

Financing development: the case of BNDES

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A Development Bank should be:

- neither the vanguard or rearguard but the co-guard of sustainable development
- an instrument to:
 - fill gaps, fix failures, induce externalities
 - foster an innovative, sustainable long term financing industry
- an agent of systemic stability
- a competent institution in appropriating and distributing (to society, via the State) benefits of its intervention

- ✓ Social and economic inclusion
- ✓ Macroeconomic stability
- ✓ Investment expanding ahead of GDP growth
- ✓ Challenges: innovation capabilities and efficiency of private and public sectors

- **PITCE (2004-2007): Industrial, Technology and Trade Policy**
 - Foster technology based sectors
 - The return of Phoenix
 - **PDP (2008-2010): Productive Development Policy**
 - Innovate and invest to sustain growth
 - Riding favourable winds and the storm
 - **PBM (2011-2014): Plano Brasil Maior**
 - Innovate to compete; compete to grow
 - Against a hostile environment, aggregate value through innovation
- **Long term policy but adaptable to face unexpected challenges**
 - **Industrial policy: a team player of development policies**

- Since 1952, BNDES flexibly adapted to different stages of Brazil's development. It has always had the means – political influence, resources and instruments- for accomplishing mandates
- Now, the economic horizon is extending. Investment may lead the way. Long term financing is a decisive factor & BNDES will be present. But, two challenges ahead:
 - Untangling and paving the way for the private long term financing industry to “crowd in”.
 - BNDES evolving towards: complex financing for infrastructure; support for “intangibles”; innovative instruments for widening access

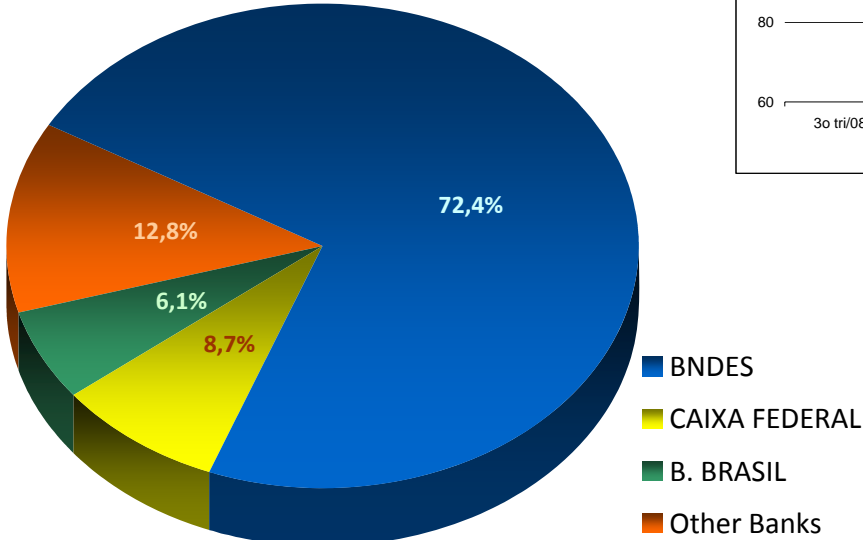
BNDES role in long term financing and as a counter cyclical agent



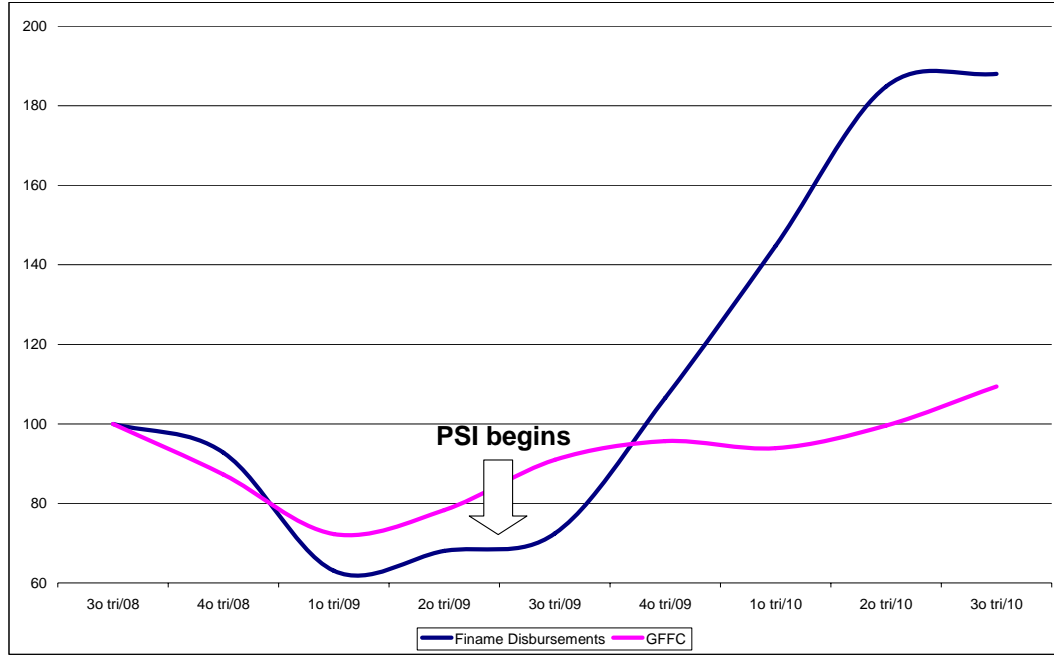
BNDES has a very prominent role in long term financing in Brazil



Credit for Companies (maturity >= 3 years)



Growth of disbursements for capital goods acquisition and GFFC (3Q08 = 100)



PSI
Investment Support Program in which interest rates were reduced by an equalization program of Finance Ministry

Source: Brazilian Central Bank

Data from Brazilian Central Bank based on banks' balance sheets – Dec 2011

Scale and scope matters

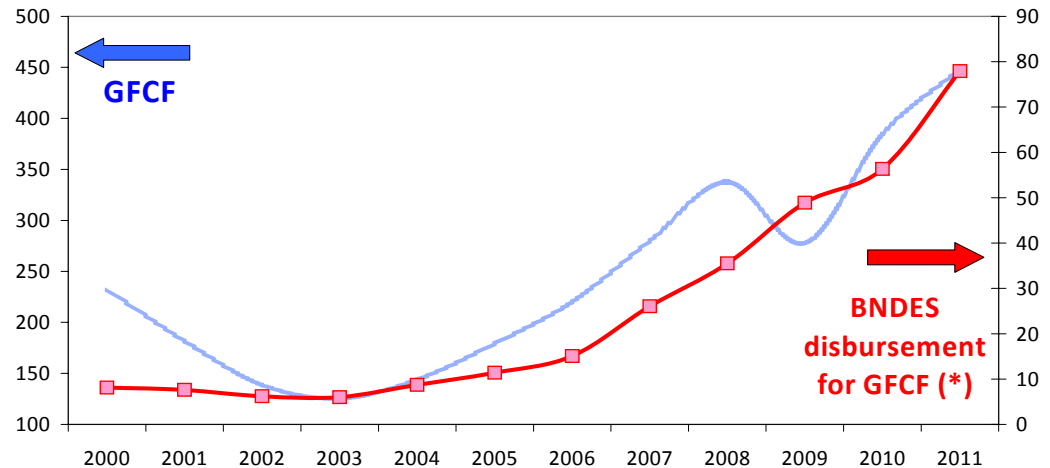
- ✓ Main provider of long-term financing in Brazil
- ✓ 100% state-owned company under private law
- ✓ Institutional funding
- ✓ 2,500 employees
- ✓ Instruments



- Direct operations
- Indirect operations
- MSME (financing & guarantee)
- Exim
- Project finance
- Equity investments
- Grants

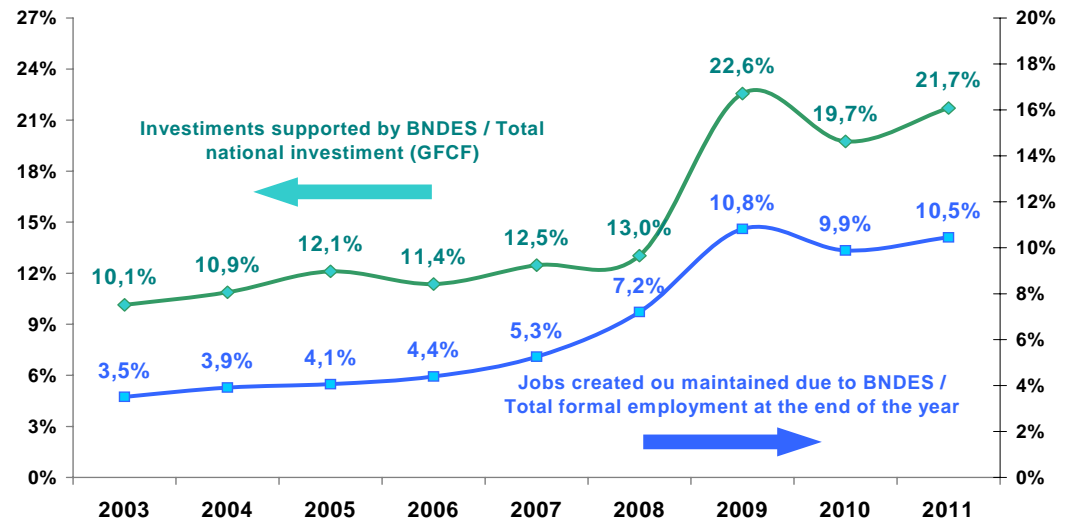


Gross Fixed Capital Formation (GFCF) & BNDES disbursements (US\$ Billion)



(*) exc. BNDES Exim; working capital, M&A and Equity Financing.

BNDES contribution to investment and employment



- Each nation has its own structure, history & aspirations. Hence, singular institutions. BNDES is a singular institution. But, some features of its “DNA” may serve as “food for thought”:
 - **Flexibility**: learning and adaptation to change
 - The spirit of serving the **public interest**
 - **Competence** to be effective and efficient
 - **Team player**: instrument to build for the long term
 - **Obsession** with investment, with development
 - **Political leadership** – at the institution, in the country

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