, operations for companies qualifying as micro or small, and social projects.

c) **Credit Risk Spread** is the remuneration for the credit risk. In operations handled directly with the BNDES, this rate varies up to 2.5% per annum, while for onlending operations conducted through accredited financial institutions, the rate is determined by the financial intermediary.

## ■ Does the BNDES require guarantees in the operations that it finances?

Yes. For operations that it finances directly, the BNDES requires either collateral or personal security. Collateral security include real-estate mortgages, which may be on the company's own property, or that belonging to group companies or even third parties; statutory liens on machinery and equipment and the securitization of credits and receivables. Personal security includes guarantees or sureties provided by individuals or companies, including top grade financial institutions.

In the case of operations handled through intermediary (onlending) institutions, the guarantee requirements are established by these institutions.

## ■ What are the terms practiced?

The total duration of the financing, including grace periods and amortization, is determined as a result of the payment capacity of the project, company or group.

## ■ How does the BNDES accompany the use of financial resources during the execution of a project?

The BNDES systematically monitors both the physical and financial progress of the project in accordance with the programmed disbursement of funds, correcting any eventual deviations that might put the project and its credit at risk. The use of funds from other sources is also carefully studied, as are the performance indicators of the company developing the project and the group that it pertains to.

## ■ Does the BNDES post operational results?

Yes. A careful selection of projects and clients and a suitable policy of asset turnover has permitted the BNDES to post annual profits, allowing it to remunerate the funds it administers and maintain its economic-financial balance.

### E – FUNDING

## ■ What are the BNDES's principal sources of funding?

- Return from past operations, which is the source of approximately 58% of total funding.
- Funds raised in capital markets (Brazilian and international) and from multilateral financial organizations.
- Funds from the Worker's Assistance Fund (FAT), which is a stable source of resources provided for in the constitution.

The FAT fund is made up of resources originating from private company revenues, income from state-controlled companies, the federal government, the states, the Federal District (Brasilia), municipalities, and payrolls of non-profit organizations.

With this fund source structure, the Bank does not have to depend on budgeted funds from the Treasury.

## ■ Does the BNDES raise funds abroad?

Throughout its existence, the BNDES has sought international funds to complement its investment budget. The Bank has an extensive history of

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partnerships with multilateral credit organizations that includes the Inter-American Development Bank (IDB), the World Bank (IBRD), Eximbank USA, and Eximbank Japan, as well as a number of private financial institutions.

## F – TABLES

### ■ 1. Disbursements by Sector – 1995/99

(US\$ Million)

Sector	1995	1996	1997	1998	1999
Farming	800	726	1,285	1,158	715
Mining and Forestry	77	147	703	235	143
Manufacturing	4,327	4,215	5,564	6,264	4,472
Retailing and Services	2,474	4,519	8,909	8,691	4,551
<b>Total</b>	<b>7,678</b>	<b>9,607</b>	<b>16,461</b>	<b>16,348</b>	<b>9,881</b>

*Obs.: BNDES sector classification was adapted to the Brazilian Institute for Geography and Statistics (IBGE) standard.*

## ■ 2. BNDES Consolidated Balance Sheet

(US\$ Million)

	<b>31.12.98</b>	<b>31.12.99</b>
Cash and Cash Equivalent	9	10
Marketable Securities	12,918	7,421
Loans	46,040	34,557
Permanent Assets	6,803	6,288
Other Domestic Assets	1,057	1,224
<b>Assets/Liabilities</b>	<b>66,826</b>	<b>49,500</b>
Deposits	225	155
PIS-Pasep	13,807	10,426
FAT	23,125	19,804
BID/IBRD/JBIC/KFW	1,345	2,116
Foreign Bonds	7,398	3,440
Foreign Loans	285	286
Other Domestic Liabilities	12,106	7,088
Shareholders' Equity	8,535	6,184

Information on BNDES lines of credit and studies of the Brazilian economy are available on the Internet at <http://www.bndes.gov.br>.

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