

NATIONAL BANK FOR ECONOMIC DEVELOPMENT

ORIGIN
RESOURCES
STRUCTURE
AND
OPERATION

BANCO NACIONAL DO DESENVOLVIMENTO ECONÔMICO - BNDE



BRAZIL

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RIO DE JANEIRO - BRAZIL

1965

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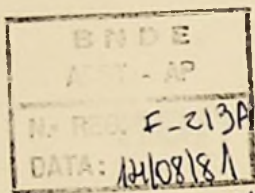
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CONTENTS

I — BACKGROUND AND CREATION OF THE BNDE	
Background	5
Establishment of the Economic Reequipment Fund	5
Creation of the BNDE	5
Organic Legislation of the BNDE	6
II — RESOURCES ADMINISTERED BY THE BANK	
The Bank's Own Resources	9
Resources Freely Administered by the Bank	10
Special Resources	13
Appropriated Resources	13
III — FINANCING POLICY AND ACTIVITY	
Sphere of Action	15
Priority Criteria	16
Forms of Financial Cooperation	16
Guarantee for Credit Operations	18
Terms of Operations	18
Interest and Rates Charged on Operations	19
IV — ORGANIZATION AND MANAGEMENT	
Introduction	19
Top Administration	20
Internal Organization	21
V — RESULTS OF FINANCING	
Demand for Resources	32
Authorized Assistance	33
VI — SECTORS OF THE ECONOMY BENEFITTED	
Transportation	39
Electric Power	41
Basic Industries	45
Agriculture and Related Sectors	49

I — BACKGROUND AND CREATION OF THE BNDE

BACKGROUND

The idea of creating the BNDE goes back to April, 1950, when, at a conference of United States ambassadors in Rio de Janeiro, informal negotiations were entered into between Brazilian and American authorities. On this occasion, it was pointed out that the desires of the Brazilian Government to promote a far-reaching program of re-equipment and expansion for the basic services pertaining to the economic substructure of the country, particularly transportation and electric power, had been hitherto frustrated by a shortage of funds in foreign currency to meet the expenses that must necessarily be incurred abroad.

Suitably to implement the understandings reached, the Brazilian Government proposed to the U.S. Government, in October, 1950, that a joint Brazilian and American economic development commission be set up immediately. This commission would be responsible for preparing reports to be submitted to the government authorities of both countries and would formulate the recommendations required for the realization of projects likely to contribute to the economic growth of Brazil. The Brazilian proposal was accepted by the U.S. Government and embodied in an Agreement signed in December that year.

At about the same time, during the Fourth Consultatory Meeting of Foreign Ministers promoted by the United States, an understanding was arrived at between Brazilian delegates, U.S. authorities and the World Bank's representatives, as regards obtaining financial aid from the International Bank for Reconstruction and Development and the EXIMBANK for this country's reequipment and development program.

Subsequently, i.e. on September 14, 1951, a note was signed by the parties involved to the effect that the Director of the World Bank and the EXIMBANK agreed to supply the funds in foreign currency required for carrying out the program to be approved by the Joint Brazil—U.S. Commission. At that time, those funds were estimated at approximately 500 million dollars.

ESTABLISHMENT OF THE ECONOMIC REEQUIPMENT FUND

Once the supply of funds in foreign currency had been secured, the Brazilian Government turned to the problem of raising the funds in local currency which would be required to finance the development program outlined.

Among the various alternatives brought up for discussion at the time, the Government decided in favor of issuing a compulsory loan to be raised by means of an additional assessment on Income. Law No. 1474, of November 26, 1951, provided the legal grounds for collecting this additional Income Tax, the revenue from which was to be set apart in a special fund and earmarked for defraying expenditure in connection with the execution of projects forming part of the Economic Reequipment Program.

Soon afterwards, on December 24 of the same year, Law No. 1518 was enacted empowering the Government to give a National Treasury guarantee to secure credit operations made in foreign currency, up to a limit of 750 million dollars, when relating to projects coming within the scope of the Program. On November 6, 1964, Law No. 4457 came into force, raising the limit to 1,500 million dollars, or the equivalent thereof in foreign currency, and extending to further sectors the range of these operations.

CREATION OF THE BNDE

After provisions had been made for organizing the financial basis required to implement a program for reinvigorating the national economy, the next step was to create a specific agency to administer the resources available and coordinate, as an authorized agent of the Government, the necessary measures for carrying out the projects designed to promote the economic development of the country.

On June 20, 1952, Law No. 1628 was enacted instituting, besides other provisions, the NATIONAL BANK FOR ECONOMIC DEVELOPMENT (BANCO NACIONAL DO DESENVOLVIMENTO ECO-

NÔMICO—BNDE) in the form of a public corporation or decentralized organ of the Ministry of Finance, with an initial capital of 20 million cruzeiros, wholly subscribed by the Union, and with the function of implementing the objectives established by Laws Nos. 1474, 1518 and 1628, and acting, whenever necessary, as agent of the National Treasury in any financial operations carried out abroad in connection with the program for the reequipment and development of the national economy.

Law No. 2973, of November 26, 1956, while introducing improvements in the original legislation for the purpose of increasing the efficiency of the Bank's operations, also extended the period for which the compulsory loan could be collected to the fiscal year 1966. The validity period determined by Law No. 1474 would otherwise have expired in 1956.

On November 30, 1964, Law No. 4506 was passed doing away with the collection, as of January 1, 1965, of the additional assessments on income in accordance with Law No. 1474/51, but providing, as a set-off, for annual allocation to the BNDE of an amount equivalent to 20% of the estimated Income Tax returns to be included in the Budget of the Union up to the end of the financial year of 1975 and earmarked for the Economic Reequipment Fund.

ORGANIC LEGISLATION OF THE BNDE

The organic and legal structure of the Bank is defined, therefore, in five major Laws which also, either explicitly or implicitly, lay down the guide lines which that establishment should follow in the course of its activities for the purpose of stimulating economic progress. The Law in question may be summarized as follows:

Law No. 1474 — This law, dated November 26, 1951, covered the following matters:

a) creation of an additional assessment on the income of all juristic and natural persons that are subject to payment of Income Tax in excess of Cr\$ 10,000 said additional assessment to be collected for consecutive years starting from 1952;

- b) creation of an additional assessment, likewise payable during the same period by juristic persons upon pending or undistributed profits, not assigned to the Legal Reserve Fund or to the reserves of capitalization and insurance companies set aside for technical purposes;
- c) assignment of these funds exclusively to carrying out a program for reequipping harbors and railways; increasing the capacity of meat storage, packing plants and slaughterhouses; raising the electric power potential and developing basic industries and agriculture;
- d) establishing that the revenue derived from the above assessments should be returned to the taxpayers during the sixth fiscal period following payment thereof, to the extent of the amount contributed by each taxpayer, with a bonus added;
- e) authorizing the Government to issue Government Bonds for the purpose of effecting the return of the amounts collected as additional Income Tax assessments, together with the corresponding increase.

Law No. 1518 — This Law, December 24, 1951, empowered the Federal Government to contract credits or provide guarantees, on behalf of the National Treasury:

- a) for financing obtained abroad for the purpose of carrying out projects in connection with the development program, up to a limit of 500 million dollars or the equivalent in other currencies; this ceiling was raised to 1,500 million dollars by the provisions of Law No. 4457 of November 6, 1964, which likewise authorized the Bank of Brazil to grant, when necessary, a supplementary guarantee or aval in favor of the National Treasury in the case of financing contracts concluded on the basis of this Law;
- b) for credits granted by foreign or international financing establishments to States or Municipios (counties), as well as to joint privately and government owned corporations, the majority of whose shares are held by the Government and which provide public utility
- d)

services, so long as the operations are concerned with such services, up to the limit of 250 million dollars or the equivalent in other currencies, which was extended to 750 million dollars by Law No. 4457, of November 6, 1964.

Law No. 1628 — The provisions of this Law, passed on June 20, 1952, cover the following main points:

- a) it gave the name **Economic Recquipment Bonds** to the government bonds to be used for the repayments prescribed in Law No. 1474, and established that they would yield an interest of 5% (five per cent) per annum and be issued to bearer. Law No. 4506, of November 30, 1964, dealt with the repayment of the additional assessments on income paid in accordance with Law No. 1474/51, and allowed taxpayers the option, within three years from the date of promulgation of the law, of receiving the bonds or having them converted, at the rate of 20% face value, to National Treasury Bonds with currency adjustment clause.
- b) it fixed at twelve billion five hundred million cruzeiros the amount of the Bonds, which would be issued in annual series of at least two billion five hundred million cruzeiros to be redeemed, as from the sixth year following their year of issue, in twelve yearly installments of 5% (five per cent) of the face value of the bond;
- c) it authorized the Government to determine, during each year from 1952 to 1956, a compulsory deposit at the BNDE of the amounts corresponding to up to 4% (four per cent) of the deposits of Federal Savings Banks; up to 25% (twenty-five per cent) of the technical reserves which insurance companies should set up each year; and up to 3% (three per cent), of the annual revenue of Social Security agencies, excluding the quota due to the Union;

it created the **NATIONAL BANK FOR ECONOMIC DEVELOPMENT (BNDE)**, endowed with administrative autonomy and independent juristic personality, under the jurisdiction of the Ministry of Finance, for the purpose of implement-

ing the specific legislation pertaining to the recquipment program and acting as agent of the National Treasury in financial operations, with reference to establishing the guide lines for its activities and determining its organization.

- e) it defined the functions of the Bank, limiting its capacity for receiving deposits and granting loans, restricting the latter to the purpose of recquipment and development established in Laws No. 1474 and 1518;
- f) it instituted the **Administrative Council** and the **Board of Directors** as management organs of the Bank, laying down their corresponding functions, as well as those of the **Director-Superintendent**;
- g) it empowered the Bank to give a Treasury guarantee (aval) for foreign credits, as authorized by law, and established the conditions under which the guarantee would be valid, including therein recognition by the President of the Republic that the investment was to the best interests of the country.

Law No. 2973 — The provisions of this Law, dated November, 26, 1956, covered the following main points:

- a) it extended for a further ten years, as from 1957, both the **Compulsory Loan** to the Bank, in the form of an additional assessment on Income, and the remaining financial measures related to the **Economic Recquipment Program**;
- b) it modified the basis on which the **Additional Assessment on Income** for the **Recquipment Fund** is to be levied by adopting a progressive scale for natural persons and increasing the rate levied on pending and undistributed profits;
- c) it complemented the rules enacted by previous legislation with regard to the issue and redemption of the **Economic Recquipment Bonds**, and restricted that issue to the total funds actually collected in the form of **Additional Assessment on Income** and the amount of certain compulsory deposits made at the Bank;
- d) it exempted Social Security agencies from depositing part of their revenues

at the Bank and allowed insurance and security companies to invest directly the required portions of their reserves for technical purposes, instead of depositing them;

- e) it transferred to the Bank's Capital account the amounts owing to the Union in respect of dividends payable on stock in corporations of joint private and public ownership, with the exception of dividends and other income distributed by the PETROBRÁS and by banking establishments;
- f) it included the loans granted by the Bank in the provision of Law No. 2300 of August 23, 1954, which permits the conversion of credits into shares of the capital of the borrowing company, and exempted the Bank's operations from the restrictions laid down in Decree No. 23501 of November 27, 1933;
- g) it set regulations for transfer to the Bank of revenues to be paid into certain funds under deposit at the Bank;
- h) it subjected the Bank's financial activities to a priority scale which must be obligatorily observed in its annual investment budget;
- i) it provided a clearer definition of the sectors of economic activity which are eligible for financing by the Bank, listing them according to a priority scale indicating the relative importance of each for the development of the national economy;
- j) it established at 60% (sixty per cent) of the cost of the undertaking the normal limit of the Bank's financial cooperation, and laid down regulations for granting advances on prospective loans;
- k) it provided for the investment, on a priority basis, of 25% (twenty-five per cent) of the funds supplied by the Compulsory Loan and paid into the Economic Reequipment Fund, in the West Central, Northern and Northeastern regions of the country, including in these areas the States of Sergipe, Bahia and Espírito Santo;
- l) it recognized the reserved and exclusive authority of the Bank's Administrative

Council for approving the number of employees, establishing positions and salary scales, as well as for defining the legal standing of its employees;

- m) it increased to four the number of Directors of the Bank, in addition to defining certain functions of the Bank's deliberative organs;
- n) it established the National Treasury's responsibility for the payment of interest and bonuses in respect of certain portions of the Additional Assessment on Income and provided for the settlement of outstanding debits of the Bank against the Union;
- o) it allowed financing to be granted to Municipal Prefectures (county authorities) for carrying out certain works in accordance with special rules established by law and gave the Bank authority to effect deposits in official credit agencies responsible for carrying out development programs.

Law No. 4506 — This Law, passed on November 30, 1964, radically altered the organic legislation of the Bank insofar as the resources for the Economic Reequipment Fund were concerned, viz:

- a) it abolished the collection of additional assessments on income, prescribed in Law No. 1474 of November 26, 1951, as of the financial year of 1965;
- b) it established that, starting with the financial year of 1965, an annual allocation of 20% (twenty per cent) of the estimated Income Tax returns up to and including the financial year of 1975 was to be made from the Federal Budget to the BNDE for utilization as resources for the Economic Reequipment Fund referred to in Laws Nos. 1474/51, 1628/52 and 2973/56;
- c) it determined that the Federal tax collectors' offices were to post 20% (twenty per cent) of the Income Tax returns actually collected, as a deposit to be transferred to the Bank of Brazil Inc., to the account and order of the BNDE; upon termination of the financial year, the Minister of Finance would order the necessary adjustments to be made in

order to ascertain the exact amount to be taken over by the Bank as manager of the Fund;

d) it provided that, upon release of any savings effected by the budget economy plan or reserve fund resulting from a reduction in budget expenditure, the Government would apply an amount of up to 80 billion cruzeiros a year to settling the outstanding debits to the BNDE, contracted by Budget-supported agencies;

e) it regulated the reimbursement of the additional assessment on income paid in accordance with Law No. 1474/51, in the form prescribed in Law No. 1628/52, with the provision that taxpayers might opt, within three years from the date of promulgation of the Law, in favor of receiving either the Economic Reequipment Bonds referred to in Law No. 1628 or 20% (twenty per cent) of the face value of same in National Treasury Bonds with a currency adjustment clause.

II — RESOURCES ADMINISTERED BY THE BANK

The resources coming under the administration of the Bank and intended to be used as financial backing for undertakings held to be fundamental for the growth of the country's economy may be broken down into three major categories:

- a) the Bank's own resources, composed of its capital and reserves;
- b) resources which are freely administered by the Bank, at its own discretion, but which do not form part of its assets, since they are returnable according to law, and comprise the following sources of funds: the Economic Reequipment Fund and the recently established National Investment Fund; and
- c) special resources.

In its capacity as banking establishment with special features, the BNDE cannot raise funds through deposit accounts like a normal bank. Law No. 1628/52 expressly forbids it to receive deposits from natural and juristic persons, excepting insurance and trust companies ("empresas de capitalização"), and in the latter case, only special and compulsory deposits. According to the said Law, the Bank may only accept deposits:

- a) from government agencies or public corporations;
- b) from joint privately and government owned corporations of which the government is a majority shareholder;
- c) from banks under the conditions established by the Currency and Credit Authorities (SUMOC);

- d) from insurance and trust companies, when such deposits are made in connection with the Economic Reequipment Fund;
- e) legal deposits;
- f) deposits resulting from, or directly connected with, the Bank's operations.

THE BANK'S OWN RESOURCES

The Bank's initial capital, wholly subscribed by the Union, amounted to 20 million cruzeiros. On December 31, 1964, its capital had already risen to 22.1 billion cruzeiros which, added to its reserves, came to a grand total of 72.7 billion cruzeiros at the end of that year.

Since the Bank is governed by public law and organized as a public corporation, its capital is not divided up into common shares, as in the case of private corporations, but derived from its net earnings from operations, and from the income yielded by the Union's investments in joint privately and government owned corporations, excepting the PETROBRÁS, the Cia. Siderúrgica Nacional and banking establishments. The law provides for the conversion of net earnings into reserves and the transfer of these reserves to the Bank's Capital account, whenever such reserves attain the amount of the establishment's initial capital, and these prescriptions have always been faithfully observed.

The total income from the Union's investments in joint privately and government owned corporations received by the BNDE

between 1957 and 1964 amounted to only 1,772 million cruzeiros. On the other hand, returns from invested capital amounted to 13.7 billion cruzeiros between 1952 and 1964.

RESOURCES FREELY ADMINISTERED BY THE BANK

The funds which are comprised in this category do not form part of the Bank's assets, since their return to taxpayers is provided for by law. These funds are composed of the Economic Reequipment Fund and the National Investment Fund, the latter set up in 1963.

Economic Reequipment Fund

The greater part of the resources administered by the Bank since its foundation is composed of the Economic Reequipment Fund which is supplied from two sources: the Compulsory Loan levied on Income Taxpayers, and compulsory deposits.

Compulsory Loan — As provided for in Law No. 1474 of November 26, 1951, the compulsory loan which constitutes the Fund would be levied during five consecutive years and on the following basis:

- a) 15% (fifteen per cent) additional assessment on the Income Tax payable by natural persons, when the amount of tax payable exceeded 10 thousand cruzeiros;
- b) 15% (fifteen per cent) of the Income Tax payable by juristic persons;
- c) 15% (fifteen per cent) of the Income Tax deducted at source; and
- d) 3% of reserves and profits pending, excluding the legal reserve fund and the reserves of insurance and trust companies for technical purposes.

The above amounts would be levied only during the five-year period from 1952 through 1956 and the amounts thus raised would be refunded during the sixth year, in addition to a bonus of 25% (twenty-five per cent) in government bonds. These bonds would yield interest of 5% (five per cent) per annum and would be redeemed as of the first year after issue in twenty equal annual installments.

When Law No. 2973 of November 26, 1956, extended the financial provisions connected with the Economic Reequipment Program, collection of the compulsory loan was authorized for another ten years, that is, up to the year of 1966, and the following alterations were introduced;

- a) only those natural persons whose Income Tax exceeded the limit of 20 thousand cruzeiros were liable for payment of the Additional Assessment on Income, calculated as a percentage of the Income Tax payable, in accordance with the following scale:

— up to	Cr\$	20,000	exempt
— more than	Cr\$	20,000	
and up to	Cr\$	250,000	15%
— more than	Cr\$	250,000	
and up to	Cr\$	1,000,000	20%
— over	Cr\$	1,000,000	25%

- b) the Additional Assessment on reserves and pending or undistributed profits up to and including the fiscal year of 1965 was raised to 4% (four per cent), excluding the Legal Reserve Fund and the reserves of insurance companies set aside for technical purposes. The additional assessments to which natural and juristic persons had hitherto been liable and those on tax deductions at source were maintained at 15%.

From 1952 until the end of 1964, the total revenue from these additional assessments amounted to 152.3 billion cruzeiros, of which 144.3 billion have been effectively handed over to the Bank, while the remaining 8.0 billion cruzeiros are still retained by the National Treasury.

The recent Law No. 4506, of November 30, 1964, determined:

- a) abolition, as of the year 1965, of the Additional Assessments on Income introduced by Law No. 1474/51;
- b) annual assignment in the Union Budget, from 1965 through 1975, of a grant equivalent to 20% (twenty per cent) of the estimated Income Tax returns in favor of the BNDE, to be earmarked as resources for the Economic Reequipment Fund;

- c) posting of 20% (twenty per cent) of the Income Tax returns as deposit, and transfer thereof from the Union tax collectors' offices to the Bank of Brazil, to the account and order of the BNDE; the exact amount to be taken over by the Bank as manager of the Fund is to be ascertained by proceeding to the necessary adjustments, as soon as the financial year has come to an end.

Compulsory Deposits — As a revision of the estimates made shortly after the establishment, in 1951, of the Economic Reequipment Fund raised some doubt as to whether it would eventually be large enough to meet the demand for funds in Brazilian currency to back the projects initially, action was begun immediately to provide additional resources by taking steps considered to be feasible at the time. Thus, the provisions introduced in Law No. 1628 of June 20, 1952, which created the Bank, sought to strengthen the Fund by establishing that compulsory deposits should be made at the Bank whenever the Minister of Finance deemed it necessary and under the following conditions:

- a) up to 4% (four per cent) of the total amount of the deposits of Federal Savings Banks;
- b) up to 25% (twenty-five per cent) of the technical reserves which insurance and trust companies should set up annually;
- c) up to 3% (three per cent) of the annual revenue of Social Security agencies excluding the portion assigned to the Union.

These compulsory deposits, which would likewise be effective during the five-year period from 1952 through 1956, would be returned in full, six years after they had been made.

Law No. 2973/56, on extending for another ten years the financial provisions in connection with the Economic Reequipment Program, inserted the following alterations with regard to compulsory deposits:

- a) the deposits to be made by Federal Savings Banks and by insurance and trust companies may be replaced, either wholly or in part, by direct investments made by them, provided that such in-

vestments are 60% (sixty per cent) greater annually than the amount of compulsory deposits due and are subject to an agreement not to be withdrawn before the date on which the corresponding deposits would otherwise have been returned;

- b) the quota of 3% (three per cent) to be paid by Social Security agencies on their annual revenue was abolished.

The recent Law No. 4430, of October 20, 1964, which altered the constitution of the National Agricultural Insurance Company, provided in Article 2, Paragraph 1 that insurance and trust companies could subscribe to the capital increase thereof as a direct investment, alternative to compulsory deposits with the BNDE.

The direct investments of insurance companies and Federal Savings Banks are governed by the following conditions:

- a) the undertakings invested in must come within the scope of the Plan for Re-equipment and Development of the National Economy as defined in the Bank's organic legislation; and
- b) the investments must be subject to the approval, control and supervision of the BNDE.

Between 1953 and 1964, the total amount of the deposits made in the Bank, corresponding to 25% of the increase in the reserves for technical purposes of insurance and trust companies and to direct investments authorized, came to 7.3 billion cruzeiros.

National Investment Fund

In order to meet the increase in the salaries of the Union's civilian and military personnel, which would have affected the government's investments in the country's economic development program, the Federal Government decided to introduce a new type of compulsory loan from taxpayers to form the National Investment Fund.

As provided for by Law No. 4242 of July 17, 1963, and according to the regulations laid down by Decree No. 52314 of July 31 of the same year, the compulsory loan was assessed upon the income earned by natural

and juristic persons to a varying degree according to status and income bracket, viz.:

- a) natural and juristic persons liable to Income Tax deducted at source paid a compulsory loan at the rate of 15% (fifteen per cent) of dividends and other income from bearer and no-par preferred stock (awarded for services rendered) whenever the beneficiaries did not wish to identify themselves, and at the rate of 10% (ten per cent) otherwise;
- b) private individuals obliged by law to make an annual declaration of their income and the sum of whose net incomes under different classes, excepting those under Class C (earnings from employment), was equal to or more than Cr\$ 1,768,000, were liable to assessments calculated on a progressive scale; the above limit was established on the basis of the levels of the "minimum wage", and was equal to Cr\$ 885,000 until the present minimum wage came into force in accordance with Decree No. 53578 of February 21, 1964;
- c) natural persons with income coming under Class C (earnings from employment), provided they earned more than Cr\$ 147,500, were likewise assessed on a progressive scale; before the new levels of the "minimum wage" came into force in February, 1964, this limit was Cr\$ 73,749.

The compulsory loan was to be raised during the three years from 1963 through 1965 to be used to set up the National Investment Fund (FUNAI), the administration of which had been entrusted to the BNDE. The objects of the National Investment Fund were the following:

- a) to encourage savings by offering bonds which provided their holders with a safeguard against the depreciation of money as a result of inflation besides a net yield related to the country's own economic development;
- b) to channel those savings, through investments to be made by the National Investment Fund, into profitable enterprises controlled by the Federal Union for the purpose of strengthening the country's economic substructure, the FUNAI's funds were to be invested in the form of subscribing to the capital of

corporations controlled by the Federal Government, either directly or through government agencies, for the purpose of strengthening the country's rural and industrial economy in the proportions of 35% (thirty-five per cent) and 65% (sixty-five per cent) respectively.

The following participated in the National Investment Fund:

- a) the Union, through the National Treasury; and
- b) other juristic persons, of public or private ownership, and natural persons holding participating Stock in the Fund.

The capital invested by the National Treasury in the FUNAI was to be paid up with:

- a) the funds obtained from a new compulsory loan levied from natural persons paying Income Tax during the years 1963, 1964 and 1965, authorized by the above-mentioned Law No. 4242;
- b) the transfer to the Fund of shares held by the National Treasury in joint privately and government owned corporations controlled thereby;
- c) the income of the FUNAI, posted to Stock in the National Treasury and capitalized annually;
- d) budget appropriations in favor of the FUNAI.

The compulsory loan was to be represented by investment bonds redeemed half way through the third and fourth years of issue, by drawing lots for the principal plus cumulative interest at the rate of 6% per annum. Bondholders might at any time choose to convert their bonds into Participating Stock in the FUNAI, which carried the right to a share in the Fund's annual net earnings.

The total revenue from the compulsory loan in question during the three years from 1963 through 1965 was expected to amount to about 200 billion cruzeiros.

Law No. 4357, of July 16, 1964, altered the system of collecting a compulsory loan, reducing the assessment for the second half-year (July through December) of 1964 and doing away with it altogether for the financial year of 1965. The proceeds of this loan for assignment to the FUNAI were thus only forthcoming in the financial years of 1963

and 1964, and yielded a total of no more than Cr\$ 113 billion.

SPECIAL RESOURCES

This category of resources at the disposal of the BNDE includes the funds originating from the so-called **Wheat Agreements**, obtained through agreements signed between the governments of Brazil and the United States, in accordance with U.S. Law No. 480 which allows agricultural surpluses to be sold to friendly nations against payment in local currency. According to these agreements, the agricultural products purchased in the United States — mainly wheat in grain — and sold on the Brazilian market yield a sum, part of which is loaned to the Federal Government for investment through the BNDE.

Up to the present, five agreements have been signed and a total of 26.0 billion cruzeiros had been received by the Bank by the end of 1964. The amount at the Bank's disposal was, however, reduced to 20.4 billion cruzeiros when AID assigned 5.6 billion cruzeiros for donation to programs located in the Northeastern Region of Brazil.

Mention should be made at this point of the loans in foreign currency obtained by the BNDE to be subsequently transferred to Brazilian organizations. This system, which was used in the Bank's early operations, made it possible to obtain funds for the purpose of reequipping the nation's harbors, purchasing large amounts of rails for Brazilian railroads, etc.

In December 1964, the BNDE contracted a loan with the Inter-American Development Bank (IDB) in the amount of 27 million dollars, the proceeds of which are to be laid out for a program designed to expand the production and improve the productivity of small to medium scale industrial concerns throughout the country. Another operation with similar ends in view is being negotiated with the Kreditanstalt für Wiederaufbau of the Federal Republic of Germany, the sum involved being 32 million marks (US\$ 8 million).

It is to be noted, furthermore, that Law No. 4504, of November 30, 1964, set up the Agro-Industrial Reconversion Fund and placed it under management of the BNDE,

with the object of financing crop and stock farming or industrial projects presented by owners of rural holdings that have been expropriated subject to compensation in Agrarian Debt Bonds, as provided in the Land Statute Law. Resources are to be supplied mainly by an allocation of 10% of the National Agrarian Reform Fund, which in turn is to depend very largely on budgetary support (3% of Federal tax returns).

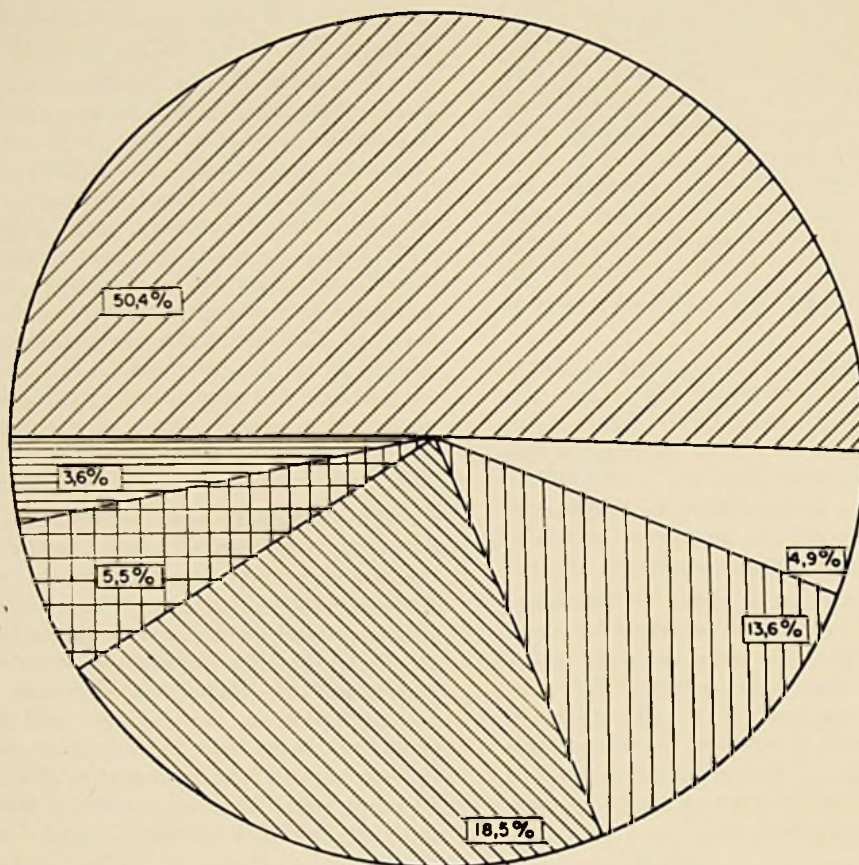
Finally, by Decree No. 55275 of December 22, 1964, the Federal Government created a book-keeping fund, made up of entries in the books and papers of the BNDE, with the name of Financing Fund for the Purchase of Industrial Machinery and Equipment (FINAME), for the purpose of: a) financing, for Brazilian industry, operations for the purchase and sale of machinery and equipment of Brazilian make, by granting credit either to the buyer or the seller; b) financing projects concerned with setting up new industrial plants to operate on a small scale; c) financing the expansion of small-scale industrial plants already in operation.

The FINAME is to be backed by the following resources: a) loans or grants from international, domestic or foreign bodies, including the Alliance for Progress; b) resources placed at its disposal by the Bank of Brazil and other financial agencies of the Union and the States; c) resources raised by the BNDE on the domestic and foreign capital markets for the specific purpose of meeting the requirements of the Fund; d) proceeds of Fund operations (reimbursement of principal, interest, etc.).

APPROPRIATED RESOURCES

Finally, we should mention that, as provided for in law, resources connected with a variety of Funds are deposited temporarily in the Bank for special and specific purposes. In this case, the BNDE acts simply as custodian of these funds and has no say or responsibility as regards their utilization. The resources in question are earmarked for programs of investment in certain basic sectors of the national economy in the charge of other Federal agencies and comprise the following: Federal Electrification Fund, Merchant Marine Fund, National Harbor Fund, Railroad Improvement Fund, etc.

RESOURCES, IN CRUZEIROS, RAISED BY THE BNDE
ON THE PERIOD 1952/1964
(At 1964 prices)



	Cr \$ Billion	
ECONOMIC REEQUIPMENT FUND	663,7	/ / / / /
COMPULSORY LOAN (INCOME TAX)	619,8	/ / / / /
INVESTMENTS OF INSURANCE AND TRUST COMPANIES	43,9	/ / / / /
NATIONAL INVESTMENT FUND (FUNAI)	67,3	/ / / / /
BANK'S OWN RESOURCES	270,2	/ / / / /
SPECIAL RESOURCES	227,1	/ / / / /
WHEAT AGREEMENTS	167,0	/ / / / /
OTHER RESOURCES	60,1	/ / / / /
	1.228,3	

III — FINANCING POLICY AND ACTIVITY

SPHERE OF ACTION

The field of activity of the BNDE, in its capacity as official investment bank endowed with special features, is clearly defined in its organic legislation. Thus, Law No. 1628/52, which created the Bank for the major purpose of administering the Economic Reequipment Fund, provides in Article 10, item II, that the Bank "may only grant loans or financings for purposes of reequipment or development, as established in Laws No. 1474 (Article 3) and No. 1518."

The said laws specified the areas where the funds in cruzeiros accruing from the Additional Assessment on Income Tax or from financing obtained abroad should be invested in: "reequipment of harbors and railroads, increase in the capacity of warehouses, meat-packing plants and slaughterhouses, expansion of electric power potential, and development of basic industries and agriculture".

Subsequently, Law No. 2973/56, which extended for a further period the financial provisions preciously set up, proceeded to a better definition of the areas of economic activity which should be benefitted by the Bank's operations, listing them by priority in accordance with their relative importance for the country's economic progress. This listing, given in Article 25 of the Law, is the following:

- I — reequipment and expansion of the railway system;
- II — reequipment and expansion of harbor installations and the system of navigation;
- III — construction and expansion of the electric power system;
- IV — installation and expansion of basic industries;
- V — construction and expansion of warehouses, silos, slaughterhouses and meat-packing plants;
- VI — development of agriculture, including rural electrification through the accessory development of small waterfalls and other means; and
- VII — other sectors.

Owing to the relative scarcity of available funds, the Bank to date has only approved projects pertaining to the areas of economic activity covered by items I to V. On the other hand, the Bank's cooperation, whatever form it may take, may only be provided for investments in the fixed assets comprised within the sectors aforesaid, so that operations for the purpose of establishing or increasing working capital are not permitted.

With regard to the Funds recently set up and placed under the management of the BNDE, their purpose is defined in the legal provisions whereby they were created.

In the case of the National Investment Fund (FUNAI), Law No. 4242/63 establishes that the investment of available resources should be made with the object of reinforcing the rural and industrial economy of the country, in the proportion of 35% (thirty-five per cent) and 65% (sixty-five per cent) respectively.

The Agro-Industrial Reconversion Fund (Law No. 4504/64) is to be used for financing crop and stock farming or industrial projects presented by owners of real estate that have been expropriated with compensation in Agrarian Debt Bonds, so long as they meet the technical and economic requirements laid down by the BNDE and come within the priority ratings determined by the Minister Extraordinary for Economic Planning and Coordination. In all, financing is never to be granted for a greater amount than 50% (fifty per cent) of the value of the Agrarian Debt Bonds issued in settlement of the price of expropriation. In turn, the charges connected with financing (amortization, interest, etc.) are to be paid with the Agrarian Debt Bonds received.

As to the Financing Fund for the Purchase of Industrial Machinery and Equipment (FINAME), Decree No. 55275/64 explains that the resources thereof are to be employed in: a) financing, in support of industry, operations concerned with the purchase and sale of machinery and equipment of Brazilian make, through credit granted either to the buyer or the seller; b) financing projects for setting up and expanding small-scale industrial plants.

Finally, mention should be made of the creation of a Technical and Scientific Development Fund in the BNDE in 1964. The Fund, which is supported by the Bank itself, is intended to defray the expense entailed in maintaining post-graduate courses for turning out Masters of Science and Doctors of Science in the fields of Physics, Chemistry and Chemical Engineering, Metallurgical Engineering, Mechanical Engineering and Electrical Engineering, as well as promoting technical and scientific research of interest to the industrial sector.

It should also be mentioned that Article 34 of Law No. 2973/56 made it mandatory for the Bank to contribute towards the correction of imbalances in the country's regional development. Thus, it established that 25% (twenty-five per cent) of the funds obtained from the Additional Income Tax Assessment should be invested on a priority basis in projects located or to be located in the West Central, Northern and Northeastern Regions, including the States of Sergipe, Bahia and Espirito Santo.

Finally, it should be pointed out that the Bank provides financial cooperation without preference, both to government agencies and to private enterprise, as well as subscribing shares in wholly government-owned or wholly private-owned companies. The same principle as regards nationality applies to the credit operations of the BNDE, which are granted as readily to foreign concerns or those in which foreign capital is invested as they are to Brazilian undertakings. However, it should be mentioned that the National Congress recently passed Law No. 4131, of September 3, 1962, which, besides other provisions concerning foreign investment in this country, restricted the collaboration of official credit establishments with companies under control of residents abroad, whether in the form of loans, or else of guarantees covering credits obtained abroad, to those cases in which the credit operation is related to highly essential projects and with the government's prior approval in the form of a Decree.

PRIORITY CRITERIA

The projects submitted for the Bank's consideration are selected according to cri-

teria of generic or specific priority as defined by the Bank.

Generic Priority — The elements considered by the Bank with regard to the generic priority of the projects that come up for examination are the following:

- a) shortage of domestic supply to meet the current and future demand, foreseeable in the light of the development of the country;
- b) effects on the balances of payments;
- c) difficulties in raising funds for the project submitted to the Bank, due either to the relatively low profitability of the sector, or the long period of maturity required for the investments;
- d) utilization of available local factors or production (raw materials, labor, etc.);
- e) effects which the programmed investments might have on other areas of the country's economy.

Specific Priority — The specific priority of each project is based upon the following:

- a) extent to which the undertaking is likely to meet the demands of the domestic market, both present and future;
- b) amount of financial aid required from the government, considering mainly the interest shown by private enterprise in the sector in question;
- c) size of the undertaking from the point of view of the scale on which it would be economically worth while;
- d) technological features of the project;
- e) location of the undertaking.

As mentioned before, the BNDE is required by law to invest, on a priority basis, 25% of the funds obtained from the underdeveloped areas of the country: the West Central, Northern and Northeastern Regions and the States of Sergipe, Bahia and Espirito Santo.

FORMS OF FINANCIAL COOPERATION

When coming to the financial support of projects conducive to the development of the Brazilian economy, the BNDE has a choice of various means of operation, either in national or in foreign currency.

Operations In Brazilian Currency

The types of operations in Brazilian currency employed by the Bank up to now, sometimes combined in the form of a single operation, may be resumed as follows:

- a) **reimbursable loan** of the conventional type;
- b) **conventional loan**, transformable at the option of the Bank into stock in the company;
- c) **subscription of shares**, normally preferred stock with the right to a minimum cumulative dividend. In general, the Bank, when a stockholder, reserves the right, as set forth in its Statutes, to appoint one member of the Board of Directors and one member of the Audit Council of the company in which it invests;
- d) **underwriting operations**;
- e) **direct investments** made by insurance and trust companies in projects approved by the Bank to take the place of the compulsory deposit of 25% (twenty-five per cent) of the annual increase in their reserves for technical purposes;
- f) **deposits for development**, made at official credit establishments engaged in carrying out Federal, state or regional programs of economic development, with the object of increasing their capacity to invest in the underlying sectors of the country's economy. This special form of collaboration is authorized by Article 33 of Law No. 2973/56 and has been put into practice in the Northeastern Region, by agreement entered into with the Banco do Nordeste do Brasil S. A.;
- g) **financing of the purchase and sale of capital goods manufactured in the country**, in accordance with SUMOC Instruction No. 216, of September 25, 1961, regulated by Resolution No. 88/62 of the Administrative Council of the Bank;
- h) **short and medium term loans** granted to contractors or borrowers from the Bank for the purpose of facilitating the performance of work, in connection with approved projects, to or, if possible, ahead of schedule;
- i) **passing resources on to regional or state development banks** for investment in

projects previously approved by the BNDE.

As regards the Technical and Scientific Development Fund, at the Bank's discretion its capital can be invested in the form of bailment by commodatum, subvention, repayable loan and subscription of shares.

The resources of the National Investment Fund (FUNAI) are invested, however, in the form of capital subscribed in undertakings controlled by the Federal Government, directly or through its agencies, as provided in Law No. 4242/63.

In connection with the Financing Fund for the Purchase of Industrial Machinery and Equipment (FINAME), it should be pointed out that the investment of its resources is coordinated by a Board, of which the President of the Bank is chairman, one of the members being a Director of the Bank and the others representatives of regional or state development banks, commercial banks and financing companies. The financial agents of the FINAME are: the BNDE, as chief executive to manage the activities of the Fund; the regional and state development banks; commercial banks, including the Bank of Brazil; and financing companies. The operations of the FINAME are carried out:

- a) through the BNDE, in the case of refinancing credit contracts entered into by the financial agents with applicant industrial concerns;
- b) through the financial agents, when it is a question of loan transactions and financing for the sale and purchase of machinery and equipment; and c) through the BNDE, the regional and state development banks, and the Agricultural and Industrial Credit Department (CREAI) of the Bank of Brazil, when the operations are concerned with industrial financing in connection with the installation, expansion or modernization of small-scale industrial undertakings.

All of these forms of financial cooperation have been practiced by the Bank, but it should be stressed that resources have been increasingly applied to the subscription of stock as a result mainly of investments in basic industry, particularly in iron and steel making.

It should be pointed out that the Bank has not set a maximum or minimum limit

to its financial cooperation. The fundamental condition for financing to be granted is that the project should fall into one of the basic areas defined by the organic legislation of the Bank and have a priority rating high enough to qualify for assistance.

Finally, it should be mentioned that the Bank is authorized by law to finance up to 60% (sixty per cent) of the fixed investment required for the fulfillment of certain projects. In exceptional cases, this limit may be exceeded, provided that the Administrative Council of the Bank should decide to do so by a two-thirds majority vote of its members.

Operations In Foreign Currency

The Bank is authorized to take part in operations in foreign currency in two main ways:

- a) **by furnishing a guarantee (aval)**, in its own name or in the name of the National Treasury as its agent, for credits obtained by Brazilian organizations from foreign firms supplying equipment or from international or foreign credit establishments; and
- b) **by transferring credits in foreign currency**, obtained abroad by its own efforts, to Brazilian organizations.

In all contracts involving commitments in foreign currency, the BNDE has a clause inserted to the effect that the beneficiary of the operation must assume full liability for any alterations that may ensue in the rate of exchange.

GUARANTEE FOR CREDIT OPERATIONS

The type of guarantee which is normally required by the Bank for operations in which companies issuing shares are to be financed, is a mortgage of all of the company's property, including land, buildings, equipment and installations. A guarantee is considered satisfactory when the ratio of the property, offered as security, to the amount of the loan is equal to or more than 1.66 : 1.00. Under certain circumstances, the Bank requires subsidiary guarantees, usually in the form of personal guarantees from the main stockholders of the company or bank guarantees.

Instead of taking a mortgage, the BNDE generally arranges for part of the public revenues to be assigned to the amortization of the operation when financing is granted to Government Agencies, whose property cannot be mortgaged, or credit is allowed to concerns under state control, which yield very little profit or none at all, as has occurred in the case of chains of warehouses and silos managed by state authorities.

TERMS OF OPERATIONS

Generally speaking, with regard to the terms granted in the case of financing operations, the BNDE has adopted the following policy:

Terms for the repayment of a loan have always been longer than five (5) years and ranged up to a maximum of fifteen (15) years. The longer terms, from ten (10) to fifteen (15) years, have been available to public services—such as electric power, railroads, silos and warehouses—on account of the low or restricted profits characteristic of such enterprises, whereas industrial ventures, which rate a higher capacity to meet engagements, can be expected to effect the amortization of loans on shorter terms. It should be noted, however, that since all the latter undertakings have been connected with heavy industry, consequently taking longer to set up, and require, in general, a high capital density, loans have never been granted for a term of less than seven (7) years, which breaks down as follows:

- a) **installation** — the smaller-scale industrial projects financed by the Bank take at least twenty-four (24) months to carry through to completion;
- b) **period of grace** — this is the period lasting from the completion of the project to the due date of the first payment for amortization of the financing and it varies according to the time required for adjusting and normalizing the operations of the industrial set-up, which may be expected to cover a length of time of at least twelve (12) months;
- c) **amortizations period** — this varies according to the profitability of the project and the capacity to meet engagements. The minimum period granted has been forty-eight (48) months.

In the case of operations in foreign currency, due dates for repayment are established in the original contracts signed abroad between the parties.

INTEREST AND RATES CHARGED ON OPERATIONS

Brazilian law forbids interest rates higher than 12% (twelve per cent) per annum to be charged on loans.

During its first years of operation, the BNDE favored the substructural areas of the economy—harbor and railroad system and electric power services—with interest rates well below the maximum permitted by law, ranging between seven (7) and eight (8) per cent.

On loans to basic industries a higher rate of interest was charged, between ten (10) and eleven (11) per cent, although the limit of twelve (12) per cent was charged in certain cases.

However, since at this time loans were strongly concentrated in railway transportation and electric power, the average rate of interest charged by the Bank was probably around eight (8) per cent.

In view of the increasing severity of the inflationary spiral, however, the Bank now invariably charges the maximum rate of 12 per cent permitted by law in the case of all projects it finances. Recent studies on the actuarial position of the BNDE show that the minimum yield required of investments in order to maintain financial balance would amount to 19 per cent per annum.

This may be achieved by charging higher rates and commissions, as well as through the adoption of formulas for adjusting the

original value of the loans. For this purpose, the BNDE has recently adopted the system of setting up a "participation fund" or "special account" and charging rates on the profits of borrowers, as authorized by Article 16 of Law No. 2973/56.

The following are the rates normally charged by the Bank:

- a) **Opening commission** — collected at the rate of 1% (one per cent) of the amount of credit granted;
- b) **Supervision charge** — collected at the rate of 0.5% during the grace period and 0.25% during the amortization period of the loans.

The Opening Commission is paid immediately, when the credit is opened. The Supervision Charge and the amortizations are paid half-yearly.

In the case of guarantees for credits obtained abroad, besides supervision charges identical to those charged for operations in Brazilian currency—0.5% during the grace period and 0.25% during the amortization period—the Bank also charges a commission for providing the guarantee at a rate of 2% (two per cent) of the amount of the operation. At least 20 (twenty) days before each payment falls due, the beneficiary of the guarantee is bound by contract to deposit the corresponding amount in cruzeiros with the BNDE, this deposit being credited to a special account but not bearing interest.

It should also be mentioned that, in all contracts involving engagements in foreign currency, the Bank includes a clause which transfers to the beneficiary of the operation the responsibility for any changes that may ensue in the rate of exchange.

IV — ORGANIZATION AND MANAGEMENT

INTRODUCTION

The purpose and powers assigned the BNDE when it was set up made it necessary to devise and put into effect a suitable system of organization to ensure maximum efficiency in the performance of its functions.

The resulting structure, to some extent unlike any other in the administrative complex of the country, was imposed for the very reason that the Establishment was to

be the only investment bank to operate on a nationwide basic and aim, within the limits of its financial resources, at furthering the advancement of all the dynamic and strategic sectors of the national economy.

The dynamism reached by the Brazilian economy in the last ten years, mostly due to the financial backing of the Bank, demanded the introduction into its internal organization, of certain modifications to enable the Bank to keep pace with and influence the

country's development by expanding its own field of activities.

Grasping the full significance of the fact, the Bank has recently embarked on substantial changes in its organization with positive results that are now beginning to make themselves felt, in the form of greater flexibility and freedom of action.

Organized on a departmental basis, the Bank is managed by two top administrative bodies, viz: the Board of Directors and the Administrative Council, as provided in its basic Law (Law No. 1628, of 6/20/52). In the following pages the structures and functions of each organ of the Institution will be explained.

TOP ADMINISTRATION

The composition of the Board of Directors and Administrative Council, the way their members are appointed and the type of investiture, are all provided for in Law No. 1628/52, previously referred to, as amended by Law No. 2973/56.

All such members, freely appointed by the President of the Republic, must be recruited from among citizens of recognized moral standing and proven competence.

The Board of Directors, is composed of six members, namely: the President of the Bank, who may be replaced at will; the Director-Superintendent holding office for five years, and four Directors with a four-year term.

The Board of Directors, besides performing the duties and exercising the power granted by law and/or by the Bank's internal regulations must, on principal, give its opinion on operations in which the liability of a single client amounts to a sum higher than Cr\$ 5 million, without exceeding Cr\$ 50 million.

Today, this function, of course, no longer fulfils the purpose intended of sharing with the Administrative Council the responsibility for evaluating applications for financial aid. Few indeed are the projects submitted to the Bank today which lie within the 5/50 million bracket, since the cost of projects of reasonable scope which merit the financial cooperation of the BNDE has been forced up by inflation so that substantially higher investments must be forthcoming. Thus almost all of the applications for financial aid have now

come to depend upon the Administrative Council for approval and throw too great a burden upon this body.

On the other hand, every matter concerning the executive management of the Bank must be resolved by the Board of Directors after consultation with the Administrative Council in unforeseen cases; besides, once the Bank's technical bodies have decided upon the operations to be carried out, the corresponding contracts must be drawn up to the approval and by decision of the Board of Directors.

Decisions are usually put to the vote and those acts which involve commitments or responsibilities for the Bank are, systematically, signed by two members of the Board of Directors.

The Administrative Council is composed of 6 members, one-third renewed every year, and the President of the Bank, who is Chairman of the Council.

The decisions of the Administrative Council are likewise taken by majority vote, with a quorum of 4 members.

The Administrative Council is in charge of various matters of the utmost importance. Among other duties, it is up to the Administrative Council to make decisions on questions pertaining to the Bank's Internal Regulations, to appraise balances and trial balances of assets, liabilities and proprietorship accounts, examine the annual financial statement of the Bank, frame the policy to be followed by the Board of Directors, and pass on applications from its members and those of the Board of Directors for vacations and leave of absence, the creation or extinction of positions, etc. The Administrative Council has charge, in short, of everything that concerns the Bank's ultimate ends.

Hence, the Administrative Council is expected to be fully acquainted with, and entitled to lay down, the general policy to be followed in pursuing the operations of the Bank, establishing and revising legal interest rates applicable thereto, and those granted to its depositors, as well as any commissions or other form of payment required by the Bank. Any decision regarding operations in which the liability of a single client is higher than Cr\$ 50 million, also comes under its authority, which covers, as has been already said, almost all of the operations approved by the Bank nowadays. Finally, it

should be pointed out that the Investment and Cost Budgets of the Bank which, in a certain way, represent the policy through which the Bank intends to distribute its funds in accordance with conditioning factors of a social and economic nature, require the prior approval of the Administrative Council.

President and Director-Superintendent — Within the cadre of the summit administration described, an outstanding role is reserved for two of its members, viz.: the President and the Director-Superintendent, whose rights and duties are duly established by law and spelled out in the Internal Regulations of the BNDE. These Regulations are approved by the Minister of Finance.

President — He is the representative of the Bank in its contacts with third parties, being, among other things, empowered to call special sessions, both of the Board of Directors and of the Administrative Council; to preside over the joint meetings of both the Board of Directors and the Administrative Council; to veto decisions taken by the Board, submitting his veto to the Administrative Council; to send, on or before January 31 of each year, the general accounts of the Bank and the Administrators to the Federal Audit Office for them to be examined together with the accounts of the President of the Republic and subsequently forwarded to the National Congress.

The President may, whenever he deems it necessary, refer to the Finance Minister with a suggestion of any measures that may be indispensable for the economic reequipment of the country or the development of the Bank's activities.

Every year, the President of the Bank must furnish the Finance Minister with a detailed report to be submitted to the Legislature by the President of the Republic and dealing with the program of economic development financed by the Bank, with special attention to the projects financed and the progress made in carrying them out.

Director-Superintendent — He represents the executive power of the Bank and heads a large staff of which he is the coordinator.

The Director - Superintendent, besides taking the place of the President in the case of his absence or incapacity, is entitled to issue and accept legal documents; appoint, discharge, dismiss, remove or punish em-

ployees of any rank; propose to the Council the abolishment or creation of posts and functions, establishing compensation levels for them; coordinate the work of different sectors of the Bank and see that decisions taken by the top Administration are duly carried out.

In directing and managing the Bank's affairs, he is authorized to decide on operations where the liability of a single client is no higher than Cr\$ 5 million. Seldom, however, does the opportunity arise of making use of this prerogative for, as has been seen, most applications to the Bank for financial backing involve sums well in excess of this figure. When however an application is filed for so low an amount the venture is not liable to be considered suitable for financing and thus is promptly ruled off the list of projects deserving attention.

INTERNAL ORGANIZATION

The main internal sectors of the Bank, each with specific functions and performing an important role were so divided that the work could be carried out along the lines suggested by the best modern technique and with maximum efficiency.

As mentioned before, the requirements for promoting the growth of the Brazilian economy and the extent to which they were being successfully met exerted enormous pressure upon the internal organization of the Bank to the point when it became evident that the various services stood in urgent need of overall reconstruction if the Institution as a whole was to acquire the desired quantum of flexibility and unconstraint.

A realization of this fact led to reorganization of the BNDE into the seven Departments described as they are today, in the following pages:

a) — Administrative Department

The functions of the Administrative Department that should be stressed as being of major importance may be summed up as: the study, planning, proposal and performance of all acts relating to personnel management; the study, planning, proposal and enforcement of all measures calculated to improve the organization of the Bank, with a view to a higher level of economy and

working efficiency; the preparation of the draft Budget of Costs of the Bank, etc.

Since the changes made in its organization, the Administrative Department can now split up the work involved in performing these and other functions among four Divisions, viz: Personnel Division, Material and Property Division, General Services Division and Budget and Organization Division.

Each Division, with its duties clearly defined, is organized into the following subdivisions:

- Personnel Division (Administrative Sector; Social Assistance Group; Selection and Training Sector; Personnel Movement and Records Section; Financial Section);
- Material and Property Division (Material Sector; Real Property Administration Sector; Janitorial Group; Works and Installations Sector; Vehicle Section);
- General Services Division (Communication and Files Sector; Registration and Control Group; Filing Group; Translation and Drafting Sector; Library; Document Duplication Section; Typist Pool);
- Organization and Budget Division (Organization and Methods Sector; Budget Section);

There is, moreover, under each Head of Department, a General Assistant, who replaces him whenever necessary, and a Secretary.

b) Project Management and Investment Control Department

This unit, as implied by its name, controls such undertakings as are financially supported by the Bank.

The control is far-reaching, both horizontally and vertically, and is not confined to the project as such and the investments therein, but extends to the operational system of the beneficiary company so as to keep in close touch with the way in which the work is being carried out.

Thus, this Department must always have the necessary means of accurately determining the technical, financial, economic and administrative situation of work in progress and the borrowers responsible for the project.

In discharging its functions the Control Department now relies upon eight Divisions,

of which five are technical and three financial, viz.:

- Mechanical Industries and Transportation Division;
- Electric Power Division;
- Metallurgical Industries Division;
- Crop and Livestock Farm Industries Division;
- Chemical Industries Division;
- Audit Division A;
- Audit Division B;
- Records and Charges Division.

Technical Control aims at insuring the Bank that the approved project will be carried out as proposed, i. e. according to schedule, estimates and specifications. To this effect, immediately after signature of the contract, the Department requires the borrower to submit a set of documents which include the working project, performance schedules and time charts, specifications, etc. The Department also sets the limits within which the contracting of services and/or purchases of materials should be submitted to its prior or a **posteriori** appraisal.

When the aforesaid documents have been thoroughly checked by the Department, a start is made with the practical work of supervision and control, involving visits of inspection to the site or sites to insure that the project is being carried out in accordance with the approved conditions. In the course of these visits, notes are made of the material progress of the work, the efficiency or inefficiency of the working methods and processes, and the accuracy with which the time schedule is maintained. Prices paid for materials, equipment and services are carefully checked for purposes of recording and accounting for any discrepancy that may be noted between actual and estimated costs.

A detailed inspection report provides the Administration of the Bank with the necessary information along with recommendations as to the measures to be taken for insuring that, technically, the project is properly conducted.

Financial Control — The correct utilization of credits granted is supervised by this Department which also follows closely the financial activities of the borrower by analysing and verifying the accounts so as to keep the Bank well informed about the company's situation.

To this effect, the borrower is required to submit to this Department financial and disbursement schedules, trial balances, general balance and profit and loss accounts. This Department also audits the Companies' accounts to ascertain whether all entries are correctly made and posted, to check the accuracy and reliability of disbursement vouchers, and generally to determine the financial situation of the borrower by reference to suitable technical indices. This control also covers the use to which the borrowers put their own resources so as to ascertain whether a fair share of the expenditure is being shouldered to the extent which is usually required contractually and whether the outlay involved is being put to good purpose.

Registration of obligations in foreign currency, strict observance of insurance for properties mortgaged and/or pledged to the Bank, suitable appropriation of project expenses by main items and due fulfilment of all contractual engagements are also points that need to be checked by the Financial Control Department, which is, furthermore, concerned with verifying the Bank's credits as a result of the borrower's financial success.

Administrative Control is carried out by keeping in touch with the administrative acts of the companies, analysing and approving them when justified in so doing. The borrower's organization and working methods are thoroughly examined during inspections. Judgment and experience are required of Administrative Control officers, as well as carefully conducted research within the company, to establish clearly any shortcoming eventually found, suggest needful corrections and improve the operational capacity and the productivity level.

Administrative control also covers examination of changes in Management, capital increases and other modifications in the by-laws of Bank-financed companies.

Control of Results — Since Bank-financed projects aim at specific objectives of major importance to the national economy, it is essential to keep a close check on results so that the scope and purpose of each undertaking may be accurately estimated from the point of view of quantity, quality and value.

To this end, output and invoicing are recorded and the data so obtained analysed

and compared with those previously established in the approved project.

Personnel and Working Methods — Engineers, auditors, accounting experts and assistants, all assist the Project Management and Investment Control Department in the performance of its supervisory functions.

The Engineers are responsible for the technical and budgetary aspects of the project. They have to inspect the work, see how it is being done and make out a progress report; appraise time schedules and charts; examine and express an opinion upon: invitations for bids and competitive estimates, applications for releasing credits and/or expanding them, advisability of granting advances, quality and fitness of materials, adequacy of specifications for carrying out the project, etc.

The Auditors are in charge of the financial and administrative control of borrowers. They must, therefore, carry out auditing inspections, examine trial balances, accounting balances, profit and loss statements, and supervise the administrative organization of the company. They must, moreover, express their opinion about such matters as requests for the release and/or reinforcement of credits and advance payments, financial schedules and disbursement plans. The utilization of funds is also checked by the auditors so as to ensure proper use of the aid provided by the Bank.

The Working Methods of the Department, as elsewhere in the Bank, are based on the established principal of team work. Thus, whenever the matter under consideration requires technical or financial information with regard to releasing of credits, analysis of schedules, inspection reports, budget and disbursement plan revisions, etc., a working group composed of engineers and auditors is immediately set up. This group is coordinated by the Head of the Technical Division responsible for the project.

Another rule of practice worth mentioning is the standardization, whenever possible, of the channels through which information and reports flow so as to secure uniformity in the work of the Department along with greater speed and accuracy in getting results.

Still within the field of action of the Project Management and Investment Control Department, mention should be made of

loan requests made by borrowers' contractors and suppliers. This is a short term credit operation governed by Decision No. 38/57 of the Administrative Council, for the purpose of making it possible for the building contractors or suppliers of the Bank's borrowers, to fulfill their contractual engagements more rapidly. In such cases, the Department, in its capacity as coordinator of the interdepartmental working group, examines the applicant's request in the light of past experience obtained through a continuous observance of the work to which the request is related.

c) — Economic Department

In the early years of the Bank's operations, the Economic Department devoted itself mainly to two kinds of activities: 1) sharing actively, from the economic viewpoint, in the examination of the projects on which applications to the Bank for financial cooperation are based; and 2) conducting studies and research with a strictly economic slant that was likely to prove useful to the BNDE in framing its investment policy. Early in 1958, when the Project Department was created as an autonomous body with clearly established objectives—as a result of the merger of the former Technical Department and those Sectors of the Economic Department engaged in project analysis—the Economic Department was set free to operate along lines that were more consistent with its true aims and objects.

The development of the Bank's activities and the growth of the Brazilian economy itself brought about the need for a change in the organizational structure of the Economic Department so as to enlarge its sphere of action, the better to fit it to perform the work assigned to it. In the middle of 1963, a new structure for this Department was approved by the Administration of the Bank.

In order to carry out studies and assist other Departments and the Top Administration of the Bank, the Economic Department has four Divisions: Sectorial Studies Division; Regional Studies Division; Programing Division; and Statistical and Actuarial Division. To the Head of the Economic Department are attached an Economic Adviser, Technical Adviser, Documentation Sector

and Secretary's Office. Finally, and whenever deemed advisable, Technical Consultants are hired by the Bank to assist the Department in pursuing specific lines of investigation.

The Sectorial Studies Division is composed of the following sectors: Metallurgical Industries; Capital Goods Industries; Chemical Industries; Studies on Basic Services; and Industrial Technology. This Division aims mainly at periodically revising the priority and eligibility criteria used in the Bank; bringing out monographs on basic sectors and branches of the national economy within the field of activity of the Bank; working out or participating in the working out of specific investment projects for the Bank; organizing specialized documentation on industrial technology and planning research to be undertaken by the Bank in this particular domain.

The Regional Studies Division includes the Analysis, Research and Survey, and Program Coordination Sectors. Its main objectives may be summarized as follows: to carry out studies and research on geo-economic regions; to analyse the results of regional, federal or state economic development plans; to examine opportunities offered by specific projects for the expansion of the Bank's activities in less developed areas, etc.

The Programing Division is composed of the following sectors: General Programing and Macro-Studies; Budget and Investment; Fiscal and Monetary Studies. Studies concerning the progress and characteristics of the development process of the country's economy are carried out by this Division, which also handles, in cooperation with other entities and the remaining Divisions of the Department, the organization of indices to show the evolution of basic sectors and of structural changes in the Brazilian economy; macro-studies necessary to general and sectorial programing activities; the study and prospects of the monetary and exchange situation of the country; the preparation and control of the Investment Budget of the Bank; norms and methods for the improvement of the estimating and control system of that Budget; the study of bills introduced in the National Congress and their passage through the various stages in both houses: etc.

Actuarial studies concerned with the

Bank's situation: the working out, with other Divisions, of suggestions for increasing the Bank's funds; examination of the trends of the national capital market; statistical analysis and surveys, etc., are activities carried out by the Statistical and Actuarial Division, which is composed of the following sectors: Financial and Actuarial Studies; Econometric Analysis, and Statistical Analysis and Survey.

Finally, it should be mentioned that the organization and maintenance of the economic documents of interest to this Department, as well as coordination of the publishing output of the Economic Department, including the standardization, publication and distribution of documents, are carried out by the Documentation Sector.

d) — Financial Department

This is an executive body whose office it is to carry out the banking operations duly approved by the authorities of the Bank, in accordance with the legal provisions applicable thereto.

The volume of work assigned to it, as a result of the expansion of the Bank's activities, has led to the need for providing it with an adequate structure.

A General Assistant, the Documents and Office Sector, the Confidential Enquiries Sector and the Secretary's Office are now attached to the Office of the Head of the Department, the structure of which is completed by four Divisions: Accounting; Investment in Stocks and Shares; Processing of Payments and Collections; Securities and Treasury.

The Accounting Division is composed of the Classification, Records, Revision and Analysis Sectors. The Investment Division has two Sectors: Control of Transferable Securities and Control of Capital Investment. Three Sectors, dealing respectively with National Currency Payments, Foreign Currency Payments, and Collection, come under the Payment and Collection Division. Finally, the Treasury Division is made up of the following sectors: Cashier's Office; Documentary Evidence; and Securities.

e) — Legal Department

As in the case of the other Departments, the functions of the Legal Department are defined in the Internal Regulations of the

Bank and explained in Instructions issued by top management, but the wide scope, not to say diversity, of those functions makes it hard to summarize the activities involved.

Amongst other things, the Department is responsible for examining from a legal angle the various operations involving the financial cooperation of the Bank, their legal setting for instance, the credit capacity of the applicant, and the security offered, and proposing the terms and conditions to be binding on the transaction; furthermore, it is entrusted with the drafting of contracts, the examination of all documents pertinent thereto, and seeing that the contractual engagements are faithfully carried out.

It is, moreover, the responsibility of the Department: to recommend new forms of operations; to study legislation of interest to the Bank, as well as to follow development with regard to the drafts of laws and to suggest new and administrative measures; to defend the interests of the Bank in and out of Court; to provide legal aid to the Bank's administrative units; and to perform any other services of a legal nature that may be required.

In short, the Legal Department, as interpreter of the law, takes part in all those acts which involve, whether immediately or not, the creation, modification or extinction of rights and obligations for the Bank, and also proposes action with the object of improving or altering existing legislation within the limits of its activity.

Its present structure includes, besides the Head of the Department, a General Assistant, who is his substitute, as well as a Secretary and an Office Supervisor.

The Legal Department's work is apportioned among the following:

- Operations and Legal Aid Division, which is composed of a Study and Legal Aid Sector; Projects Legal Sector I; Projects Legal Sector II; and Projects Legal Sector III;
- Contracts Division, which is composed of the Internal Financing Sector; the Foreign Guarantees and Loans Sector; the Contract Interpretation Sector; and the Legal Control and Operations Sector;
- Legal Disputes Division.

Among the multiplicity of functions assigned to the Legal Sector, the most im-

portant is the analysis of applications for financial aid submitted to the Bank and the subsequent drafting of the contracts and supervision of their fulfilment.

Indeed, the structure of the Department as outlined above is designed mainly to facilitate this work. Thus the reports on investigations pursued by the Operations and Legal Aid Division and by the Contracts Division are passed up to the Management, in the persons of the Department Head and his General Assistant.

Whenever an application for financial aid reveals, at least apparently, conditions which make it eligible for aid from the Bank, a Working Group is organized to consider it. The typical Working Group consists of an engineer and an economist from the Projects Department, and a lawyer chosen, according to the nature of the applicant's business, from one of the sectors of the Operations and Legal Aid Division. In his report, the representative of the Legal Department is expected to express, under separate headings his considered opinion upon: a) the Applicant; b) the Application; c) the Guarantees Offered; d) the Conditions of the Operation.

The report on the Applicant should deal with the following main points: 1) the legal standing of the enterprise, i.e. whether the requirements for its establishment and operation as a juristic person have been fulfilled, according to the legal form of the concern and the type of business it transacts; 2) its capital and shareholders, if a joint stock company; 3) the administration of the concern, through the examination of the Company by-laws or partnership contract, the responsibilities of the administrators, etc.

When the applicant is a government corporation or agency, similar features to those listed are examined, *mutatis mutandis*.

Under the heading of **Application**, the main object is to verify whether the operation can legally be included among the activities of the Bank and the extent to which the latter is requested to share financially in the project, the appropriate administrative unit in the Bank for considering the application and, whenever this be the case, the contracts signed by the applicant for the purchase and/or installation of imported equipment.

Under the heading of Guarantees Of-

fered, special attention is devoted to the manner whereby the Bank would be repaid in the event of failure of the undertaking. The Bank generally requires, as security for fulfilment to the contracts it enters into, real guarantees (mortgages, liens upon merchandise or industrial plant and equipment collateral stock, etc.) or fidejussory guarantees (guarantors, guarantee deposits, segregation of funds in special reserves for payment, etc.), care being taken to choose the type of guarantee best suited to the kind of operation.

Finally, a draft is made of the Conditions under which the Bank should accept the application in the event that the Working Group decides in its favor. There exist more or less standard conditions according to the nature of the applicant's business, while others, specific to each operation, emerge from a study of the project, ultimately establishing a basis for acceptance of the application.

After being brought to the notice of the Heads of the Legal Department and the Heads of the appropriate Division, sometimes being amended in the process, the Working Group's report is finally submitted for decision to the Superintendent, the Board of Directors or the Administrative Council, according to the amount of aid set by the Working Group. If approved, the application is returned to the Legal Department for the contract to be prepared. The preparation of the contract is not a mere matter of drafting. The Contracts Division examines a great number of documents which, amongst other matters, testify to: the legal status of the applicant; payment of taxes and social security contributions, and compliance with legal regulations regarding the nationalization of labor; and pertinent information with regard to: the legal representatives of the applicant who are to sign the contract; the real guarantees of the operation; and the guarantors.

If the documents are satisfactory and the draft of the contract is approved by the Board of Directors of the Bank, the contract is finally signed, either by public or by private deed, as soon as a definitive agreement has been reached with the applicant. The next, and last, requirement is to see that the contractual obligations assumed by the beneficiaries and their guaranters are prop-

erly interpreted and faithfully observed, which involves supervision by the Contracts Division insofar as the legal side is concerned. This stage ends, and with it the activity of the Legal Department, as soon as the obligations aforesaid have been fulfilled or, occasionally, in a lawsuit, in which the Legal Disputes Division represents the Department, when a conflict of interests arises between the Bank and the other contracting party, which cannot be settled out of court.

f) — International Operations Department

The original organization of the BNDE made no provision for a Department specializing in the conduct of foreign business, such as the furnishing of guarantees and the negotiation of agreements with foreign or international agencies, but it was not long before the specific complexity of this kind of operations led the Administration of the Bank to set up a department to deal with them.

Thus, the Bank's Internal Regulations, which came into force on January 27, 1958, included an International Operations Department among the technical organs and provided that it should be concerned with such matters as: estimating the size and determining the composition of the foreign financing and investments required to further the development programs of the government, forming an opinion upon government projects that require resources to be obtained in foreign currency, examining investment projects planned by private initiative and standing in need of the Bank guarantee for foreign financing, preparing the ground for negotiating agreements and operations with foreign or international financial groups, and studying the problems raised by the utilization of lines of credit obtained abroad.

At that time, the Department was designed to operate with only two Divisions: that of Agreements and Contracts, and that of Operations, besides a General Advisory Section and a Secretariat. To keep pace with the broadening interests of the BNDE, the Department was, however, reshaped in 1963 so as, in turn, to extend its field of action. Within this new framework, the former basic organization was retained, but the two Divisions were renamed and given wider significance.

The former Agreements and Contracts Division, transformed into the International Trade and Organizations Divisions, was subdivided into two Sectors, one dealing with International Trade and the other with International Organizations. In the Operations Division, which kept the same name, the Sector of Analysis and Studies and that of Control of Operations were created. The General Advisory Section and the Secretariat of the Department were maintained.

The Department is further concerned with the supervision and coordination of the executive and administrative stages of financial operations effected or guaranteed by the Bank abroad, keeps a record of such operations and supervises their execution.

As a subsidiary activity, the International Operation Department undertakes to prepare background material for Brazilian representatives to assist them in their dealings and relations with foreign governments and international organizations.

g) — Projects Department

The main function of the Projects Department is to analyse applications for financial collaboration from the Bank, whether in the form of loans, financing, guarantees or purchase of stock, with particular reference to the technical, economic and financial aspects.

The Department has recently been reorganized to consider with greater freedom the financial aid applications submitted to the Bank, and is now provided with an Economic Advisor and a Technical Advisor to the Head of the Department, as well as an Office Supervisor and a Secretariat.

As in the case of other Departments, the Projects Department is divided into specialized Divisions, namely:

- the Mechanical Engineering and Transportation Industries Division which comprises Mechanical Engineering and Transportation Sectors I, II and III and an Economic Sector;
- the Steel Industry Division which is composed of the Iron and Steel Industry Sectors I and II and an Economic Sector;
- the Metallurgical Industries Division, covering Metallurgical Sectors I and II and an Economic Sector;

- the Chemical Industries Division, subdivided into Chemical Sectors I and II and an Economic Sector;
- the Electric Power Division, comprising Electric Power Sectors I, II and III and an Economic Sector; and, finally,
- the Crop and Livestock Farming Division, which includes Farming Sectors I and II and an Economic Sector.

Project analysis is usually organized as follows:

- (a) An initial opinion is given on the project by the Working Group (GT—Grupo de Trabalho), which generally includes the Head of a Sector;
- (b) The opinion is submitted to the consideration of the Head of the Division concerned;
- (c) It is then sent to the Head of the Department for the same purposes;
- (d) The opinion is then submitted to the consideration of the Director-Superintendent, who will, in turn, pass it over to the Administrative Council or to the Board of Directors, depending on the size of the loan requested.

a) Tentative Application and Project

— Applications for assistance from the Bank, in any of the forms in which such assistance can be made either on a preliminary tentative basis or in final form.

The first procedure, which is more in the nature of a consultation, is recommended whenever any doubt exists as to the possibility of a favorable decision, either because the applicant's activity is not yet recognized as falling within the Bank's field of action or because the generic priority levels assignable to the sector have not yet been established.

The tentative application must contain the minimum information required to establish the determining features of the undertaking, and should cover, among other aspects, the nature and quantities of the products to be manufactured, principal applications, market available, total amount of investment, outlay in foreign currency, source of funds, cooperation desired from the Bank and importance of the undertaking from the standpoint of the country's economy.

The dossier will be sent to the Projects Department, which, after studying the project as to its eligibility and priority, will give an opinion thereon explaining the grounds on which it is based. This opinion is then submitted to the Board of Directors by the Director-Superintendent for consideration and decision as to whether or not the undertaking is eligible, on principle, to receive the Bank's cooperation.

It should be stressed that the final decision on the application will depend upon the submission of a specific project containing a detailed study of the economic, technical and financial aspects and all other matters connected with the undertaking.

b) Types of Analysis Carried Out by Working Group (GT) — Once a project is submitted to the BNDE with an application for financial assistance in any of the accepted forms, the Head of the Department sets up a Working Group to examine and report on the feasibility of the proposed operation. The Working Group is made up of technicians, namely, an economist, an engineer, an accountant and a lawyer. At the same time application is made to the Financial Department for a full report on the commercial and financial standing of the major stockholders and/or officers in the Company. One of the members of the Working Group is also made responsible for uniformity in drafting the opinion, for presenting background material and, in general, for overall coordination of the work.

It should be stressed that generally the Bank's maximum cooperation is limited to 60% of the fixed investments to be made either in setting up the activity or in expansion projects. Of late, the Bank has been granting a special treatment to iron and steel and power plants which require, for their establishment or expansion, a substantial amount of funds. In such cases, the Bank's participation is allowed to exceed the aforesaid limit. In general, the work of the Group is divided up among its members as follows:

ECONOMIST — In charge of analysing the eligibility and generic priority of the undertaking. The granting of a specific priority level, which will determine approval or rejection of the application, is mainly based on the elements shown by the technical

study, namely, technical feasibility of the project, operational costs and estimated profitability. An analysis must be made of the market and of the total investment, the component items of which should be discriminated so as to evaluate the total cost, as well as the needs of the enterprise as regards circulating capital. In determining the Bank's share in the undertaking, the economist relies on the analysis of a number of other features, such as the break-even point, profitability of the investment, pay-back period and capital budget. It is on these data that the final conclusions are built up.

Where an expansion program is concerned, the economist seeks to integrate the proposed investment into the Company's structure. For that purpose, the necessary premises are established together with overall budgets and financial report (cash-flow analysis, profit and loss statement and pro-forma balance sheets). Based on these latter

elements, determination is made of the debt-bearing capacity for the period during which the Company will be linked to the Bank.

In the case of an establishment program, a similar analysis is made, but there is no question of integration to be taken into account.

ENGINEER — The main duty of this technician is to check the accuracy of the cost estimate submitted by the Applicant. To do so, he examines the current costs of operation and, when expansion is contemplated, the future costs after expansion, and analyses the technical feasibility of the undertaking, determining whether the production factors (labor, raw materials, power, location, water, supply, etc.) are technically acceptable for the estimated output to be attained.

ACCOUNTANT — The accountant will take a more active share in the work of

THE TUBARÃO HARBOR, WHICH IS BEING CONSTRUCTED IN THE STATE OF ESPIRITO SANTO WITH BNDE'S COOPERATION, WILL ENABLE COMPANHIA VALE DO RIO DOCE TO EXPORT ANNUALLY 20 MILLION TONS OF IRON ORE.



the Group when applicant companies are already in operation, in which case he analyses the credit and examines the behavior and background of the Company and its executive officers for the previous five years. The several types of analysis he handles include: fund flow analysis (origin and utilization of resources); comparative studies of balance sheets and determination of ratios and quotients; analysis of profitability and capacity to build up resources for reinvestment and reserves.

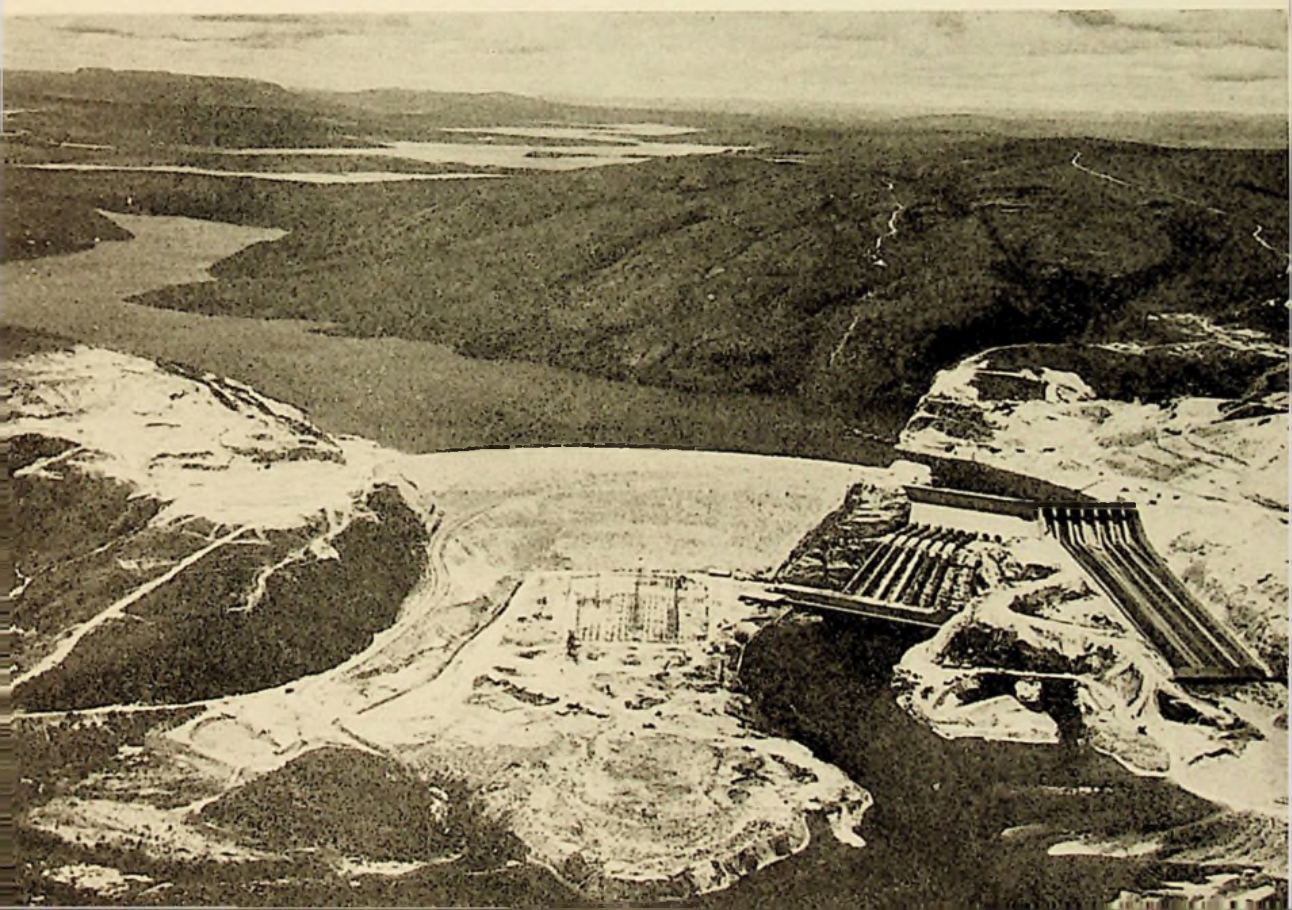
LAWYER — Handles studies connected with the Applicant's juridical status, legal eligibility and specific priority, in addition to examining questions involving the Bank's participation in the undertaking, the guarantees offered (real and/or fidejussory) and the conditions imposed on the operation.

The achievements of each and all the Departments, the duties of which have been outlined in the foregoing pages, and the

results that can be claimed by the Bank for these 12 years of activity, have demanded no little effort from both officers and personnel.

Indeed, the circumstances arising out of the immediate and constantly growing needs of the Brazilian economy for capital with which to promote development on a sound and far-reaching scale have proved an inspiring challenge for the BNDE, and the burden of endeavor has fallen more precisely on the interconnected branches of the organization which have not only to operate the complex mechanism of financing, but also to understand and make allowances for all the trends and shortcomings of the Brazilian economic set-up, the more efficiently to establish and assist, by means of investment, the kind of basic and high priority undertakings that find a place in any policy that aims at speeding up the rate of economic growth.

FURNAS HYDROELECTRIC PLANT — THIS GENERATING PLANT, WHICH WILL HAVE AN INSTALLED CAPACITY OF 900,000 KW IN 1965 AND 1,200,000 KW IN THE FINAL STAGE, IS BEING BUILT TO SUPPLY THE MOST HIGHLY DEVELOPED REGION OF BRAZIL.



V — RESULTS OF FINANCING

DEMAND FOR RESOURCES

An analysis of the Bank's financing action since its foundation in 1952 until December 31, 1964 would not be complete without a preliminary appraisal of the demand for the resources it can provide.

The amount of financial assistance requested from the Bank in the period 1952/1964 reached the considerable figure of

Cr\$ 413 billion at prices then prevailing. The projects concerned cover a wide range of economic activities in every unit of the Federation.

According to the main sectors and the great geo-economic regions into which the country is divisible the cooperation requested from the Bank up to December 31, 1964, breaks down as follows:

REGIONS	VALUE OF ASSISTANCE REQUESTED					
	Transportation	Electric power	Industries	Agriculture and related sectors	Other sectors	TOTAL
IN BRAZILIAN CURRENCY (Cr\$ million — At current prices)						
North	100.0	6,118.0	9,316.0	100.0	304.0	15,938.0
Northeast	5,511.2	4,706.2	13,687.2	4,462.8	6,636.6	35,004.0
Southeast	19,824.8	73,718.2	156,397.8	17,751.1	6,886.5	274,578.4
South	5,718.8	17,391.9	19,719.0	7,414.7	5,096.4	55,340.8
West Central	1,228.5	8,856.9	2,070.6	5,724.8	170.5	18,051.3
Interregional	9,780.4	750.0	—	3,768.6	—	14,299.0
BRAZIL	42,163.7	111,541.2	201,190.6	39,222.0	19,094.0	413,211.5
PROVISION OF GUARANTEES (equivalent in US\$ 1,000)						
North	—	4,268	8,785	—	570	13,623
Northeast	1,431	22,480	73,495	21,670	6,390	125,466
Southeast	43,546	172,253	565,563	176,437	12,005	969,804
South	37,499	130,896	7,447	25,134	51,500	252,476
West Central	2,265	17,657	—	21,341	4,000	45,263
Interregional	225,408	—	8,255	192,765	4,500	430,928
BRAZIL	310,149	347,554	663,545	437,347	78,965	1,837,560

Of the various sectors of the economy for which backing has been requested, it will be seen that industries takes the lead with around 49% of the total resources applied for. Next come electric power with 27%, transportation 10%, agriculture 9% and other sectors 5%. The substantial participation of industrial projects in the total amount of the demand is due, on the one hand, to the inherently sizable investments required and, on the other to the great diversification of enterprise in this sector, which causes a considerable number of projects to be channeled to the Bank that are entirely devoid of the requisites essential to eligibility and priority.

As to the regional distribution of the credits applied for, the Southeastern region—where the great centers of São Paulo, Minas Gerais and Guanabara are located—accounts for 66% of the total amount. The Extreme South, covering the States of Paraná, Santa Catarina and Rio Grande do Sul, also contributes a considerable share. As was to be expected, the less developed regions—

North, Northeast and West Central—represent, together, a little more than 16% of the total credits in cruzeiros requested from the Bank.

Turning to operations in foreign currency, it may be mentioned that, during the period under consideration, guarantees summed up to a total equivalent of US\$ 1,838 million.

AUTHORIZED ASSISTANCE

The legislation instituting the Bank, further to entrusting it with the management of the Economic Reequipment Fund, empowered it to provide guarantees for credits obtained abroad, provided that such operations came within the Bank's field of action. Thus, the Bank operates in two basic ways: as direct supplier of funds in cruzeiros and as guarantor to loans obtained from foreign financing entities.

Altogether, assistance authorized until December 31, 1964, evolved as shown in the following table.

YEARS	VALUE OF AUTHORIZED ASSISTANCE		
	In Brazilian Currency (Cr\$ million)		Provision of Guarantees (equivalent in US\$ 1 000)
	At current prices	At 1964 prices ^(*)	
1952	1,181.0	47,240.0	—
1953	1,485.7	52,602.6	2,178
1954	3,006.4	76,837.3	7,133
1955	2,592.6	52,910.2	21,172
1956	7,115.2	122,417.7	53,070
1957	8,856.1	145,079.8	113,559
1958	12,997.9	167,810.5	213,124
1959	11,500.0	101,326.6	165,215
1960	14,871.1	122,635.6	50,469
1961	24,202.5	135,292.4	65,592
1962	22,327.6	71,612.8	67,533
1963	82,065.2	149,348.3	22,853
1964	136,731.9	136,731.9	27,482
1952/1964	328,933.2	1,381,845.7	809,380

(*) The index adopted for correction of the original values results from the aggregation of partial indices estimated by the Getulio Vargas Foundation.

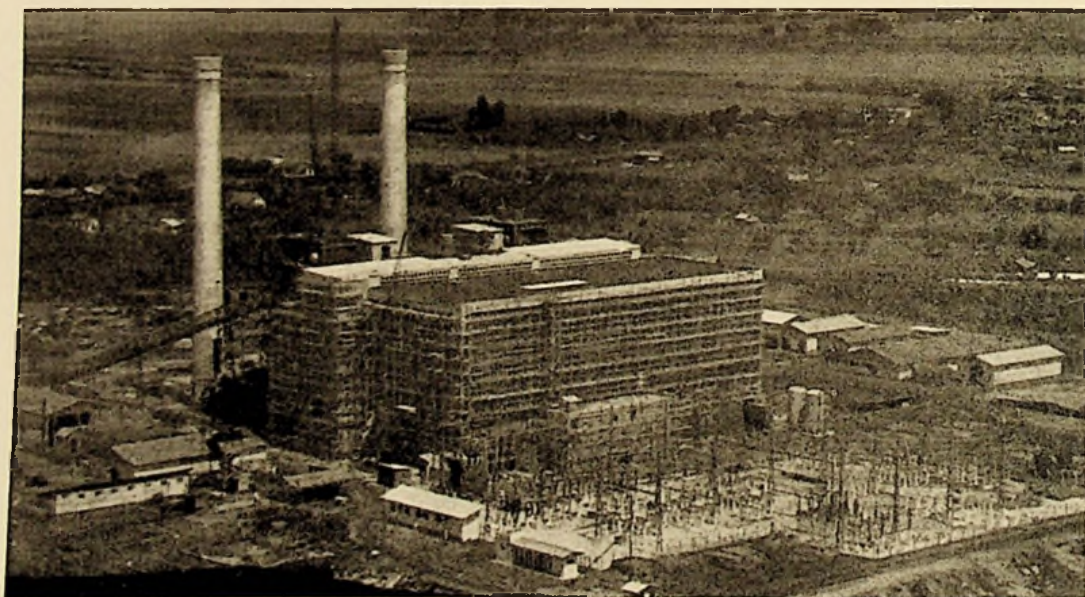
The above figures demonstrate that, in real terms, the BNDE has not been able to expand its investments in cruzeiros at the rate desirable for a nationwide entity, and the explanation for this curtailment lies

in the relative shortage of available funds.

From the standpoint of sectors of economic activity, the total amount of assistance authorized by the BNDE during the period in question breaks down as follows:

SECTORS OF ECONOMIC ACTIVITY	TOTAL AUTHORIZED — 1952/1964				
	In Brazilian Currency (Cr\$ million)			Provision of Guarantees	
	At current prices	At 1964 prices ⁽¹⁾	%	Equivalent in US\$ 1,000	%
Transportation	15,801.6	300,896.8	21.8	197,353	24.4
Electric Power	80,880.9	411,904.7	29.8	175,117	21.6
Basic Industries	227,051.8	635,225.1	46.0	424,299	52.4
Iron and steel	194,474.1	452,336.2	32.8	325,962	40.3
Other Industries	32,577.7	182,888.9	13.2	98,337	12.1
Sectors related to Agricultural Activity	5,198.9	33,819.1	2.4	12,611	1.6
TOTAL	328,933.2	1,381,845.7	100.0	809,380	100.0

(¹) The index adopted for correction of the original values results from the aggregation of partial indices estimated by the Getulio Vargas Foundation.

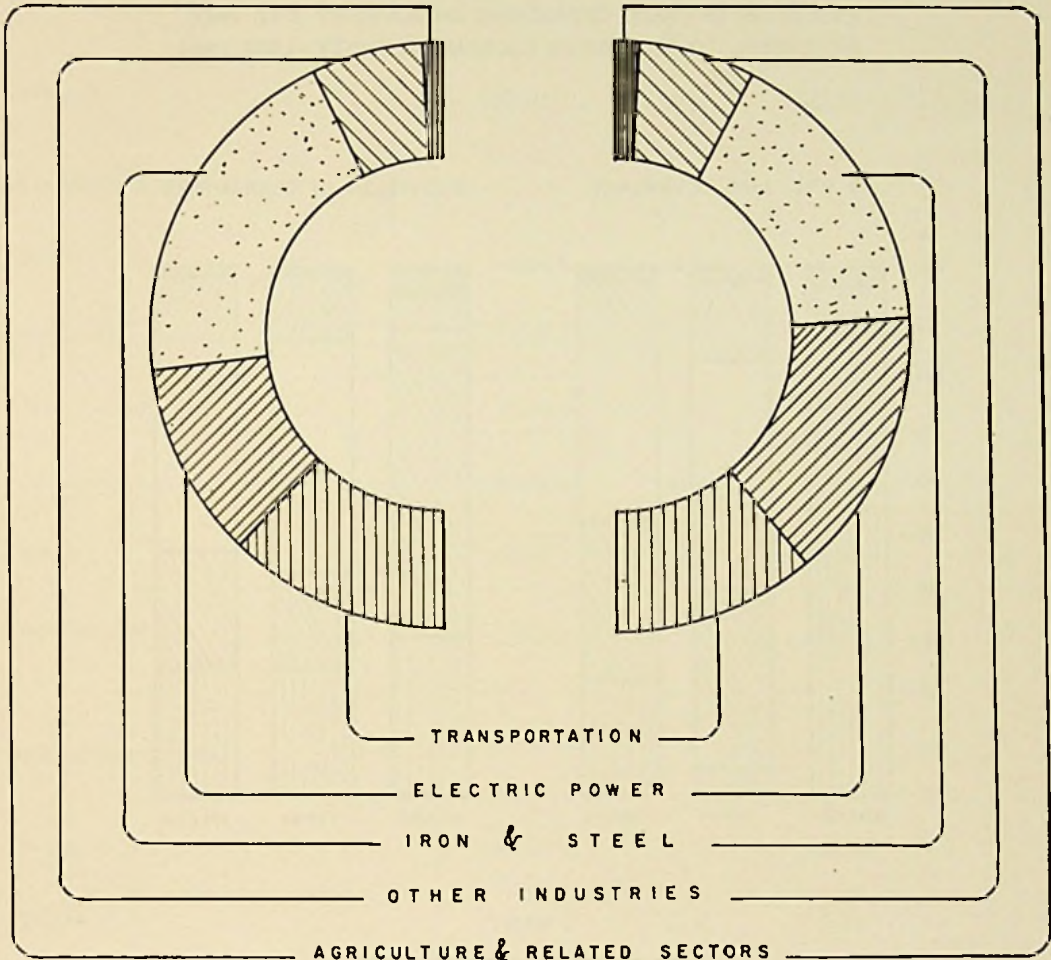


CAPIVARI STEAM-ELECTRIC PLANT, ERECTED AT CAPIVARI, IN SANTA CATARINA, WITH AN INSTALLED CAPACITY OF 100,000 KW, BURNS SOFT COAL MINED IN THE REGION.

CLASSIFICATION OF THE CREDIT OPERATIONS APPROVED BY
THE BNDE IN THE PERIOD 1952/1964

IN BRAZILIAN CURRENCY

PROVISION OF GUARANTEES



The above figures show a predominance of projects connected with basic industries and electric power in the total amount of credits granted in both Brazilian and foreign currency. Substantial amounts were also channeled to the transportation sector, especially the air transportation system.

Still under the sectorial aspect, it is important to point out the variations which took place in the Bank's investments during the period in question.

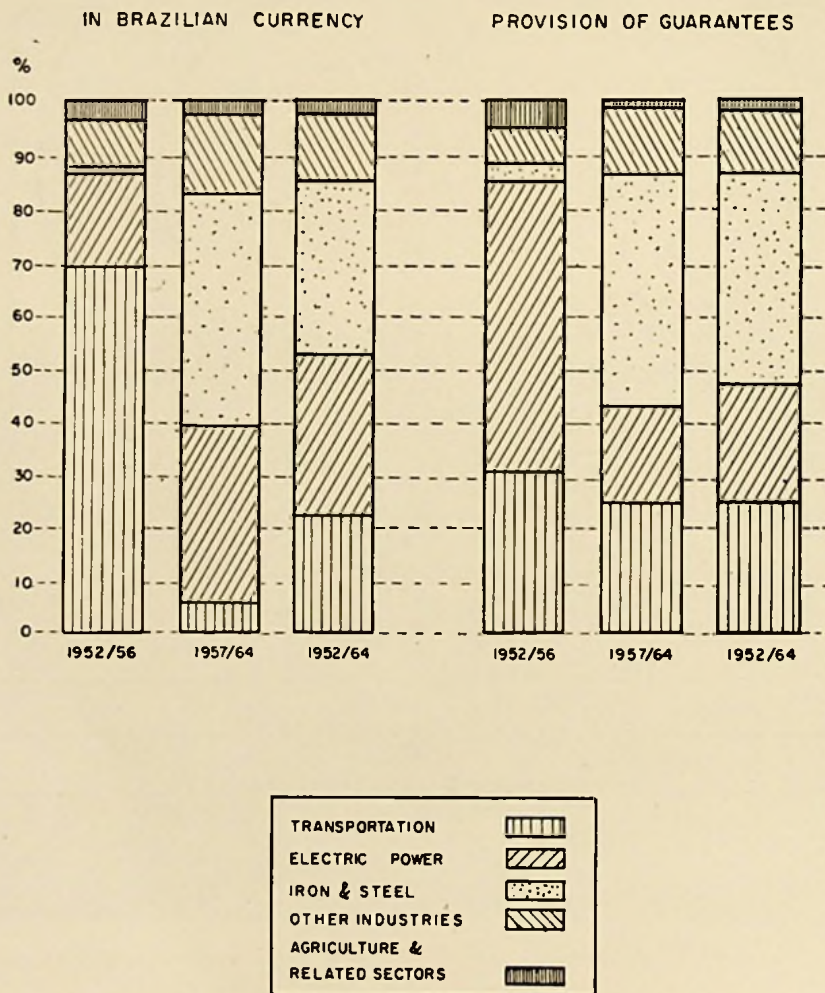
Thus, during its first five years of operation, the Bank was engaged mainly in

financing projects connected with the expansion of transportation systems, particularly the remodeling of railroads.

With the establishment of specific funds to support maritime and rail transportation services, the BNDE was, as from 1957, in a position to concentrate its resources almost entirely on the support of the sectors of electric power and basic industries.

This fact is better evidenced in the following chart which are presented as percentages, based on 1964 values and prices:

EVOLUTION OF CREDIT OPERATIONS APPROVED BY THE BNDE
ACCORDING TO SECTORS OF ECONOMIC ACTIVITY - 1952/1964



Regionally, the Bank's investments in the period 1952/1964 are shown in the table below, where emphasis is laid on the two great regions of Article 34 of Law 2973.

It has not yet been possible for the

Bank to prepare by its own means the projects to which it grants its assistance and it merely selects from among the applicants, those found to be most deserving of its financial support.

R E G I O N S	AUTHORIZED TOTALS — 1952/1964			
	In Brazilian Currency (at 1964 prices)		Provision of Guarantees	
	Cr\$ million	%	Equivalent in US\$ 1,000	%
BRAZIL	1,381,845.7	100.0	809,380	100.0
Geo-economic Regions:				
North	7,434.8	0.5	—	—
Northeast	71,756.4	5.2	64,986	8.0
West Central	51,239.0	3.7	8,805	1.1
Southeast	1,113,426.8	80.6	526,028	65.0
South	130,971.7	9.5	71,741	8.9
Interregional	7,017.0	0.5	137,820	17.0
Regions of Law 2973/56:				
Region.I	1,204,113.3	87.1	584,370	72.2
Region.II (*)	170,715.4	12.4	87,190	10.8
Interregional	7,017.0	0.5	137,820	17.0

(*) North, Northeast and West Central Regions and the State of the Espírito Santo.

**CREDIT OPERATIONS APPROVED BY THE BNDE ACCORDING TO
SECTORS OF ECONOMIC ACTIVITY — 1952/1964**

SECTORS OF ACTIVITY	AUTHORIZED OPERATIONS — 1952/1964			
	In Brazilian Currency		Provision of Guarantees	
	Cr\$ million (at 1964 prices)	%	Equivalent in US\$ 1,000	%
TRANSPORTATION	300,896.8	21.8	197,353	24.4
Railroads	283,552.2	20.5	52,266	6.5
Shipping, Harbors & Dredging	12,831.8	0.9	34,796	4.3
Highways	—	—	10,885	1.3
Air transport	—	—	99,406	12.3
Other means of transportation	4,512.8	0.4	—	—
ELECTRIC POWER	411,904.7	29.8	175,117	21.6
BASIC INDUSTRIES	635,325.1	46.0	424,299	52.4
Metallurgy	472,559.7	34.2	332,564	41.1
Iron & Steel	452,336.2	32.7	325,962	40.3
Non-ferrous metals	14,810.5	1.1	6,602	0.8
Other metallurgical industries	5,413.0	0.4	—	—
Mechanical engineering	5,730.2	0.4	219	0.0
Electrical engineering	10,117.9	0.7	—	—
Transportation Materials	42,040.8	3.1	41,527	5.1
Railroad materials	3,677.5	0.3	2,411	0.3
Shipbuilding	12,018.9	0.9	1,944	0.2
Automobile industry	26,344.4	1.9	37,172	4.6
Chemical engineering	98,696.4	7.2	43,614	5.4
Cellulose	11,352.8	0.8	3,228	0.4
Other chemical industries	87,616.6	6.4	40,386	5.0
Other industries	5,907.1	0.4	6,375	0.8
CROP & STOCK FARMING AND COMPLEMENTARY SECTORS	33,819.1	2.4	12,611	1.6
Agriculture	—	—	1,622	0.2
Warehouses & Silos	17,962.0	1.3	10,989	1.4
Cold Storage	6,538.7	0.5	—	—
Industrial Slaughterhouses	9,318.4	0.6	—	—
TOTAL	1,381,845.7	100.0	809,380	100.0

VI — SECTORS OF THE ECONOMY BENEFITTED

TRANSPORTATION

a) — Railroad Transportation

As Administrator of the Economic Re-equipment Fund, established for the purpose of covering domestic currency expenditure incurred in carrying out the projects prepared by the Joint Brazil-United States Commission, the Bank, in its early years of operation, accorded preferential treatment to transportation and, particularly, to the railroad system. As previously seen, 68.5% of the aggregate value of operations in Brazilian currency, authorized by the Bank in the period 1962/1956, were connected with railroad projects. This participation dropped to as low as 5.7% from 1957 to 1964, as a positive result of the creation of the Federal Railroad Network ("Rêde Ferroviária Federal") and the relative strengthening of public resources specifically earmarked to cover investments in the transportation services. Nevertheless, the participation of this

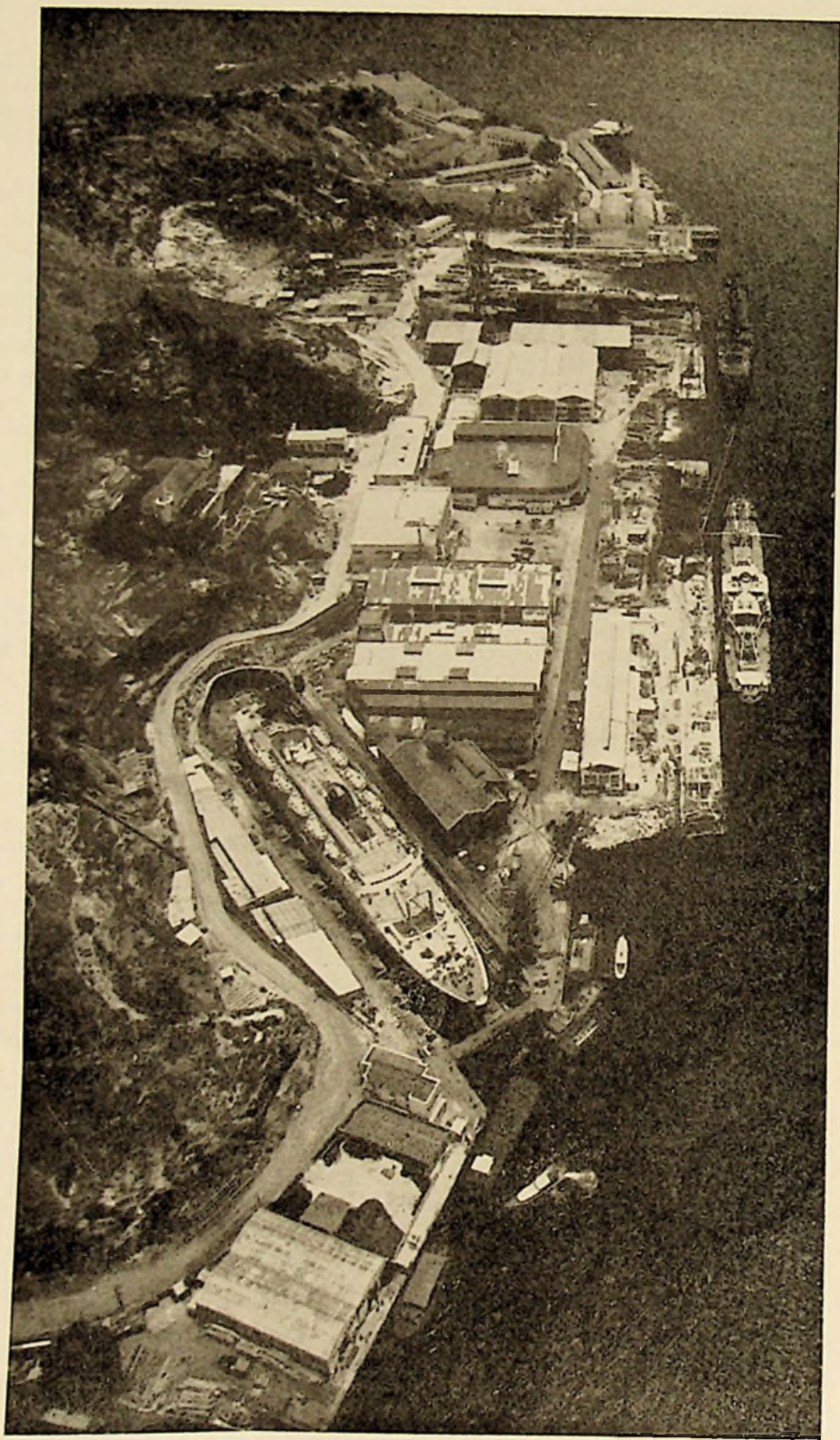
sector in the period 1962/1963, is very significant as respects guarantee operations in foreign currency, accounting for 24.4% of the aggregate amount.

On the other hand, the Bank's financial assistance to the sector favored practically all the Brazilian railroads and special mention should be made, in view of the size of the operations, of the credits extended to Estrada de Ferro Central do Brasil, Viação Férrea do Rio Grande do Sul, Rêde Ferroviária do Nordeste, Rêde Mineira de Viação, Estrada de Ferro Leopoldina and the São Paulo railroads of Araraquara, Sorocabana, Paulista and Mogiana.

Also to be stressed is the Bank's assistance to other projects of immediate interest to the Brazilian railroad system, as for instance, guarantees and financings extended to railroad material manufacturers.

The program for the reequipment of the railroad system, already approved by the Bank, can be seen in the following table:

DISCRIMINATION	PROGRAMMED	EXECUTED UNTIL 1964	
		Quantity	%
A — PERMANENT WAY :			
Remodeling and construction of lines (miles)	4,512	3,489	75.7
Utilization of rails :			
a) miles of line	3,306	2,811	85.0
b) quantity (metric tons)	554,762	599,108	108.0
Utilization of ties (thousand units)	3,499	3,217	91.9
Utilization of ballast (thousands of cubic feet)	120,850	79,263	65.6
B — TRACTION (units):			
Purchase of locomotives	58	58	100.0
Recovery of locomotives	44	44	100.0
C — ROLLING STOCK (units):			
Purchase of freight cars	9,202	9,002	97.8
Purchase of passenger cars	452	446	98.7
Recovery of freight and passenger cars	412	319	77.4



MAUÁ SHIPYARDS, BELONGING TO THE COMPANHIA COMÉRCIO E NAVEGAÇÃO, NITERÓI, RJ, CAN BUILD VESSELS WITH A DEADWEIGHT CARRYING CAPACITY OF 35,000 TONS AT THE RATE OF 40,000 TONS A YEAR.

b) — Other Means of Transportation

Though on a smaller scale, in view of the existence of specific funds to cover execution of the program, the Bank has also extended its assistance to projects connected with the reequipment of harbors and maritime navigation, highways and air transportation. In all of them and for the reasons mentioned, the financial assistance was granted mainly in the form of guarantees to credit operations contracted abroad.

As concerns port reequipment, mention should be made of the credits obtained by the Bank directly from the Eximbank, which have allowed for the importation of equipment essential to the mechanization of the services of 23 major Brazilian ports.

A guarantee from the Bank has also made it possible to obtain financing from abroad, so as to enable special equipment to be imported for port dredging services.

Still in the maritime transportation sector, a sizable transaction was carried out with the Bank's participation for the importation of 18 ships with a total deadweight carrying capacity of 105,200 tons.

The assistance extended by the Bank in the highway sector is of great significance. Under the Bank's guarantee it has been possible for the National Highway Department (DNER) and several highway agencies in the states to import the equipment needed for road construction and maintenance.

In the sector of air transportation, the Bank's cooperation was given in the form of credits obtained abroad, in an approximate total amount of US\$ 100 million until December 31, 1964; this figure represents 12.3% of the total value authorized until that date and 57.7% of the transportation sector in the same period. This contribution has enabled Brazilian commercial aviation to forge ahead impressively in the course of the last few years, and an appreciable number of air liners of the latest type have been brought into service.

ELECTRIC POWER

The Bank's financial assistance to the electric power sector, first extended in 1953, comprises financings under the different forms adopted by the Bank and provision

of guarantees for credits obtained abroad by the companies. Thus, the BNDE has made it possible to complete several projects in the sector, either by supplying funds to cover outlay in Brazilian currency or by guaranteeing credits for the importation of plant and equipment for generating, transmitting and distributing electric power.

It has been pointed out that the amount of assistance authorized by the Bank for the sector reached, in 1964, the sum of Cr\$ 412 billion in direct financings and US\$ 175.1 million in the form of guarantees for credits obtained abroad. Expressed as a percentage, these figures account for 30% and 22% respectively of the aggregate credits approved.

The Bank's policy of concentrating resources, on a preferential basis, on large and medium size power projects, which would seem to have more far-reaching effects on the economy, has led to an extension of financial support to practically all the state organizations and undertakings in this sector, which may be listed as follows:

North: Fôrça e Luz do Pará (FORLUZ) and Cia. de Eletricidade do Amapá (CEA);

Northeast: Cia. Hidroelétrica do São Francisco (CHESF), Government of Sergipe, and Centrais Elétricas do Rio Contas (CERC), the latter in Bahia;

West Central: Centrais Elétricas Matogrossenses (CEMAT) and Centrais Elétricas de Goiás (CELG);

Southeast: Centrais Elétricas de Minas Gerais (CEMIG) and its subsidiaries; Central Elétrica de Furnas; Espírito Santo Centrais Elétricas S.A. (ESCELSA); Empresa Fluminense de Energia Elétrica; Cia. Hidroelétrica do Rio Pardo (CHERP) and Usinas Elétricas do Paranapanema (USELPA), in São Paulo; Waters and Electric Power Department of the State of São Paulo;

South: Usina Termoeletrica de Figueira (UTELFA) and Cia. Paranaense de Eletricidade (COPEL), in Paraná; Centrais Elétricas de Santa Catarina (CELESC) and Sociedade Termoeletrica do Capivari (SOTELCA), in Santa Catarina; Cia. Estadual de Energia Elétrica do Rio Grande do Sul and Termoeletrica de Charqueadas in the latter state.

In the private field, the Bank's financial aid has also been extended to the groups of the Brazilian Traction and Empresas Eléctricas Brasileiras (Bond & Share), Cia. Sul Mineira de Electricidade, Cia. Fôrça e Luz Cataguazes-Leopoldina, etc., in addition to small electric power generating and distributing companies, including several municipalities.

To give an idea of the size of the Bank's

contribution to the development of the country's power system, suffice it to mention the high participation of Bank-financed plants in the growth of the potential installed in the country in the period 1955/1964, as also in the increase in capacity foreseen for the three-year period 1965/1970. Data in this connection are to be found in the following table:

BNDE — SHARE OF BANK-FINANCED ELECTRIC POWER PROJECTS IN THE INCREASE IN INSTALLED CAPACITY — 1955/1970

Y E A R S	INSTALLED CAPACITY OF PLANTS (kW)			PERCENTILE SHARE (C/B)
	Grand total on December 31 (A)	Annual Growth		
		Total (B)	BNDE-financed plants (C)	
1954	2,807,578	—	—	—
1955	3,148,500	340,922	21,600	6.3
1956	3,550,000	401,500	54,050	13.5
1957	3,767,400	217,400	102,010	46.9
1958	3,993,100	225,700	81,730	36.2
1959	4,115,200	122,100	72,500	59.4
1960	4,800,082	684,882	513,280	74.9
1961	5,205,152	405,070	126,432	31.2
1962	5,728,773	523,621	440,016	84.0
1963	6,355,068	626,295	578,000	92.3
1964	6,714,468	359,400	359,400	100.0
1955/1964	—	3,906,890	2,349,018	60.1
1965/1970	—	—	2,285,200	—
TOTAL — 1955/1970	—	—	4,634,218	—

Another point that should be brought up in connection with this sector concerns the way in which the power is generated. Thus, 85% of the power supplied by BNDE-financed concerns during the period 1952/1964 is generated from water power.

The most important of the steam-elec-

tric plants are those of Figueiras, Capivari and Charqueadas, all located in the Extreme South, and their paramount interest from an economic standpoint lies in the market they provide for the output of the extensive coalfields in the area.

Geographically speaking, the program

for expansion of the electric power generating capacity, where the projects financed by the Bank are concerned, tends to benefit every unit of the Federation, but it will be seen that, among the different regions, the major share is allotted to the Southeast, particularly the states of São Paulo and Minas Gerais, where, for obvious reasons, the largest undertakings under the national program are located.

The share allotted to each region does not, therefore, give an accurate idea of the significance of the aid extended to it by the Bank.

For instance in financing the expansion of the Belém steam electric plant, with 15,000 kW capacity, the Bank contributed effectively to the increase of the installed capacity of the entire Northern region, which amounted to some 80,000 kW in late 1964. A similar situation occurred in the Northeast, where the Paulo Afonso II and Funil Plants—both financed by the Bank—are quite the largest enterprises of the kind in the region. Likewise, the West Central plants in the construction of which the Bank cooperated represent a substantial portion of the installed capacity of the electric power supply services in the region.

REGIONS	INSTALLED CAPACITY OF PLANTS (kW)					PERCENTILE SHARE (D/C)
	Grand total			BNDE — Financed plants		
	1954 (A)	1964 (*) (B)	1954/1964 Growth (C)	1955/1964 (D)	1965/1970 (E)	
North	17,814	78,802	60,988	15,000	17,000	24.6
Northeast	296,193	532,410	236,217	152,300	650,000	64.5
Southeast	2,241,049	4,890,865	2,649,816	1,951,320	1,267,400	73.6
South	239,950	734,106	494,156	201,548	243,800	40.8
West Central ..	12,572	101,190	88,618	28,850	107,000	32.6
Other plants ..	—	377,095	377,095	—	—	—
BRAZIL	2,807,578	6,714,468	3,906,890	2,349,018	2,285,200	60.1

SOURCE: CNAEE and BNDE.

: (*) Provisional data.

Finally, there is the Bank's participation in the transmission system. The program, as approved, provides for the construction of more than 7,000 miles of H.T lines carrying current at various voltages; of particular importance are the lines over which the CESF distributes the power generated by the Paulo Afonso plant; the interconnecting circuits between the systems of Furnas and the São Paulo Light, and Furnas and Três Marias, in Minas; the São Paulo state grid; the network that will dis-

tribute the power supply from the Figueira and Capivari plants; the system linking the great power stations operated by the CEEERS in Rio Grande do Sul; the lines supplying Brasília with light and power from Cachoeira Dourada, etc.

Though the Bank has not assisted in the development of distribution systems to anything like the same extent, there are quite a few localities in Brazil that are indebted to it for an improvement or extension of the local supply of electric current.



IN SETTING UP ITS STEEL MILL PLANT AT PIAÇAGUERA (SÃO PAULO), THE COMPANHIA SIDERÚRGICA PAULISTA — COSIPA RELIED MAINLY ON BNDE FINANCIAL AID. IT IS EXPECTED THAT THE PRESENT CAPACITY OF 500,000 TONS OF INGOTS WILL BE INCREASED TO 2,000,000 TONS IN ITS FINAL STAGE.

BASIC INDUSTRIES

BNDE aid to the industrial sector has been substantial, specially from 1957 on, when the Bank was released from the sizable commitments incurred with the reequipment of the railroads, which had absorbed a major part of the activities of this institution since it was set up in June 1952.

So, upon completing five years of operation, with the more pressing problems of domestic railroad reequipment already solved, the Bank was in a position to intensify its support, by financing or guaranteeing credits, to projects connected with the main branches of industrial activity, assisting either in the installation of new units or in the expansion of existing concerns.

As has been seen, in the 1952/1964 period the sector in question received local currency credits in a total amount of Cr\$ 635 billion, corresponding to 46% of the aggregate value of authorized operations.

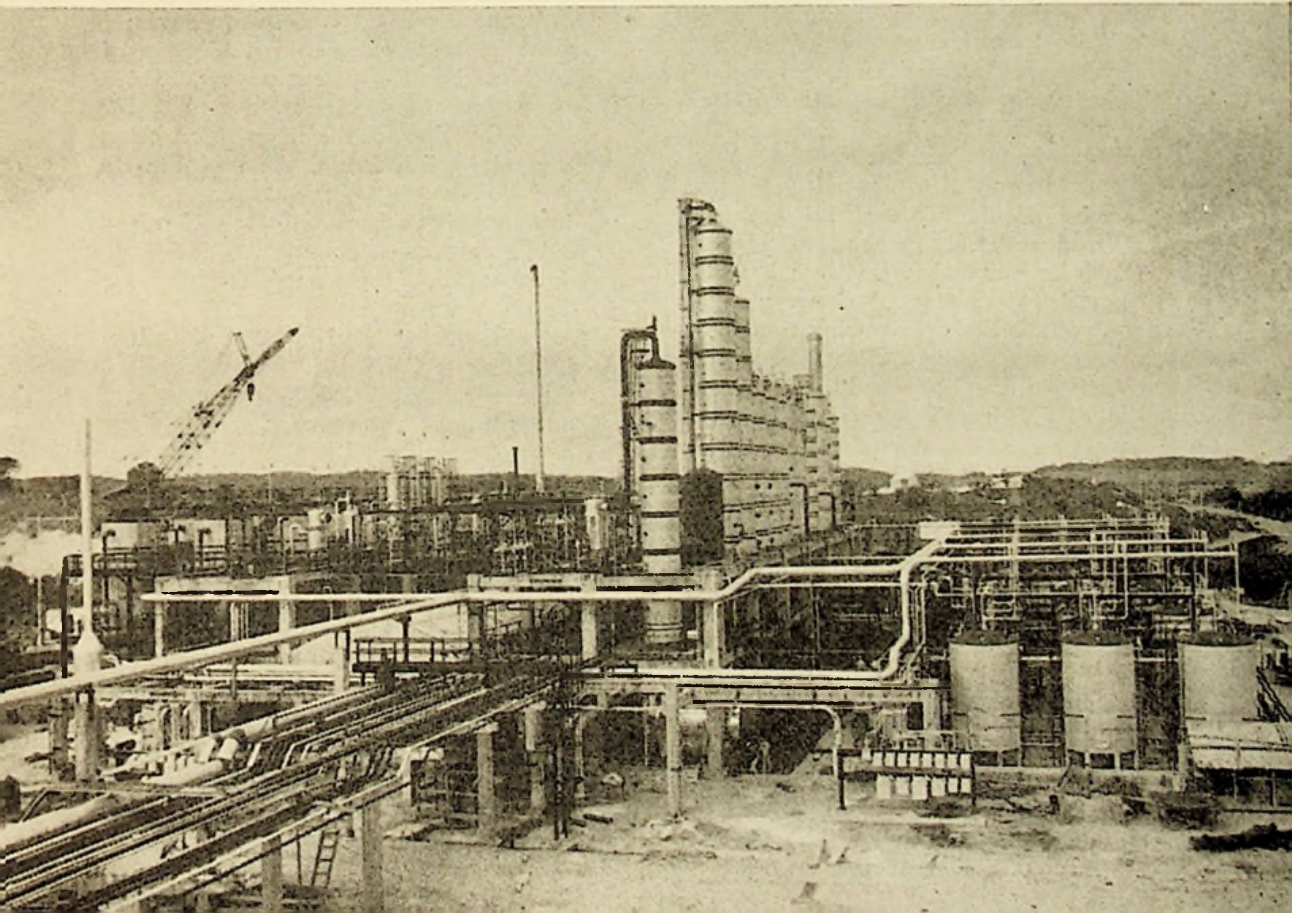
Furthermore, the value of industrial

equipment imported under the Bank's guarantee in the same period, amounted to the equivalent of US\$ 424 million, that is, 52% of the foreign credits guaranteed by the BNDE.

With regard to the location of the industrial projects financed by the Bank, the Southeastern region ranks first, with 92,3% of the aggregate credits authorized in cruzeiros and 92,1% of the guarantees provided until December 31, 1963. This is due to the fact that this area houses the large iron & steel plants and the industrial system of São Paulo, in addition to other industries in the States of Rio de Janeiro, Guanabara and Minas Gerais.

From the standpoint of the economic importance of the undertaking to the favored region, it should be observed that the action of the Bank has also been significant in the North and Northeast, where financial support has created a market for local raw materials hitherto unused in manufacturing; examples of this initiative are jute and wood

THE COMPANHIA PERNAMBUCANA DE BORRACHA SINTETICA (COPERBO) PLANT WITH AN ANNUAL PRODUCTION CAPACITY OF 27,000 TONS OF POLYBUTADIENE FROM ALCOHOL IS ANOTHER UNDERTAKING FINANCED BY BNDE.



in Amazonas, sisal in Paraíba and alcohol in Pernambuco.

A general idea of the significance of the Bank's support to the program for development of the country's industrial activity is given below, with emphasis on the principal companies favored:

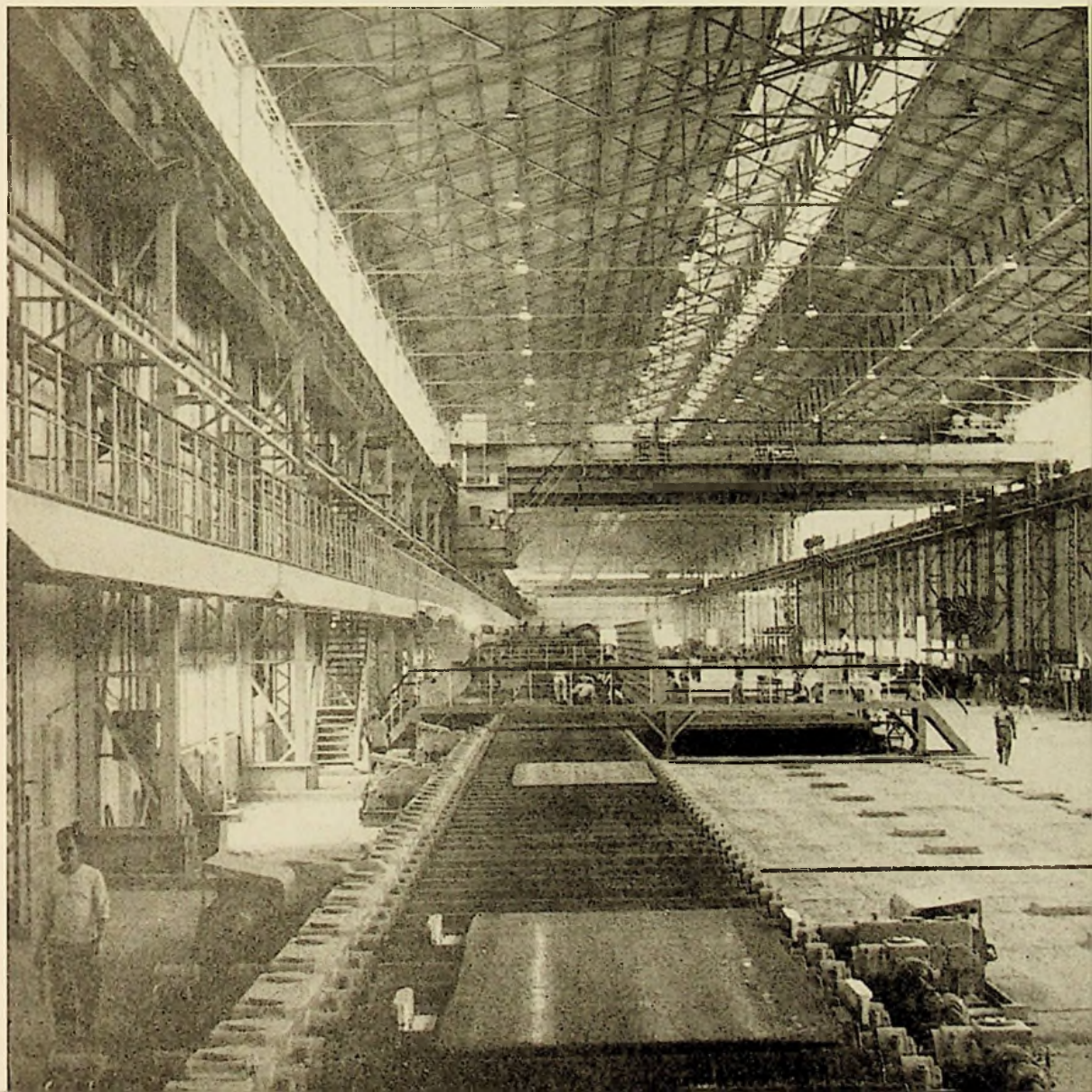
- Installation and expansion of several iron and steel plants that will enable, altogether, a production of 1,800,000 tons of ingot iron to be obtained in 1966. Among the projects financed are those of COSIPA, USIMINAS, Cia. Ferro e Aço de Vitória, Siderúrgica J. L. Aliperti, Siderúrgica Mannesmann, Siderúrgica Barra Mansa, etc.;
- increase in the domestic supply of special steels to the extent of 26,700 tons a year in finished products manufactured by Aço Villares S.A., in São Paulo;
- production of 14,400 tons a year of ingot lead, with the utilization of ore existing in Bahia, processed at the plant belonging to Cia. Brasileira de Chumbo;
- installation of the first electrolytic zinc plant in Brazil by Cia. Mercantil e Industrial Ingá, which uses an original process for working the ore, found in extensive deposits, with an annual output of 7,200 tons of ingot zinc;
- development of the heavy engineering industry, favoring, among others, Mecânica Pesada S.A., in São Paulo, with a scheduled annual production of 6,500 tons of machinery and equipment;
- increase in the national production of railroad material, such as wheels and shafts for cars and locomotives, bearings, complete assemblies of compressed air and vacuum brakes, signaling equipment, etc., providing for the expansion of industries in São Paulo and in the state of Rio de Janeiro;
- assistance to the automotive industry for plant expansion (Fábrica Nacional de Motores) and installation (Volkswagen, Willys and SIMCA);
- expansion and installation of auto part factories, aiming at the production of several components, e.g.: chassis for trucks, wheels and rims, complete differential assemblies for trucks, engine blocks, plate glass, cylinders, fluid lines for hydraulic brakes, dynamos, motors, coils, universal joints, propeller shafts, etc. In addition to several undertakings in São Paulo's industrial system, the Bank's support, in this field, has also been extended to companies located in other state, such as Fundação Tupy, in Santa Catarina and Albarus S.A., in Rio Grande do Sul;
- establishment of the shipbuilding industry through projects of Cia. Comércio e Navegação, Ishikawajima, EMAQ, Estaleiro Só e Caneco, whose yards have a joint productive capacity of 141,000 tons a year, deadweight, corresponding to 85% of the total installed capacity of the Brazilian shipbuilding industry;
- production of paving and mining equipment by Barber Green and Caterpillar, in São Paulo;
- manufacture of agricultural implements, specially by Terral S.A. in São Paulo;
- expansion and diversification of the Brazilian heavy and semi-heavy electrical engineering industry and particularly the manufacture of generators, electric motors, diesel engines, cables and conductors, etc., by the following companies among others: AEG, Arno S.A., Irmãos Negrini, Indústria Elétrica Brown Boveri S.A. and Pirelli S.A., all in São Paulo;
- increase in the domestic production of cellulose by 167,700 tons a year, 152,000 of which are short-fibered and 15,700 long-fibered pulp, the firms aided being located in São Paulo, State of Rio de Janeiro and Rio Grande do Sul;
- installation of a barilla plant by Cia. Nacional de Alcalis in the State of Rio de Janeiro, with an annual capacity for 120,000 tons;
- establishment in the Northeast of a plant belonging to Cia. Pernambucana de Borracha Sintética (COPERBO) for turning out synthetic elastomers (polybutadiene lastics) with alcohol as the raw material, designed for an annual production of 27,500 tons;
- annual increase of 18,000 tons in the domestic production of caustic soda, 15,000 by Cia. Agro Industrial Igarassu, in Pernambuco;
- installation of the Manaus Refinery, with a daily capacity of 5,000 barrels;
- increase in the domestic production of fertilizers, covering an annual output of phosphate concentrates (phosphorite) by

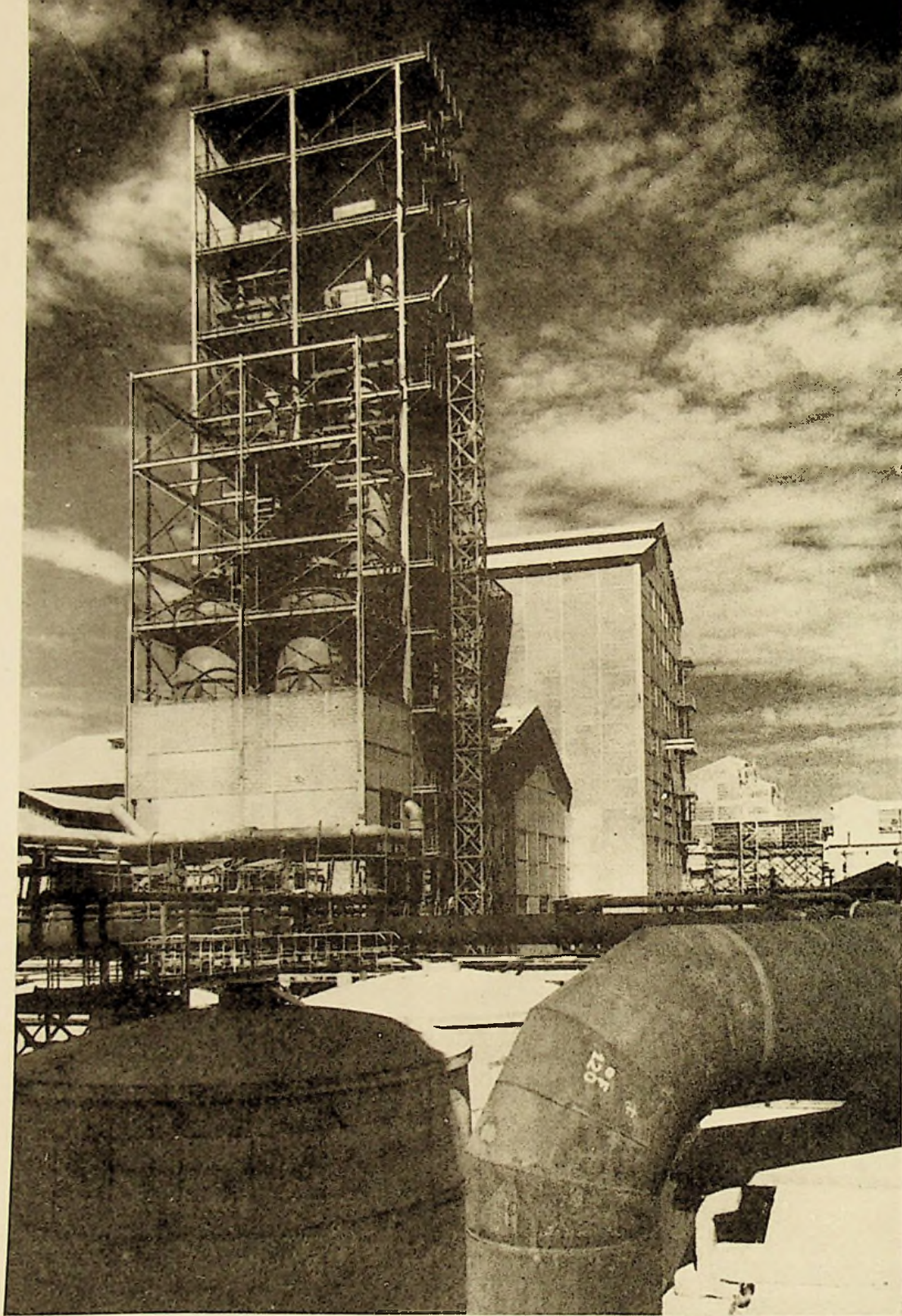
Fosforita Olinda S.A. and 15,700 tons of bicalcic phosphate by Cia. Agro Industrial Igarassu, both located in Pernambuco;

- start of manufacture or expansion of the domestic production of a number of basic chemicals;
- industrialization of sisal in the Northeast, with a view to exporting 13,000 annual tons a year of manufactured products by Cia. Sisaleira do Brasil and Fiação Brasileira de Sisal, both in Paraíba;

- industrial utilization of timber available in Amazônia, with a daily production of 1,695 cubic feet of plywood and 318 cubic feet of laminated wood by Madeiras Compensadas da Amazônia — COMPENSA;
- industrialization of jute in Amazonas, with expansion of the productive capacity of jute goods by Cia. Brasileira de Fiação e Tecelagem de Juta, in Manaus (7,500 tons).

ROLLING HEAVY-GAGE STEEL PLATE AT THE INTENDENTE CÂMARA MILLS LOCATED AT IPATINGA, IN MINAS GERAIS. THE USIMINAS GROUP OF STEELWORKS, STILL IN THE FIRST STAGE OF THE PROJECT, NOW HAS AN ANNUAL OUTPUT OF 500,000 TONS OF INGOT STEEL AND IS SCHEDULED TO PRODUCE 2,000,000 TONS BY THE END OF ITS FINAL STAGE.





THE COMPANHIA NACIONAL DE ÁLCALIS' PLANT, AT CABO FRIO (RJ), WITH AN ANNUAL CAPACITY TO PRODUCE 100.000 TONS OF SODA ASH, IS ANOTHER PROJECT FINANCED BY BNDE.

AGRICULTURE & RELATED SECTORS

The relative shortage of resources, on the one hand, and its own administrative structure on the other, have been preventing the Bank from exerting a more direct influence on the development of crop and stock farming. This has led the management of the Bank to assign part of its funds to indirect support in this sector, through financings to basic services in this sphere of activity, such as silo and warehouse networks, including cold-storage plants and industrial slaughterhouses, all mentioned in the legislation. Furthermore, the intervention of the Bank has made it possible to import badly needed equipment for mechanization of domestic agriculture, while a number of promotions in the foregoing list of industrial projects, such as the manufacture of agricultural machinery and fertilizer, have had a stimulating effect on farming in general.

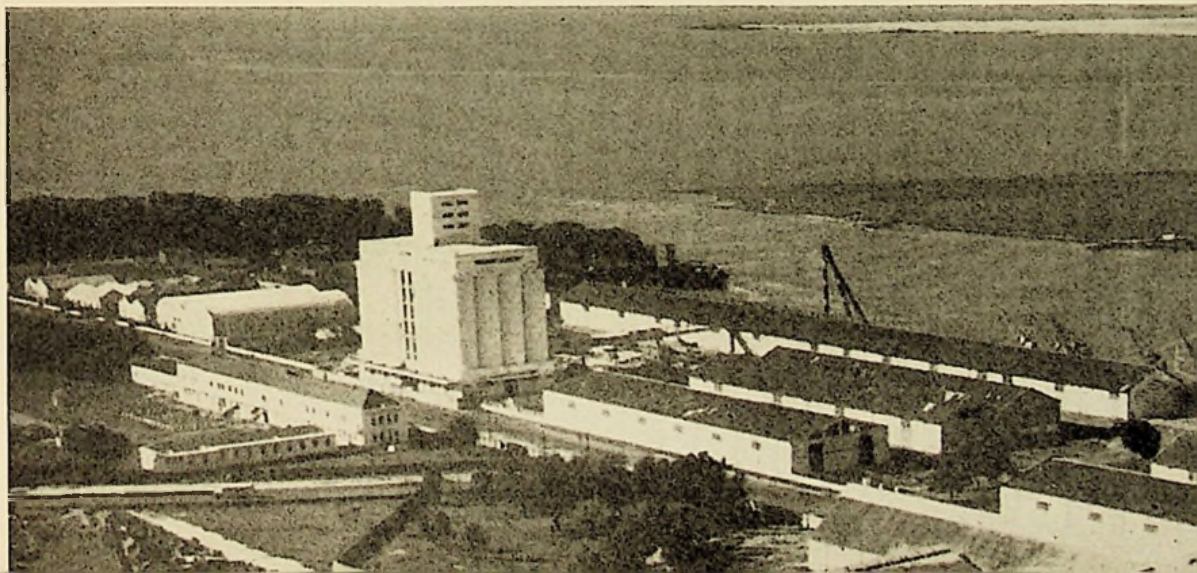
In view of these circumstances, the value of the Bank's assistance to the development of stock-raising and agriculture has been relatively modest, and stands at Cr\$ 34 billion in financing and the equivalent of US\$ 12.6 million as guarantees for credits obtained abroad, that is, 2.4% and 1.6%, respectively, of the total amount approved up to December 31, 1964.

On overall appraisal of the farm devel-

opment program supported by the Bank can be made from the following items:

- direct purchases of agricultural machinery and implements, made by the Bank for resale to farmers, comprising: 4,475 wheel tractors, 851 caterpillar tractors, 4,109 harrows, 3,803 plows, 814 cultivators, 749 planters, 124 combines, 114 harvesters, 197 excavators, 153 reapers, etc. A wide variety of equipment was also directly purchased abroad by importers, with the aid of a guarantee from the Bank;
- installation of regional warehouse and silo networks controlled by state agencies or installation of isolated silos for wheat preservation. General warehouses financed by the Bank have a static total capacity of 268,700 tons, and silos a capacity over 354,100 tons, in all, close on 622,800 tons;
- expansion of cold-storage capacity by 34,100 tons, covering projects located in the cities of Rio de Janeiro, São Paulo and Rio Grande;
- expansion of industrial slaughterhouse capacity, the projects approved by the Bank being designed to cover the annual slaughter and full industrialization of over 1,300,000 head of cattle and 500,000 hogs.

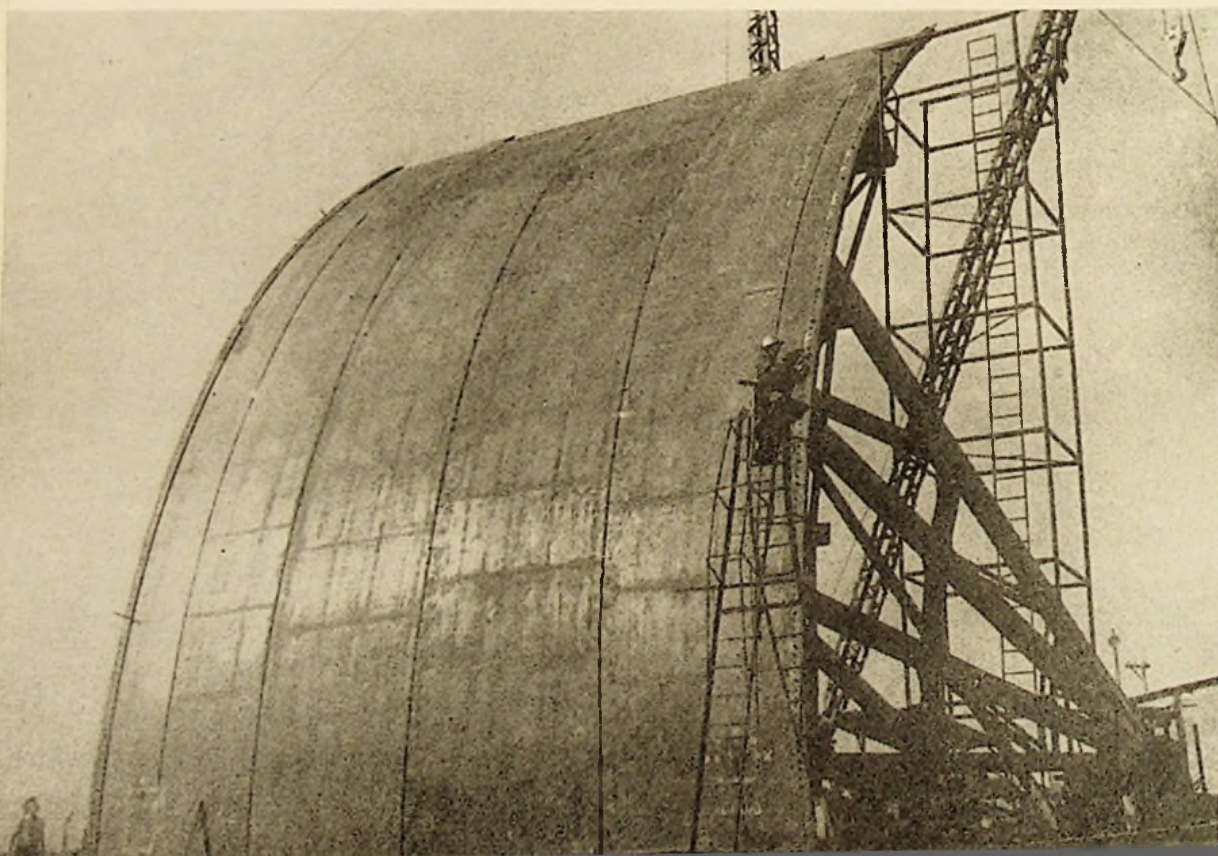
THE 20,000 TONS HARBOR SILO OF COMISSÃO ESTADUAL DE SILOS E ARMAZÉNS (CESA) BUILT AT RIO GRANDE DO SUL STATE WITH BNDE'S BACKING IS THE BIGGEST IN BRAZIL.





WITH THE BANK'S GUARANTEE, EARTHMOVING, SURFACING AND MAINTENANCE EQUIPMENT HAS BEEN IMPORTED, NOT ONLY BY THE NATIONAL HIGHWAY DEPARTMENT, BUT BY SIMILAR AGENCIES IN 13 STATES.

ONE OF DRUM GATES AT CEMIG'S TRÊS MARIAS PLANT. THIS EQUIPMENT WAS MANUFACTURED BY MECÂNICA PESADA S. A. AT ITS TAUBATÉ, SP, ENGINEERING WORKS, ALSO SET UP WITH BNDE BACKING.



SUMMARY

BNDE: ORIGIN, RESOURCES, STRUCTURE AND ACTIVITY

ORIGIN AND FOUNDING OF THE BNDE

The origin of the BNDE may be traced back to June 1950 when the subject was informally discussed by Brazilian and American authorities on the occasion of a conference of United States ambassadors held in Rio de Janeiro. The discussion hinged upon the desirability of establishing the main lines of a program for financing basic sectors of the economy.

In 1951, the Economic Reequipment Fund was set up with funds raised by the Brazilian Government through a compulsory loan.

In 1952, the BNDE was founded with the specific purpose of administering the funds so raised and coordinating projects to be carried out in connection with the country's economic development.

THE FUNDS ADMINISTERED BY THE BANK

These are classified as follows: own funds (Capital and Reserves), funds freely administered by the Bank (Economic Reequipment Fund and National Investment Fund), and special funds.

CREDIT POLICY AND ACTION

According to the law which established it, the Bank, which is a Federal Agency administratively under the jurisdiction of the Ministry of Finances, may only grant loans or finance for the purpose of reequipping ports and railroads, increasing the capacity of warehouses, packing plants and stockyards, constructing and expanding the electric power system, and developing basic industries and agriculture, in accordance with a pre-established scale of priority.

RESUME

BNDE: ORIGINE, RESSOURCES, STRUCTURE ET ACTIVITE

ORIGINE ET CREATION DE LA BNDE

Les origines de la Banque Nationale du Développement Économique — Banco Nacional do Desenvolvimento Econômico — remontent à avril 1950 quand le sujet a été discuté officieusement par les autorités brésiliennes et américaines à l'occasion d'une conférence d'ambassadeurs des États-Unis tenue à Rio de Janeiro. Il s'agissait d'établir les bases du financement d'un programme de rééquipement des secteurs de base de l'économie nationale.

En 1951 le gouvernement brésilien créa le "Fonds de rééquipement économique" constitué de res-

ORGANIZATION STRUCTURE

The BNDE is managed by a President, a Director-Superintendent and a Board of four Directors, besides an Administrative Council with six members.

The President and the Director-Superintendent are also appointed by the President of the Republic, the former being dismissible at will and the latter holding office for five years.

The four members of the Board of Directors are also appointed by the President of the Republic, and their term of office is four years.

It is also incumbent upon the President of the Republic to appoint the six members of the Administrative Council for a three-year term, appointments being staggered so that two members are replaced every year.

The Bank's internal organization is broken down into the following seven Departments: Administrative Department, Project Management and Investment Control Department, Economic Departments being staggered so that two members are in Department, and Projects Department.

SCALE OF OPERATIONS AND RESULTS OBTAINED AND OBTAINABLE

In closing chapters of this survey, the extent of the investments made by the Bank in the twelve years it has been operating are outlined and supported by data arranged according to applications received and granted, geo-economic regions, major sectors of the economy, loans and guarantees, Brazilian and foreign currency, and other points of interest. Examples are given of the results already achieved and an attempt is made to forecast the influence of the BNDE credit policy on the future development of the economy.

sources mobilisées dans le pays moyennant un emprunt obligatoire.

En 1952 la BNDE a été fondée pour administrer les ressources financières mobilisées et coordonner les projets concernant le développement économique du pays.

LES RESSOURCES ADMINISTREES PAR LA BANQUE

Ces ressources se divisent en trois groupes: ressources de la Banque proprement dites (capital et réserves), ressources librement administrées par celle-ci, dont la plus importante est le

fonds de rééquipement économique, et ressources spéciales.

POLITIQUE ET ACTION DE FINANCEMENT

D'après la loi qui l'a établie comme organisme fédéral dépendant du Ministère des Finances, la Banque ne peut consentir qu'aux prêts et financements ayant pour objectifs de rééquiper les ports et chemins de fer, d'augmenter la capacité des magasins, frigorifiques et abattoirs, d'étendre et appareiller le système d'énergie électrique et de développer les industries de base, ainsi que l'agriculture, suivant une échelle de priorité pré-établie.

STRUCTURE DE LA BNDE

La BNDE est administrée par un Président, un Directeur Surintendant, quatre Directeurs et un Conseil d'Administration composé de six membres.

Le Président et le Directeur-Surintendant sont nommés par le Président de la République, le premier révocable à volonté et le dernier conservant sa charge pendant cinq ans.

Les quatre Directeurs sont également nommés par le Président de la République et la durée de leur charge est de quatre ans.

C'est aussi au Président de la République qu'il incombe de nommer les six membres du Conseil d'Administration pour une durée de trois ans, nominations établies par roulement de sorte que deux membres soient remplacés chaque année.

L'organisation interne de la Banque est répartie en sept Départements: Département Administratif, Département de Contrôle des Projets et Investissements, Département Economique, Département Financier, Département Juridique, Département d'Opérations Internationales et Département de Projets.

ENVERGURE DES OPERATIONS ET RESULTATS OBTENUS ET A OBTENIR

Dans le dernier chapitre de cet exposé, l'étendue des investissements faits par la Banque pendant ces douze années d'activité est tracée et justifiée par des statistiques organisées selon les demandes reçues et accordées, régions géo-économiques, principaux secteurs de l'économie, prêts et avals, opérations en monnaie nationale et devises étrangères, et autres données significatives. Des exemples montrent les résultats déjà obtenus et l'auteur cherche à prévoir l'influence de la politique financière de la BNDE sur le futur développement de l'économie brésilienne.