



BANCO NACIONAL DO DESENVOLVIMENTO ECONÔMICO

Arab Finance Executives Mission to Brasil

ALIDE - BNDE

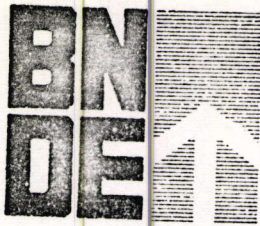
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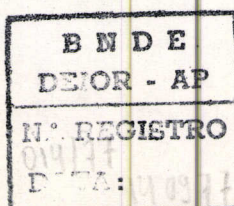
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ARAB FINANCE EXECUTIVES MISSION TO BRASIL

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THE BRAZILIAN ECONOMIC DEVELOPMENT

AND THE ROLE OF BNDE

1 - INTRODUCTION

When observed under the light of its relations with the rest of the world, the evolution of the Brazilian economy during the 20th century clearly presents three distinct phases.

The first phase, which runs up to 1930, was characterized by an "outward" growth, given that exports of raw materials of agricultural origin represented the dynamic sector of the economy. The second phase, started by the depression of the 1930s, carried through the II World War and coming to an end at the beginning of the 1960s, was characterized by an "inward" growth, with the economy being impulsionated by the industrialization process, through the adoption of an imports substitution policy. The last phase, which began in the last decade, again, showed an "outward" growth demonstrated by a greater integration with foreign countries, not only due to the export incentives but also to a more intense utilization of foreign capital.

The structural changes in the Brazilian economy caused by the transition from one growth phase to another and the role of BNDE in the evolution of this system will be analyzed in the following pages.

2 - THE FIRST INDUSTRIALIZATION STAGE - 1930/1962

The 1929 world crisis presented dramatic aspects to the traditional Brazilian external commerce, provoking a series of impacts which lead towards the industrialization of the Brazilian economy.

The depression reduced the country's import capacity at the same time that an internal policy oriented to maintain the income and employment level was adopted. Thus, a relatively unchanged nominal income faced a smaller supply of consumption goods, regularly supplied by the external production. Consequently, the national productive complex, under pressure to supply the domestic demand, promoted the appearance of new industries competing with the imported goods.

So, it can be said that the Brazilian industrialization process became expressive during the 1930x, due to the utilization of the imports substitution model for manufactured goods which promoted the "inward" growth of the economy.

As a consequence of this industrial expansion, the product of Brazilian secondary sector increased about 140% between 1930 and 1939. This demonstrates the effective transition of the economy, from an economy based on **exports** of agricultural goods to an industrializing one.

Nevertheless, the imports substitution process took a quicker pace during another period of crisis in the international economy: the supply of manufactured goods and raw materials to the world market by the economically advanced countries was interrupted due to the war effort during the 1939-1945 period. Again, unable to import certain manufactured goods the Brazilian internal market had to be supplied by the national production, with the consequent appearance of new industrial activities.

With its foundation established, the secondary sector became the dynamic one and passed through significant structural changes. During the 1950s, the growth of the internal supply was 77% (6.0% per year) while that of the external supply reached 39% (3.3% per year). It should be emphasized that food imports and the total consumption increased respectively by 30% and 68%, and the imports of consumption goods decreased by 58%. It must also be noted that while there was a growth of 41% in the imports of equipment and 85% in the imports of raw materials, the industrial production presented a 144% growth, which means an average of 9.3% per year. It must be pointed out that if we take 1949 as a base-year, the agricultural sector, which previously was the dynamic one in the Brazilian economy, grew 54% during the 1959/60 period, while the manufacturing sector reached a 135% growth during the same period.

Having these facts in mind, one can clearly see the end of the historical period in which the agricultural exports were fundamental for the economic growth of the country and the beginning of structural changes, caused by an accelerated industrialization process, through the local production of consumption goods.

It may be observed that at that time the Nation was somewhat mature and ready for the industrialization process which, even though it was fundamentally based on the entrepreneur (the main agent in the process), also depended upon the action taken by the State, not only as a source of financial resources but also as a center of development planning.

From the moment when the industrialization process gathered momentum and presented itself as a feasible option to serve as the impelling force in the Brazilian socio economic development, the Government never discontinued to support and strenghten it by means of a flexible policy of "task division" between the public sector (in charge of developing the infrastructure necessary for the establishment of "industrializing" activities) and the private sector (in charge of setting up the industrial complex). The Government incentives to this sector were developed through measures aiming at the protection of the internal market and by means of financial support to the productive activities.

The year of 1952 marked the beginning of a more effective interest of the State in the economy since. The growth of some sectors was being held back by the insufficiencies of other basic sectors, such as electric energy and transportation systems.

Taking these difficulties into consideration and having knowledge of the necessity to provide the Brazilian economy with the best tools for its development, in 1950 the Brazilian the North American Governments started conversations aiming at the establishment of a Brazilian-North American Joint Comission for Economic Development, in charge of preparing reports for both governments, presenting suggestions for the concretization of projects which would contribute for the country's economic growth. Once established the Comission the next step was to provide the necessary funds for the execution of the recommended programs and, this was done with the support of IBRD and the EXIMBANK. Having

obtained the external financial resources, the Federal Government turned its attention to the internal resources which were obtained by means of a compulsory loan in the form of an income tax additional. These funds were earmarked to the projects which made up the Programa de Reaparelhamento Econômico (Economic Recovery Program).

Once established, measures for the organization of the financial infrastructure, it was necessary to create an institution which would manage the internally generated resources. In this way, the Law nº 1628 passed in 1952 created the BANCO NACIONAL DE DESENVOLVIMENTO ECONÔMICO, under the jurisdiction of the Ministério da Fazenda. The BNDE and the Brazilian North American Joint Commission became then, the two organizations that would, together, coordinate the national effort towards economic development. Nevertheless, the commission didn't last long, and in 1953 it was dissolved, due to the cut in the financial aid provided by the United States.

Thus BNDE was turned into the chief instrument for the execution of the Federal Government investment policy. Even Though the Bank has spread its support through several sectors of the economy, it shows certain concentrations of aid, at different periods, as shown bellow:

- a) 1952/1956 - infrastructure, mainly on railways;
- b) 1957/1963 - electric energy and steel mills;
- c) 1964/1973 - basic industries and diversification in the systems of support to the national enterprises.

Between 1952 and 1964, BNDE invested, respectively, 32.7%, 29.8%, and 20.5% of its total budget in the steel, electric energy and railroad transport sectors. It is worth noticing that while the economy was oriented "inward", the action of the Bank aimed at providing the country with the necessary infrastructure so that it could develop without major bottlenecks.

3 - THE SECOND INDUSTRIALIZATION STAGE - 1963/1973

At the beginning of the 1960s it became evident that the imports substitution effort, chiefly related to durable consumer goods, as observed during the 1950s, wasn't in itself sufficient to sustain high growth rates as observed during the previous period. It became necessary to introduce certain changes in the finance, consumption and monetary control policies. Due to different reasons these changes were not made effective in time and the economy entered in a period of relative stagnation, mainly between 1962 and 1965. During this period the gross internal product grew just at 3.1% per year. In 1963 it grew just 1.5%. The inflation rate that was being held at bearable levels reached a record rate of 91.9% in 1964, definitely contributing to the deterioration of the economy. The industrial sector, which had been the dynamic one, had its pace reduced, and its growth rate fell from 10.6% in 1961 to 0.2% in 1963.

To this indefinition period, caused by the exhaustion of the possibilities in the substitution process at the former prevailing conditions, there followed a period of dynamic growth,

mainly after the first half of the last decade.

For the revival of the economy it was necessary to adopt certain measures aiming at:

- a) The expansion of the internal consumption market;
- b) The control of the inflationary trend in order to protect the buying power of the population;
- c) The strengthening of the national finance system, essential for the development of the country;
- d) The utilization of savings, internal and external, in a way as to ensure an expansion of investments in the productive sectors.

The strategy adopted by the Government in this period was made effective through the utilization of the traditional instruments: foreign exchange, fiscal, credit and salary policies. Moreover, the "outward" growth process was started again, by means of export incentives.

It should be noticed that the exports incentives to the manufactured goods had the objective of aiding a sector then facing an insufficient demand. These insufficiencies were of a conjunctural as well as a structural nature. The last manifested itself in those industries where technology required a production scale superior to what could be absorbed by the Brazilian market and, the former was particularly felt by the traditional industries, since the industrial growth was more dynamic than that of the expansion of the internal consumer market.

However, not only new economic and social policies were adopted by the Brazilian Government, but also its instruments were modified and diversified. The creation of several executive as well as planning agencies, specially the Ministério do Planejamento, in 1964, shows the effective care with which the State guided and planned the economic development in such a way as to build an economy less exposed to crisis and depressions. It also played an important role, complementary to that of the private sector, investing in BRAZIL'S human RESOURCES (through education and professional training) and in those industries with a low capital turnover.

Nevertheless, the action of the Brazilian Government was not limited to this. Convinced that growth is a direct function of the investment volume and that the generation of internal resources was not sufficient to promote high rates of increase in the gross internal product, the Government decided to use foreign financial sources. The policy was to attract large foreign enterprises and, at the same time, to lead the subsidiaries of foreign companies, already established in the country, towards the export market. Meanwhile, a great effort was made to obtain large quantities of foreign finance capital. The increase in equity and finance capital obtained abroad was extremely significant and climbed from US\$ 368 millions in 1965 to US\$ 1,630 millions in 1973. This represented a 343% increase in the inflow of foreign capital.

In the meantime, the scope of action of BNDE also suffered some significant changes. The effort to develop the infrastructure was delegated to new Government agencies, and the Brazilian industrial enterprises, due to its new magnitude, deserved more attention and guidance from the Government. As a consequence BNDE created new lines of support for the industrial sector, such as FIPEME - "Financiamento a Pequena e Média Empresa", FUNTEC - "Fundo de Desenvolvimento Técnico-Científico", and a subsidiary, FINAME - "Agência Especial de Desenvolvimento", designed to support, together with the FRE - "Fundo de Reaparelhamento Econômico", the recovery program for the Brazilian economy.

This reorientation in the lines of action is clearly shown by the numbers presented in the following lines. During the 1964-1973 period, the loans provided by the Bank to the manufacturing industry, excluding steel, climbed from 7% of the Bank's total budget in 1964 to 72% in 1973, while the loans to public utilities (electric energy and transport) and to steel declined from 92% of the total budget to 11%, during the period. At the same its sources of funds were also amplified, so that, in real terms, in 1973 the total amount of loans was eight (8) times superior to that of 1964.

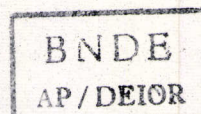
The understanding of the Brazilian economic problems the prompt action in order to solve them, in the years subsequent to the recession, and particularly after 1968, made possible for the secondary sector, through the adoption of a durable goods

consumption model, an explosive growth, not only due to the build up of new industrial facilities but also to a more intense utilization of the industrial capacity installed during the previous decade. This growth had extremely favorable reflexes upon the Nation's Global Development Project.

The performance of the Brazilian economy since that year has been such, that it deeply impresses national and foreign observers. The growth rates, chiefly of the gross internal product between 1968 and 1973 reached an average of 10,3% a year, superior to that obtained by other leading developing nations. The income per capita jumped from US\$ 433 to US\$ 610 during the same period, representing a growth of 41 %.

A fact of great importance at that time was the move towards the external markets. Besides the fact of total exports having grown by 238 %, the exports of manufactures in 1968 reached US\$ 380.5 millions, accounting for 20,8% of total exports. In 1973, it reached US\$ 1,941 millions, meaning 31,3 % of the total, allowing Brazil to enter in the club of Nations exporting industrialized products.

If, on one hand, the accelerated growth of the secondary sector during the last three decades brought tangible and evident benefits for the country, on the other hand it shows with particular evidence a series of structural unbalances that were particularly intensified by crisis such as the one that affected the world economy recently.

4 - THE REORIENTATION OF THE ECONOMIC POLICY - 1974

In relation to the economic growth of the country, 1974 was an atypical year. The Federal Government had to establish new priorities to cope with the repercussions on the Nation's Global Development Project, due to sudden and long run changes which occurred in the country's economic system, as well as in its relations with other countries.

These changes of structural nature may be divided in two groups: those of exogenous origin, caused by sudden price changes of imported raw material and, those of endogenous origin, caused not only by the very nature of the Brazilian development model, based on the imports substitution effort, but also by the fast growth experienced by the country's economy.

4.1 - The Exogenous Factors

For the western economies 1974 was a "key" year; that of the raw materials crisis. The decision of the oil producing countries to increase, suddenly and expressively, the price of crude oil had deep repercussions on the balance of payments of the industrialized countries, as well as in that of the Third World countries, and on the inflation rate, provoking unbalances in the international finance system based on the dollar standard. Such decision caused a general increase in prices of other basic inputs, scarce in Brazil, such as petrochemical products and fertilizers, coal, copper and cellulose. Brazil, that finds itself in an intermediate position between those countries that depend very

little on oil imports and those that largely depend on it, given that Brazil imports 40% of its energy necessities, spent in 1973 US\$ 905 million dollars with imports of crude oil and its by-products. In 1974 Brazil spent US\$ 3 billions to import the same items.

Such an increase, by itself, may be identified as an unbalancing factor in the Brazilian balance of payments; an unbalance that becomes even deeper if we consider that imports of machinery, equipment and components have been growing rapidly in the past years, as a direct reflex of the extroversion of the economy in this sector and of the continuous growth and diversification of the country's industrial activities. In fact, according to CACEX, the machinery and equipment imports should increase from US\$ 2,240 millions in 1973 to approximately US\$ 4 billions in 1975.

These numbers become even more important when it is observed that in 1973 Brazil exported about US\$ 6.198 millions (FOB). In 1974, according to preliminary data, it is estimated that the deficit on the balance of payments account has reached US\$ 7 billions.

With these problems in mind, during 1974 the Federal Government elaborated the II PLANO NACIONAL DE DESENVOLVIMENTO, which represents an effort to redefine the priorities and targets of the country's social and economic development, given that the international conjuncture was expressively modified, with direct

repercussions over the Brazilian economic situation.

If, on one hand, the present internal production of crude oil is not sufficient to meet the increasing demand for this raw material, on the other hand, the Brazilian model of accelerated economic growth, that should be defined as "a model of dense and diversified interindustrial relations" and has as objective the vertical integration of the several manufacturing branches and the horizontal integration of the secondary sector of the economy, presupposes an extreme effort of imports substitution.

When one looks at the Brazilian imports list, it is noticed that besides oil, the country imports goods that may be divided in two groups: the basic inputs and the capital goods.

The basic inputs (minerals and ores, steel products, heavy forged and casted products, non-ferrous metallurgical products, chemical and petrochemical products, fertilizers, pulp and paper, and cement) are essential in terms of economic development strategy, since its production in a sufficient scale has the following effects:

- Supply of the internal demand for basic products with wide utilization in all other sectors of the economy; if scarce, they may cause serious bottlenecks that could jeopardize the continuous acceleration of the development process.
- Forward multiplier effects, since the abundant offer of inputs with wide utilization creates a large number of new investment opportunities, based on its transformation. Backward multiplier

effects must also be considered by the importance they may have over the national equipment industry, and over the use of available natural resources.

- Important catalyzing effects in the income generation and capital accumulation process, due to the great dimensions of these enterprises and to the average company's profitability.

It should be emphasized that in its initial stage, the Brazilian industrialization process was based on the imports substitution process of consumer goods, and later of intermediary goods too. This allowed for a considerable saving in foreign exchange and for structural changes in the Brazilian imports list from, 1950 onwards.

Since then, the growth of the industrial base has created a larger internal market and an ever growing demand for equipment and capital goods, with the economy feeling the lack of a more adequate internal supply.

Under these conditions, the complementation of the industrialization process, with the vertical integration of the Brazilian industrial park and the elimination of an evident unbalance provoked by deficiencies in the "heavy" segments of the equipment industry, becomes an important objective for the continuity of the country's economic growth.

The necessity to diversify and develop the production of basic equipments, through the reactivation of the imports substitution process in this area, enabling it to supply the internal market with technologically complex capital goods, explains the priority presently given by BNDE to this sector.

This path requires the mastery of an specialized technology,

largely imported until the present time, including product, project and process engineering and specific techniques of modern equipment production (machines to produce machines and machines to produce finished products), in growing demand by an industrial sector in fast and constant maturation, such as the Brazilian. The technology substitution, i.e. the national production of basic equipment absorbing new techniques, will also permit the future export of these goods once the domestic demand is met.

Besides, it should be noticed that the "heavy" industrial sector producing equipments, presents the best opportunities for the mobilization of savings and for investments, as a consequence of its leadership position, not only in relation to the expansion of income but also in relation to the accumulation of capital.

Thus, in 1974, BNDE, in harmony with the main objectives of the national economic policy took a definite step in relation to the import substitution of basic inputs and equipments, machines and components. To do so, besides the programs established in BNDE's First Five Year Plan (1974-1978), which aims at the above mentioned sectors, the Bank created two new subsidiaries: EMBRAMEC Mecânica Brasileira S.A. and FIBASE-Insumos Básicos S.A., Financiamento e Participações -, as supplementary instruments to aid national enterprises in their imports substitution efforts.

Both companies have the objective of giving their support to companies under the leadership of the private sector, providing more capital in order to adequate the internal production of basic inputs and capital goods.

FIBASE will use its resources to increase the national production capacity in fertilizers, non-ferrous metals, pulp and paper and, organic and inorganic chemical products, while EMBRAMEC chose three areas to develop its operation: basic projects (producing equipment to the steel industry, heavy transport industry, and mining industry, etc.), special projects (from projects aiming at exports, to those with the objective of developing basic process and product engineering) and other projects (such as equipment production to the printing and foodstuff industry).

At this point, it is convenient to make some observations regarding to the close relations that tie technological development to the capital goods industry. Given that the introduction of new techniques in the production system is carried out through the production of goods that absorb this knowledge, it is the capital goods industry that promotes the concrete existence of technological advances, which will be used in new products through the "engineering" activities, enabling inventions to become innovations. It must be pointed out that without the necessary engineering stage, the R&D activities remain hidden in the scientific sphere, without a practical use. When there isn't a dynamic capital goods industry in a given country there are reduced possibilities that the goods to be produced are specified according to the local necessities: and when these are imported there is a drastic reduction in the possibilities of dialogue between equipment users and makers.

The equipment industry not only acts in the absorption of technical progress but also is an unique element to its diffusion,

thanks to its strategic position as a functional linkage with the rest of the economic system. As a supplier of means of production to all other industries and other sectors of a given economy, it receives request for product innovations from all of them and, when it introduces technological advances in its products, there is a diffusion of these innovations among its clients. Taking into consideration that the growth rate of an industrial system is largely influenced by the capacity of the capital goods sector to supply the necessary equipment to increase the production, abstracting from the analysis the behaviour of external market relations the possibility of a physical expansion in the system is feasible only when the production capacity of the capital goods industry is superior to the reproduction necessities of the secondary sector.

It should also be pointed out that the capital goods industry enables the national economic space a greater level of control over its means of production, accelerating the continuity of the accumulation process with a relative independence from economic cycles and external decisions.

The development of a critical mass of specialized human resources, capable to improve the technological level of the Brazilian enterprises, has been for the last ten years one of the Bank's main objectives. This is corroborated by the existence of FUNTEC-Fundo de Desenvolvimento Técnico-Científico, since 1964. Initially, this fund was oriented to support professional education, mainly in universities, in graduate and post-graduate level. However, 1974 represented a qualitative evolution in the role of

BNDE in relation to technology, given that the new by-laws of FUNTEC, definitely enlarge the scope of this instrument of economic policy. A new action plan is being implemented aiming at the creation, adaptation and assimilation of technology, by means of incentives to the enterprises; at the interchange between companies, universities and research institutes, in order to promote activities leading to the scientific and technological development, at the improvement and transfer of techniques, process and products and, at the absorption and utilization of technological progress by the Brazilian economic system.

4.2 - The Endogenous Factors

The redefinition of the economic policy promoted by the Federal Government, explicated in the II PLANO NACIONAL DE DESENVOLVIMENTO in 1974, was translated at the BNDE level by the analysis of certain endogenous factors that could eventually decelerate the build up of an open, modern and developed society in Brazil and, by the improvement of a series of economic support mechanisms that, once at work, allow the consecution of greater objectives. Such endogenous factors and the instruments created by the BNDE to equate them, in the scope of its objectives and lines of action, concern the very definition of the concept of development.

I - Development is a function of the capacity to save and to re-invest in productive activities the surplus generated by the economic activities of the Nation. In other words, in order to create ever growing job opportunities for the active population, in order to expand the internal consumer market for goods produced

by the agricultural and industrial sectors and, in order to keep the growth rate of the economy at the highest possible level, it is necessary that the gross capital formation be equally high.

Having in mind this necessity and the relevance of the role played by BNDE, as one of the main institution's supporting the Brazilian economic development push, in 1974 the Federal Government decided to provide the Bank with the new resources originated from PIS - Programa de Integração Social (Social Integration Program) and from PASEP - Programa de Assistência ao Servidor Público (Assistance Program to the Public Servant). These are to be managed and utilized by the Bank in those programs established in the First FIVE YEAR PLAN (1974-1978).

It should be pointed out here the significance of the utilization, by BNDE, of the resources originated by the two programs. For the Bank these new resources mean an increase in the magnitude of the participation of its investments in the country's gross formation of fixed capital. This participation may go further than the 12% that has been estimated in its FIVE YEAR PLAN for 1978. To the Nation, such transfer of resources shows in an expressive way the changes that have occurred in the national economic policy, the new trend pointing out the basic inputs and the capital goods branches as prioritary sectors from now onwards instead of those producing durable consumer goods.

However, it should be pointed out that for BNDE, according to the guidelines provided by the Federal Government, development is also translated into:

- a) strengthening of the private national enterprise, the driving force in the rapid industrialization process;
- b) supporting the small and medium - Scale Brazilian companies; and
- c) strengthening of the national network of Development Banks, through the improvement the human resources employed by these finance institutions, which are agents of BNDE.

Thus, in 1974 two new programs were created: the "Programa de Operações Conjuntas" (Joint Operations Program) and the "Repasse Programas" (Program Loans). Basically, the purpose of the first is to increase the production and/or the productivity of medium and small-scale business that due to its size is not included in other BNDE aid programs. The second, through credit lines open to the Development Banks, has the specific purpose of developing the techniques of planning throughout the net work of Regional Development Banks, agents of BNDE.

Some Brazilian enterprises have been lead into capital associations with foreign groups, with risk of eventually losing its control, due to their weak capital position. This situation has become even more serious in consequence of the recession which occurred in the capital market.

Having in mind these difficulties, and being sure that a continuous and autonomous development requires the participation of the Brazilian private enterprises in the economic growth process, in 1974 BNDE created another subsidiary, IBRASA - Investi -

mentos Brasileiros S.A., with the purpose of supporting the private national enterprise; providing equity capital, mainly, to those companies characterized as sector or regional leaders; promoting the democratization of the capital of these companies and, strengthening the stock market.

Like EMBRAMEC and FIBASE, IBRASA has for guidelines of action the minority participation in equity capital, in Brazilian enterprises by means of underwriting of non-voting common stock.

The support to the small and medium scale enterprises became of major importance because it has been recognized the important role that they play, economically and socially, (in those activities proper to them or in those activities where they may co-exist with large companies), in the country's industrialization process.

It was also considered of prime importance to widen the direct attributions and responsibilities of the Regional Development Banks in the formulation of specific plans of regional development projects, since these banks, agents of BNDE, are more directly in touch with the social and economical development bottlenecks of the regions they cover.

Here, it must be pointed out the important role played by CEBRAE - Centro Brasileiro de Assistência Gerencial à Pequena e Média Empresa, during 1974. This non-profit organization created by BNDE in 1972 has the purpose of aiding the entrepreneur to have a better access to credit, enabling him to use modern management techniques and providing him with the means for a better utilization

of human resources. CEBRAE uses the technical, managerial and credit assistance, personnel training and research as instruments of action in order to reach its goals.

II - Economic growth, that is, the continuous and cumulative progression of quantifiable variables, is not synonymous with economic development. In fact, the last one is wider in concept than the former and, is differentiated by its reference to the social component. The interaction of both is evident: there is no development in a society, in a broader sense, without the parallel growth of its productive activities, of its internal market and of the saving level of its population. Therefore, development transcends the pure and simple growth of the economy.

Development involves changes in the social structure, so that the human resources become able to manage the economic growth process and Brazil's Global Project, i.e., the build-up of an open, modern and developed society, in the benefit of its population.

In this context, of particular importance are the problems referring to:

- 1 - concentration of income;
- 2 - "quality of life" of its population;
- 3 - improvement of the country's human resources.

The Second National Development Plan in the chapter referring to Social Development Strategy, states: "the truth is that, on one hand, growth may not solve the problem of adequate income distribution, if left to the simple evolution of the market factors.

On the other hand, the evolution through growth, alone, may delay much more that the social conscience may admit, the need of rapid improvement in the living standards of all classes of the population.

In harmony with the objectives and targets of the Federal Government, BNDE considers that one the best ways to social integration and to a better wealth distribution is through the increasing of production of those low cost essential goods that involve what might be called of basic consumption, that is, basic foodstuffs, medicine and clothing, given that other items of this essential consumption - health services, sanitation, housing and urbanization - are already covered by the resources made available by other specific government agencies.

In this way, along the lines of the First FIVE YEAR PLAN (1974-1978), the Programa de Consumo de Base was created. The reasons that justify the priority given to this program are the following:

- 1 - In the present Brazilian social and economical conditions, it may be observed an unbalance in the income distribution among the country's geographic regions, with the central-south region playing a major role in the formation of the gross internal product, translated in substantially higher levels of production and consumption.
- 2 - In relation to the consumption of basic goods, such as medicines and foodstuffs with high nutritional value,

the population classes with a lower buying power are sacrificed, chiefly in the peripheral regions. This brings serious problems such as the population exodus, as it is verified in the north-south direction in Brazil, creating problems to the southern urban regions, without a correction or qualitative improvement of the human resources or in the living standard in the country's less developed regions.

The Programa de Consumo de Base is made up of three sub-programs, which correspond to the sectors of production and distribution of foodstuffs and medicines. The "Foodstuff Sub-Program" aims primarily at the production low cost of basic foodstuffs with high nutritional value, to be consumed by the low income population. The "Medicine Sub-Program" aims at the expansion and industrial modernization of the laboratories, of CEME - Central de Medicamentos, and also the development of integrated chemical-pharmaceutical industries. The "Distribution Sub-Program" has the purpose of rationalizing the commercial distribution of these basic consumption goods, in order to minimize its marketing costs.

On the other hand, besides the "Programa de Consumo Básico" which reflects the worries about the social components, chiefly the income distribution and the living standards of the Brazilian population, the Government has also paid attention to the improvement of the cultural level of its human resources.

Thus, in 1974, BNDE created a new program to support the book printing industry, in order to reduce the costs and, consequently, the price of books, leading to a greater diffusion of the reading habit. In other words, development also means the promotion, diffusion and consumption of culture.

In that year, BNDE promoted a study of the Brazilian book printing industry, which showed essential aspects of this activity. It was concluded that the country has a group of companies qualified to do the task and a market that presents significant levels of expansion. The maintenance of the last years growth rates demands new initiatives. Nevertheless, the problem is not only to the growth level of the last years but also to reach new groups of potential readers. Since the editions are small, with reflections on prices, a reduction on prices will permit an expansion of the market.

.5 - CONCLUSION

BNDE, as an organization working for Brazil's economic development, has turned itself, successively and simultaneously, to solve the problems of infrastructure and services, production of basic inputs, industrial development with special emphasis on the capital goods industry, improvement of human resources, development and transfer of technology, alleviation of regional development unbalances, improvement of the living standard of the low income classes, and cultural diffusion.

These goals are progressively being reached, without the Institution losing its characteristics of a Bank, through the maintenance of the real value of its capital and of the funds under its administration.

BNDE SUBSIDIARIES

EMBRAMEC - MECANICA BRASILEIRA S.A.

Due to the necessity to develop the production of capital goods, in Brazil EMBRAMEC - MECANICA BRASILEIRA S.A. was created with the purpose of giving an impulse to the Brazilian industry of capital goods, through stimulus to the expansion of the installed capacity; to the transfer, incorporation and development of advanced technology and the strengthening of the national companies in the sector. This will permit the import substitution of these items, due to an adequate supply to the internal market. The company functions as an active operational nucleus with the objective of creating conditions for the establishment of a large scale capital goods production sector, providing for the incorporation of the technological critical mass necessary to the country, organizing the equipment demand of the government and helping the private entrepreneur search for the most convenient specialization. Given the nature of the enterprise, the effective results to the economy will be felt only in the long run, even though in those cases of investment complementation these effects may be felt in a shorter period.

EMBRAMEC operates by means of three programs: basic projects, special projects and other projects and other projects. The Basic Projects Program involves the subsectors of: machine-tools, electric and diesel-electric locomotives, wagons, cargo-ships, mining machines and equipment; construction of special vehicles; steel production and non-ferrous metallurgic equipment; textile machines; machinery and equipments to the

chemical and petrochemical, cement and pulp and paper industry; compressors; machines and equipment to the generation, transmission and transformation of energy and for telecommunications, besides parts and components for all these subsectors. The Special Projects Program involves projects of process and product basic engineering; projects of sophisticated technology; projects of equipment for industrial pollution and projects of export goods. In the third program may be included, for example, projects for the printing and food industry:

A complementary task is carried out by EMBRAMEC with the purpose of: attracting investment funds, insurance companies, other institutional investors and entrepreneurs of different sectors to invest in this field; establishing a permanent contact with the public administration and class organizations in the area of capital goods; promote the elaboration of a promotional technical catalogue to serve as a reference book to the equipment buyers.

The utilization of EMBRAMEC's resources is done in the form of participation in the company equity capital or by means of underwriting convertible debentures, in order to adequate the a given company's capital structure.

With the purpose of making a follow-up of its investments, EMBRAMEC will establish conditions that permit access to the company's data and informations, technology negotiations, financial reports, as well as those reports made by

external auditors. It also maintains a file with informations about the Brazilian and foreign companies - with its subsidiaries in Brazil - that operate in this sector of the economy.

FIBASE - INSUMOS BÁSICOS S.A. - FINANCIAMENTOS E PARTICIPAÇÕES

A study about the main raw materials responsible for the maintainance of the growth process and/or the supply of fundamental consumption goods, makes evident that Brasil doesn't have presently an adequate supply of some raw materials essential to sustain high economic growth rates.

The alternative of supplying these raw materials by means of imposts depends on the export capacity of the Brazilian economy. Therefore, it became necessary to look for new mechanisms that would ensure, in the long run, a steady supply of basic inputs adequate to the maintainance of the development rates intended by the country. Consequently, FIBASE, a subsidiary of BNDE, was created with the purpose of supporting private Brazilian enterprises, in order to promote an adequate internal production level of the main basic inputs.

FIBASE provides equity capital, without voting rights or direct participation in the administration of the enterprises it may support. The participation in the form of sticks with voting rights will be practiced only in those cases that recomend the presence of an equilibrium agent between the two partner groups.

FIBASE may also act as a leader in fundamental projects in the field of basic inputs or intermediary goods in those areas which so far, have not been taken care by the private sector. Nevertheless, as soon as possible, this leadership position shall be transferred to the other major partner group, being reserved to

FIBASE a position where it may act as a supervisor in the execution of the project.

In this way, according to the exposed guidelines, FIBASE uses its financial resources to promote the development of projects that increase the existing production capacity (new projects or expansion of already operating installations), the consolidation of enterprises presently operating in Brazil and/or creating new production units in the following prioritareez fields:

- 1) fertilizers nitrates, phosphates and potassium and its raw materials (amonia, urea, phosphate rock and potassium chloride)
- 2) non-ferrous metals (aluminum, lead, copper, magnesium, nickel, zinc).
- 3) pulp and paper
- 4) organic and inorganic chemical products.

IBRASA - INVESTIMENTOS BRASILEIROS S.A.

IBRASA is intended to provide support for Brazilian private enterprise; to leaven resources for the capitalization of Brazilian industrial companies, that are outstanding as leaders of their respective sectors or regions; to encourage the opening up of company capital for public subscription and to strengthen the money market.

For the achievement of its objectives, IBRASA participates in the risk capital of the respective companies in the form of minority holdings; but such investments may be effected only in the capital of Brazilian companies, meaning those in which a majority of voting stock belongs directly or indirectly to individuals residing or domiciled in Brazil, except as regards those companies not formerly Brazilian but which will become so through the performance of the respective operation.

The shares involved in the participation of IBRASA may be ordinary or preference, voting or otherwise.

IBRASA may also take up share-convertible debentures, as provide underwriting services.

Three specific factors should be stressed in the operational approach of the BNDE, namely:

- A) Analysis: The technical group of IBRASA studies the respective firms in depth, all the way from administrative and organizational diagnosis to a careful prognosis of the future performance prospects..

B) Shareholder's agreement: in this respect the approach of IBRASA has been one in terms of a philosophy of action, the demand for professional administration, and the adoption of measures aimed at correcting distortions, whereby it participates in the corporate capital in such a manner as to provide the means needed for the attainment of the objectives spelled out in the plans for financial expansion or the achievement of a healthy financial situation. One other aspect to which IBRASA has given particular attention in Shareholders' Agreements is that concerning the maintenance of the majority position of Brazilian shareholders, through the requirement that right of first refusal be granted on total or partial disposal of the shares representing the voting rights of the companies in which it participates, to avoid take-overs which would be detrimental to Brazilian interests. It is the frequency of such take-overs that has been one of the factors sparking the development of the above-described mechanism of the BNDE, aimed at the enhancement of Brazilian private enterprise.

Underwriting contracts with financial institutions. In accordance with the Directives for Activity approved by the Board of Administration at a meeting on July 26, 1974, IBRASA has whenever possible been endeavoring to depend on the coparticipation of investment banks, heading up offers to the public of the issues approved, with the IBRASA acting as a source of stand-by underwriting in the last resort.

DIGIBRÁS - EMPRESA DIGITAL BRASILEIRA S.A.

The emphasis given to the digital electronic industry represents the concretization of the Brazilian Government policy in favor of this sector of high technological density, which had its starting point on the efforts developed by the Grupo Especial de Trabalho - GTE - (Special Task Group), created in february 1971 with the financial support of the Banco Nacional de Desenvolvimento Econômico and by the Financiadora de Estudos e Projetos -FINEP.

This Grupo Especial de Trabalho conceived and initiated the execution of Guaranys Project, while carried out the project and construction of a minicomputer and its own software. This, contracts were signed with the University of São Paulo, for the hardware, and with the Pontifícia Universidade Católica do Rio de Janeiro, for the software. The GTE also promoted the necessary studies and preliminary understandings with the objective of establishing an electronic computer industry in Brazil as soon as possible.

The DIGIBRÁS is the immediate consequence of the efforts of the GTE and, created in 1973 as pilot company, in 1974 it was turned into a corporation, with its present denomination. Due to the fact that DIGIBRAS operates as an instrument of the Federal Government, all its shareholders are directly or indirectly connected to the public sector. Since its shareholders represent a potential market for the digital electronic industry such as data processing, industrial process control,

telecommunications, etc. - due to their own field of operations, DIGIBRÁS is on a privileged position to establish programs and projects that translate the real interests of the country, as well as to promote conditions that may aid to the success of these enterprises.

The action of DIGIBRÁS in the industrial área is in perfect harmony with the guidelines given by the Federal Government in favor of the Brazilian technological progress. Nevertheless, it does not dedicate itself directly to industrial activities or the execution of research and development projects. Its operations are carried out through the participation with equity capital in industrial ventures. In fact, DIGIBRÁS has the objective of, through its participation in other companies and by other means such as incentives to research and development projects and formation of human resources, promoting the establishment and expansion of Brazilian enterprises specialized production equipments and development of systems in the area of digital electronics and data processing, absorbing and creating technology.

In the area of research and development, DIGIBRÁS may patronize and act as supervisor in the execution of specific projects, with relevant interest, financed by special agencies such as BNDE/FUNTEC and FINEP.

DIGIBRÁS' action is developed with a permanent worry to keep open the access to the more developed sources of equipment

and services in the field of electronic computation and data processing.

The lack of qualified technical personnel is also a critical point in the development program of the digital electronics and data processing industry. Therefore, in collaboration with the programs of the Ministério da Educação e Cultura and other specialized agencies such as CAPRE - Comissão de Coordenação das Atividades de Processamento Eletrônico, and with the universities, DIGIBRÁS will promote programs to attend the specific necessities of personnel training for the reproduction as well as the services area. It may also work as bridge between the universities and the industry in order to accelerate the technological advances in the sector.

In function of the study and planning activities, as well as of the experience acquired in the industrial field, DIGIBRÁS identifies opportunities and defines priorities in the area of the digital electronics industry, which will serve as objective indications to the university programs in applied research and experimental development.

In 1974 DIGIBRÁS concluded the negotiations for the establishment of an industrial company to produce minicomputers and in July of the same year the COBRA - Computadores e Sistemas Brasileiros Ltda. was founded. This company is an association, in equal parts, of DIGIBRÁS, EE - Equipamentos Eletrônicos S.A. and Ferranti Limited, of England. COBRA will produce

equipments and systems along the lines of a program that aims at the progressive nationalization of the products, based on the effective transfer of technology.

The feasibility study for the creation of the second industrial company began to be analysed by DIGIBRÁS in May, 1974. This analysis is being carried out with the collaboration of Metal Leve S.A. Indústria e Comércio, a Brazilian company that probably will, become an associate in the future enterprise. One of the main objectives of this company, preliminarily named BRASCOMP - Empresa Brasileira de Computadores, will be to explore the possibilities of industrialization of products developed in Brazil, without limitations in mobilizing all external technical cooperation it deem necessary.

In this way, with the decisive action of DIGIBRÁS, the industry will be established and the technology in the field of digital electronics will effectively be transferred. It shall be done by the establishment of a Brazilian minicomputers industry, by the production of processors of electronic commutation central stations, in the telecommunications area, and by the establishment of a Brazilian industry of sophisticated electronic components, such as the integrated circuits.

THE SPECIAL AGENCY FOR INDUSTRIAL

FINANCING - FINAME

FINAME - AGENCIA ESPECIAL DE FINANCIAMENTO INDUSTRIAL

FINAME - Agencia Especial de Financiamento Industrial, created in september 1966 to administrate the Fundo de Financiamento para Aquisição de Máquinas e Equipamentos Industriais, as the first subsidiary of BNDE, has the following objectives:

- a) attend to the necessities of the increasing commercialization of machines and equipments produced in the country;
- b) promote the expansion of machines and equipment production making credit available to producers and users;
- c) finance the import of industrial machinery and equipment not produced in the country; and
- d) finance and promote the export of industrial machinery and equipment produced in Brazil.

FINAME may also make acceptance operations to provide the companies operating in the basic sectors of the economy with working capital and, underwrite shares of industrial companies and later sell it to the general public.

The Agency is provided with grants from BNDE and other Brazilian official financing agencies; or may receive loans or donations from national or foreign entities, refinancing of bonds of Banco Central do Brasil; from the Tesouro Nacional, besides other financial operations that fulfill the purposes of FINAME.

The use of these resources are made through loans to its financing agents, private or public, being considered as such the regional and state development banks, as well as the commercial banks, investment banks and other finance institutions that

agree to operate according to the Agency's regulations and to assume co-responsability as warrantors or endorsers.

According to the reorientation of the Brazilian government's economic policy, in 1974 FINAME passed through modifications in its operational rules, giving a more effective support and incentive to the national equipment and basic inputs industry. Its operational rules are divided into three programs: Medium run Long run and Special.

The medium and long run programs provide loans only to the acquisition of machinery and equipments made in Brazil, with a nationalization index superior to 67%. On the other hand, the Special Program provides loans for the acquisition of Brazilian made machinery and equipments that:

- a) are produced upon request, with a relevant index of nationalization;
- b) are competing with international suppliers; and
- c) are to be supplied to projects of high national interest.

The loan is granted, preferably, when it is destined to the production of capital goods or its essential components or to the mining, metallurgic, electric energy, chemical, petrochemical, electronic and pulp and paper sectors.

A sum-up of eight years of activity shows that FINAME represents an innovating and extremely well succeeded experiment that will be even more important and dynamic after the changes it has passed through, as shown by the effects that are already

being felt.

Getting away from the traditional stands of direct loans, it uses the process of making loans to its agents as its exclusive method of operation, proving that it is perfectly possible to coordinate the work of the private and public sectors and that the Brazilian banking system has sufficient maturity to play its role in the country's development process.

CEBRAE

CEBRAE

The structure of CEBRAE, which has been based on the accumulation of the experience of its founders, which have long been using instruments of credit and for the protection of Small and Medium-Sized companies, corresponds to criteria permitting an immediate response to the policy for development and assistance to smaller-sized companies.

CEBRAE is a system operating throughout Brazil, as a central agency which establishes objectives and strategies for executive entities that, in turn, through the direct action carried out in the companies involved, collect and systematize data, analyze sectors and provide the information needed for continuing recycling of the process of assistance.

The field of activity involved covers the industrial, commercial and service sectors, and the program is aimed at:

I. Facilitating to the entrepreneur access to credit through the following means:

- preparation of projects;
- financial advisory services;
- tie-ins between the companies and the development banks;
- following up of the application of financial resources.

II. Support for the entrepreneur, by making available to him the use of modern techniques, namely:

- Diagnosis, studies on location, "layout" and organization
- Accounting routines;

- Fiscal advisory services;
- Data processing;
- Recruiting, hiring, training and administration of staff.

III. To provide the entrepreneur with means for obtaining better application of human resources, through basic and advanced training of:

- executives;
- medium-level staff members.

The instruments used by CEBRAE for the achievement of these objectives are:

- Technical and managerial assistance;
- Training;
- Credit assistance;
- Research.

In the field of special projects a training program for technicians and executives of development banks and similar financial agencies has been set up and is now in course of execution by joint action on the part of the BNDE and the Fundação Getúlio Vargas, so as to fit such agencies to be able to act within a new and more dynamic and efficient institutional model.

Established in the form of a series of courses and seminars, this program is of key importance for the better development of the entire system of support for small and medium industry.

We list beneath the various courses held within the structure of the program alluded to:

In the Area of Operational Techniques for Projects:

- Course on analysis for evaluation of projects;
- Course on systems of control and execution of projects;
- Seminar on techniques for implementation and follow-up of programs for economic development.

In the Area of Sectorial Programing:

- Seminar on Power, Transportation, Regional Development, Export Corridors.

In the General Administration sector:

- Seminar on the bases of administrative modernization;
- Seminar on the theory and techniques of entrepreneurial decision-making.

In the Area of the Institutional and Operational Model of Development Banks:

- Seminars on the development of a single model for the operation of Development Banks.

In the Area of Systems of Administrative Support:

- Course on the Administration of Human Resources;
- Course on Systems and Methods;
- Seminar on Juridical Advisory activities;
- Course on planning and execution of budgets;
- Course on Financial Administration.

BNDIC - CASE STUDIES

THE STEEL INDUSTRIES:THE CASES OF USIMINAS AND COSIPA

At the end of the Fifties and beginning of the Sixties the process of industrialization in the form of import substitution was in full swing. Within this context, a number of industries have been set up which proceeded to create a demand for raw materials and basic inputs previously non-existent on the Brazilian market. In particular the then nascent automotive and shipbuilding industries expanded enormously the domestic market for flat steel rolling mill products. At the time, the Volta Redonda plant operated by Companhia Siderurgica Nacional was the sole producer of steel sheet and coil in volume that rapidly became insufficient for meeting the demand generated by the said process of industrialization.

This panorama rendered feasible the establishment of two new major steel plant projects for the production of flat steel rolling mill products, that at Ipatinga in the State of Minas Gerais, operated by Usinas Siderurgicas de Minas Gerais S. A., Usiminas, and that at Cubatão, in the State of São Paulo, of Companhia Siderurgica Paulista, COSIPA. The former, developed by a group of Minas Gerais technicians and entrepreneurs in the second half of the fifties, was established with minority participation on the part of Japanese groups who put up financial resources and technological knowhow for the establishment of the undertaking. The latter, although the seeds of it were sown at the beginning of the respective decade - for COSIPA was founded in 1953 - took body and developed from the point where external financing arrangements were rendered feasible, especially in the European area, and were obtained in 1959/60; The original

idea and leadership in the development of the concept over the period in question were due to a group of São Paulo entrepreneurs with minority participation on the part on the part of the State government. Both provided for the establishment of integrated plants with coking facilities, blast furnaces, LD steel shops, rolling of thick plate, sheet and coil, hot and cold rolled products, with initial production capacity of 500,000 tons a year of ingot steel.

Initial financial support by BNDE for Usiminas was provided in 1958, while for COSIPA it was forthcoming in 1960, in the form of provision of a guarantee on external loans in a total value of US\$ 200 million. Immediately afterwards loans were granted in Brazilian currency and stock participation was arranged, at that stage in the form of a minority share, to complete the financial set-up for the project.

A number of factors special to steel projects, especially those of large size, long period of maturation required and high value of investments in the initial stages of setting up of a facility, were involved in both cases. It should therefore be noted that although each project was intended for the production of 500,000 tons per year at the outset, they had blast furnaces designed for twice that output and roughing mills for 2,000 thousand tons a year, for reasons of economy of scale and indivisibility of certain units and items of equipment. Furthermore, on account of the inflationary process which was then becoming more marked in the Brazilian economy, the Brazilian private groups that had control and had been leading the implementation of the projects were no longer in a position to continue to put up the financial resources required for their conclusion.

In these circumstances, as an alternative to the paralyzation of the projects, then in full expansion (1962), and cognizant of the importance they would have for the economic development of the country, the BNDE proceeded, on a decision by the government, to put up the additional resources required in the form of new financings and increases in capital, which ended up in the acquisition of stock control over the respective undertakings. This decision made it possible to conclude the establishment of the first stage of the Ipatinga plant in 1964 and of the Cubatão plant at the end for 1965.

This involvement of the BNDE, though making it possible to achieve the conclusion of these important undertakings, increasingly absorbed the funds of the agency over the 1962/65 period, to the point that the investments of the BNDE in the steel industry during 1965 amounted to some 70% of the total investments it made that year. But it may also be stated that this decisive collaboration in the steel industry also contributed to make the BNDE turn its attention more towards the provision of support for undertakings in the industrial sector, evolving from the position of an agency for the financing of infrastructural projects (transportation and power), which had characterized the first few years of its operations. In the years following that evolution became more marked; concomitantly with the growth of the BNDE there was also diversification in its activity, which proved extremely opportune in the light of the stage of development that had been attained by the Brazilian economy.

From 1965 onwards the BNDE gave financial support for the first stage of expansion of USIMINAS up to 1,400 thousand tons a year, and expansion of COSIPA to 1,000 thousand tons a year. Nowadays the companies are in the final phase of establishment of the second expansion phase to 2,400 thousand

tons/year respectively, also with the support of the BNDE, and are in the final stages of design of the third stage of expansion to 3,500 thousand tons/year. The latter should also be backed by decisive support from the BNDE and be concluded by 1978/79.

The output of the two companies currently corresponds to about 70% of the flat rolling mill products made in Brazil and about 35% of the whole of the steel produced in the country. The projects have incorporated the most modern of features existing in steel production technology and are on a scale making it possible to obtain the economies of scale essential to the winning of a sound position in competitive terms even in international dimensions. Insofar as BNDE is concerned, the corresponding stock participation at face values amounts to G\$ 2,777 million, or some 18% of the net worth involved, as of 25.2.1975.

THE PETRO-CHEMICAL "POLE" OF NORTH-EAST BRAZIL

Brazil's capacity for production in petrochemical industries up to its recent dimension, was built up by individual entrepreneurial interests which had a cumulative effect over the course of the past twenty years, without any particular concern with the establishment of a matrix of operation. This trend started to undergo modification in 1965, when the sector proceeded to be viewed as a complete sector and the Federal Government established more all-encompassing and more long-range rules and objectives.

In 1971, on a decision by the Government, the sector referred to was classified as a programmable form of activity in accordance with the model of an "open input-output matrix", in which the petrochemical industry came to acquire internal incentives in the light of its close inter-relationship with the remainder of the economy. Hence the current increase in capacity for production of petrochemicals now under way was the result of a clear-cut programming activity on the part of Federal Government, in close coordination with the private sector. This model of cooperation between the public and the private sectors has as its background the following basic concerns:

- obtaining of the maximum yield through economies of scale and economies of agglomeration;
- promotion of incorporation of trail-blazing knowhow by the Brazilian economy;
- agglutination of the effort and experience of dynamic Brazilian and foreign entrepreneurial groups under the leadership of the former.

This sectorial policy set-up is being applied successfully to the so-called "Petrochemical Pole of the North East", which comprises a series of investment projects located in the State of Bahia, which

contains the main raw materials, namely, petroleum, natural gas, naphtha and fuel oil.

The concept of the "Petrochemical Pole of the North East" therefore has much to do with this prior definition of policy, comprising an industrial complex programmed to add substantial production capacity to that already in existence.

In accordance with this model, PETROQUISA-Petrobrás Química S.A. (a subsidiary of PETROBRÁS-Petróleo Brasileiro S.A.) the corporation under the control of the Brazilian public sector in harmony with the Ministry of Industry and Commerce, was entrusted with the task of setting up a company (COPENE-Petroquímica do Nordeste S.A.) intended for the establishment of the main and most capital-intensive units.

In the model formulated it was stipulated that the primary products of the petrochemicals industry, the profits and the services would be obtained in large centralized units ("centrais") as follows:

- Raw Materials Central Unit: for the production on an international scale of about 380,000 tons a year of ethylene, besides olefinic by-products (propene, butadiene) and aromatic products (benzene, toluenes) totaling 1.4 million tons a year of basic petro-chemical products.
- Maintenance Central Unit: whose purpose is to render maintenance services to the whole of the units of the "pole"
- Public Utilities Central Unit for the production and supply of utilities to the units of the "pole", such as steam, water, power, oxygen, etc.
- Service Central Unit whose objective is the rendering of centralized services to the whole of the units of the "pole" such as transportation, security and other services, etc.

Hence the private firms that are setting up down-stream projects would be spared the need for investments with high capital density and long period of maturation; furthermore, centralized, large-scale production will make it possible to attain low costs, also benefitting the private using companies.

In the implementation of the down-stream projects (about 32 in all, covering a varied range of products such as octanol, butanol, metanol, propene oxide, poli-ethylene, poli-styrene, vinyl chloride, vinyl acetate, isoprene, polipropylene, styrene and a number of others) the companies are of a private nature, bringing together Brazilian and foreign interest. In this model of association, the entrepreneurial groups from abroad bring in not only financial resources but also knowhow and technology, with the Brazilian groups being responsible for the task of putting up financial resources and experience in relation to Brazilian realities; and in order to harmonize conceivable conflicts between the groups in question, a third associate-generally PETROQUISA-is introduced into the model.

This scheme for the setting up of the petrochemical complex of North East Brazil, now in the take-off phase, is calling for investments estimated at U\$S 1.4 billion, to be carried out thru' 1980/82.

THE CASE OF FUNDIÇÃO TUPY S.A.

Fundição Tupy approached the Bank for the first time in 1967, seeking a small loan for the expansion of its facilities. Its production capacity at the time was 15,000 tons a year, and the main lines were connections and auto-parts made of cast iron.

The said loan was the first step towards extremely fast growth placing the company amongst the leaders in its sector.

Tupy is probably today the most modern foundry in Brazil for cast iron, with a production capacity of 60,000 tons a year as of 1974, and that capacity should be doubled by 1980, with the introduction of a new line as well, namely, casting of crankcases for internal combustion engines.

This evolution of Tupy's activities has been substantially supported by the BNDE through successive loans which have permitted not only the growth of the foundry but also indirectly that of the Tupy group which today comprises a conglomerate of firms engaged in the most varied of activities. There are accordingly, in addition to Fundição Tupy itself, the following enterprises:

Tupy Guararapes S.A., for the production of PVC tubes and connections for water supply, irrigation, etc.

Cia. Industrial de Fios e Armazéns making ramie and poli-

ester thread and cord.

Granalha de Aço S.A. making steel shot, machines for cleaning of metals, and abrasion-resistant parts.

Perfilados Tupy S.A. production of extrusion shapes and cast parts, to special order.

Plásticos Tupiniquim S.A. Production of thermal packaging units, plaques and panels, and the like.

Tupy Keller Empreendimentos Imobiliários S.A. Engaged in the real estate business.

Besides permitting the growth and diversification of the group through loans to the parent company and the shareholders, the Bank has been encouraging Fundação Tupy to develop the knowhow that it has built up over the 35 year period of its existence. At the suggestion of the Bank for instance, the company is now setting up a pioneering research center in Brazil, specifically dedicated to the handling of problems of foundries.

THE CASE OF BARDELLA S.A.

This is a mechanical industry that has grown markedly over the past eight years, after receiving financing for expansion and relocation of its facilities.

The company is endeavoring to diversify through the establishment of, or association with, other companies, that may be summarized as follows:

PARENT COMPANY: BARDELLA S.A. This industry manufactures capital goods to order, especially hydro-electric equipment, plant for steel mills and heavy weight handling devices. The Bank is currently awaiting a new project for the expansion of its facilities requiring financing.

ASSOCIATES:

PRENSAS SCHULER S.A. Manufactures presses for the automotive industry, with minority association with the German firm of equivalent name. It is now concluding the installation of its project with direct financing for the latter and for BARDELLA, for purposes of subscription to the corporate capital.

BSI I INDÚSTRIAS MECÂNICAS S.A. Will be manufacturing hydro-mechanical equipment, and has suitable laboratory facilities, also being in a position to produce petrochemical equipment. Has associated with it on a minority basis SOREFAME Sociedades Reunidas de Fabricações Metálicas, of Portugal. The project for the firm's plant is now being set up, with financing provided direct and to BARDELLA as share holder.

Other undertakings: Thought is being given to other investments in activities in the same sector, involving mechanical industries, and projects are now being awaited in this respect.

This kind of support has made it possible for BARDELLA:

- a) to grow at a rate faster than would be conceivable on the basis of the conventional criteria prevailing at the time;
- b) to form a conglomerate of a number of different companies, diversifying its activities within the mechanical sector.

2 THE "JOINT-VENTURES" SUPPORTED BY THE PUBLIC SECTOR

The size attained by the Brazilian domestic market during the past ten years have started calling for the establishment of production units on an international scale in various sectors of activity in which the complement of modern technology becomes essential.

Bearing in mind the investment opportunities involved in these structural characteristics are relatively large in number and that the Brazilian entrepreneurial groups could not take them up of their own accord (due to the relative dearth of resources and/or absence of self-owned technology) there was bound to be a need for seeking support from external entrepreneurial groups capable of providing the respective undertakings with full feasibility. Furthermore, it became a matter of political importance that the leadership of such projects be in the hands of Brazilian entrepreneurs and that the effective decision-making center in relation to the enterprises and the projects should remain in Brazil, under the control of Brazilian interests.

In order to achieve these objectives of policy for joint investments, a form of stock-holding structure was developed capable of incorporating the experience of private entrepreneurs while at the same time providing Brazilian majority holding in the respective undertakings. In this composition, which has received the institutional and financial support of the Brazilian government's development

agencies, it is the responsibility of one or more government agencies to act as stockholder with deciding vote, or agency introducing a state of balance into entrepreneurial decisions, so as to settle possible conflicts between the leading entrepreneurial groups. The main functions of the respective entrepreneurial interests in the undertakings described are as follows:

BRAZILIAN GROUP: leadership of undertakings, putting up financial resources and managerial experience in the light of Brazilian conditions.

FOREIGN GROUP: putting up of financial resources, modern technology and knowhow;

GOVERNMENT ACTION: provision of financial resources and action as element of balance for the decision of incidental disputes that might arise.

This three-dimensional model is also aimed, in relation to stock with voting rights, to build up the capital of the enterprises concerned in such a manner that:

- The majority holding should be private (sum of the participation by the Brazilian and foreign groups);
- The majority holding should be Brazilian (sum of participation by the Brazilian private group and the Brazilian government agency).

A structure of voting stock such as is exemplified beneath would therefore comply with the objectives indicated:

	% of voting stock
Brazilian private group	40
Foreign private group	40
Brazilian government agency holding	20 100%

A number of undertakings have been and are still being set up in accordance with the definition mentioned previously, including the following:

1. SALGEMA S.A. INDÚSTRIAS QUÍMICAS

Objective: Establishment of a unit for the production of caustic soda (250,000 tons/year) and chlorine (220,000 tons per year).

Investment: US\$140 million

Location: State of Alagoas

Structure of voting stock: %

Brazilian private group (Euluz S.A.) 45

Foreign private group (EI du Pont de Nemours) 45

Brazilian government agency (BNDE) 10

2. COBAFI--Bahiana de Fibras S.A.

Objective: Establishment of unit for production of nylon and poliester (30,000 tons/year) for textile industry and manufacture of technical cord for tires (10,000 tons a year)

Investment: US\$150 million Location: State of Bahia

Structure of voting stock %

Brazilian private group (Celso da Rocha Miranda) 45

Foreign private group (Akzo International) 45

Brazilian government agency (BNDE) 10

3. CIA. BRASILEIRA DE FILMES : SAKURA

Objective: establishment of unit for making X-ray films
(3,200,000 square meters per year)

Investment: US\$32 million Location: Sate of Rio de Janeiro

Structure of Voting stock %

Brazilian private group (Renato Monteiro) 22.3

Foreign private group (Okura Trading.Konishiroku
Photo) 38.9

Brazilian government agency (BNDE) 38.8

4. ARAFÉRTIL - ARAXÁ S.A. FERTILIZANTES E PRODUTOS QUÍMICOS

Objective: establishment of complex for making fertilizer
products (570,000 tons/year of phosphate rock concentrate;
165,000 tons/year of phosphoric acid as P_2O_5 ; 240,000 tons
per year of MAP ; 495,000 tons/year of sulphuric acid;
200,000 tons/year of superphosphates; 960,000 tons/year
of granulated products and formulations.)

Investment: US\$130 million; Located in: State of Minas Gerais

Structure of voting stock %

Brazilian private group: (Itau Industrial) 40

Foreign private group (BUNGE + BORN) 40

Brazilian government agency (BNDE) 20

INDIRECT ACTIVITY: BNDE-BRDE

This means financing operations in which the BNDE operates through FINANCIAL AGENTS which serve as intermediates in relation to the financial support provided by the Bank to enterprises, generally small and medium-sized, located in the area of action of the said agents.

The Bank manages in this manner to decentralize the process of achieving its objectives by delegating to the said agents in return for adequate remuneration, the functions of analysis and follow-up of the projects to be financed.

These agents are qualified in advance by the BNDE for operations in the field of transfer of resources of the various lines of credit available in the Bank and are composed at the present time of the whole of the state development banks and a considerable number of the investment banks. In other words, there are Financial Agents of the BNDE acting in every State in Brazil.

The largest and most long-standing of these agents is Banco Regional de Desenvolvimento do Extremo Sul-BRDE (The Regional Development Bank for Southernmost Brazil), operating in the three southern States of the Union: Rio Grande do Sul, Paraná and Santa Catarina. It was set up in 1961 and in 1964 commenced in cooperation with the BNDE the machinery for transfer of funding that was inaugurated by the latter that year.

The BRDE analyzes and follows up the projects on which proposals for financing, after approval by it, are then submitted to the BNDE for the transfer of resources in accordance with operational standards contracted for in advance between the two institutions.

During the ten years over which the above-mentioned mechanism has been in operation, the BNDE has reached hundreds of companies in a

number of industrial sectors throughout the three states referred to. Those firms, generally and mostly small in size, could hardly have been provided with direct support by the Bank itself, on account of the high costs that would be incurred in the administration of the small loans that would be entailed.

To give a rough idea of what this indirect support by the BNDE implies, suffice it to mention that in 1974 the transfers from the Bank to the BRDE amounts to Cr\$ 1,167,778 thousand (approximately US\$ 167 million). If it be borne in mind that this represents only 50% of the cost of the corresponding projects, with the BNDE and the entrepreneurs financed putting up the remaining 50%, we arrive at the order of magnitude of the total investments effected in the region (approximately US\$ 334 million).

In 1975 (Jan.-Feb.) the BNDE approved transfers to the BRDE in a total amount of Cr\$ 140 million (approximately US\$ 20 million).

BRAZIL IN NUMBERS

BRAZIL IN TEN YEARS

1964/1973

MACROECONOMIC AGGREGATES	1964	1973	INCREASE 1974/1964	GEOMETRIC GROWTH RATE
GDP				
billion 1973 cruzeiros	194,2	392,4	2,02%	8,1%
US\$ billion	31,7	64,1		
POPULATION (in thousand)	78.208	101.520	1,30%	3,0%
PER CAPITA GDP				
1973 cruzeiros	2.483,1	3.865,2	1,56%	5,1%
US\$	405,3	631,0		
INDUSTRIAL OUT PUT				
billion 1973 cruzeiros	35,8	127,3	3,56%	15,2%
US\$ billion	5,8	20,8		

EXCHANGE RATE: Cr\$ 6,126/US\$

BANCO NACIONAL DO DESENVOLVIMENTO ECONÔMICO

ANNUAL GROWTH
1964/1973

YEARS	GDP SROWTH RATE (%)	INDUSTRIAL OUT PUT GROWTH RATE (%)
1964	2,9	5,2
1965	2,7	4,7
1966	5,1	11,7
1967	4,8	3,0
1968	9,3	15,5
1969	9,0	10,8
1970	9,5	11,1
1971	11,3	11,2
1972	10,4	13,8
1973	11,4	15,0

INDUSTRIAL PRODUCTION

P R O D U C T S	1 9 6 4			Increase 1974/1964	Geometric Growth Rate
	1	9	7 4		
Steel Ingots (1.000 TON)	2.016	7.493	372%	14,0%	
Rolled Steel (1.000 TON)	2.236	6.172	276%	10,7%	
Pig Iron (1.000 TON)	2.449	5.714	233%	8,8%	
Cok (1.000 TON)	912	1.764 x	193%	6,8%	
Crude Petroleum (1.000 m ³)	5.296	10.471 x	198%	7,1%	
Natural Gas (1.000.000 m ³)	532	1.481 x	278%	10,7%	
Gasoline "A" (1.000 m ³) (1)	5.563	12.349 x	222%	8,3%	
Diesel Oil (1.000m ³) (1)	3.622	11.003 x	304%	11,8%	
Fuel Oil (1.000 m ³) (1)	5.247	11.147 x	178%	5,9%	
Vehicles (Units)	183.735	877.458	478%	16,9%	
Tractors (Units)	11.537	43.557 x	378%	14,2%	
Cement (1.000 TON) (2)	5.583	14.164 x	254%	9,8%	
Synthetic Rubber (TON)	32.496	153.360 x	472%	16,8%	
Electric Power (1.000.000 kWh) (3)	29.094	55.497 x	191%	6,7%	
Labour in Transformation Industry (Index 1964 = 100)	100	157	157%	4,6%	

1) Petrobrás Production

(2) Common Portland and High Furnace Cement

(3) Rio-S.Paulo, LIGHT, CESP, CHEST, CEMIG and FURNAS

x Estimate

PRICES INDEX
(1964=100)

	1964	1974	GEOMETRIC GROWTH RATE
COST OF LIVING	100	1.142	28,0%
WHOLESALE PRICE (GENERAL OFFER)	100	1.037	26,5%
AGRICULTURAL PRODUCTS	100	1.145	28,0%
INDUSTRIAL PRODUCTS	100	1.001	26,0%
CONSTRUCTION COST (GB)	100	1.279	29,0%
EXCHANGE (Cr\$/US\$)			
REE RATE	100	535	18,3%

BANCO NACIONAL DO DESENVOLVIMENTO ECONÔMICO

MONEY, CREDIT AND BUDGET EXECUTION

	1964	1974	INCREASE 1974/1964	GEOMETRIC ANNUAL GROWTH RATE
Money and Credit (encl of period balance)				
Means of payment (US\$ millions)	7.836	17.847	227,8	8,6%
Loans of the Monetary System (US\$ millions)	4.289	22.897	533,9	18,3%
Deposits (US\$ millions)	2.685	18.221	678,6	21,5%
National Treasury				
Receipts (US\$ millions)	1.675	11.304	674,9	21,2%
Expenditures (US\$ millions)	2.248	10.733	477,4	16,9%
Deficit (US\$ millions)	573	571	99,7	-

Eschangerate 1974 - Cr\$ 6,795/US\$

BANCO NACIONAL DO DESENVOLVIMENTO ECONÔMICO

EXTERNAL SECTOR - 1964/1973

	1964	1965	1966	1967	1968	1969	1970	1971	1972	1973 (*)
Balance of Payments (US\$ million)	4	331	153	245	32	549	545	530	2.439	-2.179
Trade Account (US\$ million)	344	655	438	213	26	518	232	-341	-244	7
EXPORTS (US\$ millions)										
Coffee	759,7	706,6	764,0	710,2	774,5	779,2	939,3	772,5	989,2	1.234,3
OTHER TRADITIONAL AGRICULTURAL PRODUCTS	282,1	309,4	379,0	312,9	385,5	574,4	485,2	653,7	726,1	1.244,7
Minerals and Other non traditional Agricultural Products	129,1	221,4	229,6	217,8	268,6	350,4	537,3	630,8	814,0	2.259,0
Manufactured Goods	204,5	283,7	292,8	342,9	380,5	495,0	665,0	821,9	1.196,0	1.466,0
T o t a l	1.429,8	1.595,5	1.741,4	1.654,0	1.831,3	2.311,2	2.738,9	2.903,9	3.991,0	6.199,0
IMPORTS (US\$ millions - FOB)										
Crude Petroleum	170,0	156,4	165,8	153,6	204,0	203,8	236,1	326,9	409,2	684,6
Wheat	210,0	135,9	142,3	153,2	153,7	134,8	103,8	106,8	121,9	299,2
Machinery, Pans and accessories	241,0	244,3	381,3	354,0	659,4	774,9	800,0	1.034,5	1.493,7	1.659,0
Metals and Metals Products	131,0	155,1	181,7	191,0	299,0	366,0	461,5	475,9	504,2	637,8
T o t a l	1.086,0	941,0	1.303,4	1.441,3	1.855,1	1.993,2	2.506,9	3.247,4	4.232,3	6.074,8

* Estimated

FOREIGN TRADE

	1964	1974(*)	AUMENTO 1974/1964	TAXA GEOMÉTRICA DE CRESCIMENTO ANUAL
EXPORTS:				
Total (US\$ 1.000.000) FOB	1.430	7.778	544%	18,5%
Coffee (1000 bags)	14.946	12.410	-120%	-24,0%
Manufactures (US\$1.000.000)	204,3	2.937	1.438%	30,5%
Cocoa (1.000 TON)	75	139	185%	6,4%
Cotton (1.000 TON)	217	90	-42%	-8,4%
Sugar (1.000 TON)	253	1.855	733%	22,0%
Iron Ore (1.000 TON)	9.730	59.937	616%	20,0%
Manganese Ore (1.000 TON)	833	1.452	174%	5,7%
IMPORTS:				
Total (US\$ 1.000.000) FOB	1.086	11.874	1.093%	27,0%
Wheat (1.000 TON)	2.609	2.373	-91%	-1,0%
Crude Petroleum (1.000 TON)	10.803	32.512	301%	11,7%
Machinery (US\$ 1.000.000)	305	2.418	793%	23,0%

(*) Estimate

PERSPECTIVES OF THE BRAZILIAN ECONOMY : 1979

	1974 (*)	INDICADOR PARA 1979	AUMENTO NO PERÍODO %	TAXA GEOMÉTRICA DE CRESCIMENTO ANUAL
Gross Domestic Product (GDP) Cr\$ billions of 1975 US\$ billions	783 73	1.264 125	161	10,0%
Population (millions)	104,2	119,7	115	2,9%
GDP per capita Cr\$ thousands of 1975 US\$	7,5 743	10,5 1.044	140	7,0%
Gross Fixed Investment Cr\$ billions of 1975 US\$ billions	196	316	161	10,0%
Industrial Output Cr\$ billions of 1975 US\$ billions	212	374	176	12,0%
Industrial Employment (millions)	6,1	8,1	133	5,9%
Exports (US\$ billions)	8	20	250	20,1%

* Estimates

Exchange Rate Cr\$/US\$ 6,776 (IPEA ESTIMATE)

RESUME OF THE INVESTMENT PROGRAM IN THE 1975/1979 PERIOD.

PROGRAMS	CR\$ BILLIONS OF 1975	US\$ BILLIONS
Human Resources	267,0	33,3
Social Integration	384,0	47,9
Urban Social development	110,0	13,7
Economiz Infra structure	439,4	54,8
Scientific and technological development	22,0	2,7
Basic Industry	255,0	31,8
Agriculture and livestock	105,0	13,1
National Integration	165,0	20,6

Estimated Exchange rate

ECONOMIC INFRASTRUCTURE INVESTMENT IN THE 1975/1979 PERIOD

SECTORS	CR\$ billions of 1975	US\$ Billions
Energy	255,0	31,8
Electric Energy	198,0	24,7
Oil, coal and gas (excluding petrochemicals)	57,0	7,1
Transports	134,4	16,8
Railway Program	28,0	3,5
Ship building program	23,0	2,9
Roads Program	33,0	4,1
Ports	9,0	1,1
Air Transport	7,4	0,9
Other (Including Urban Transport)	34,0	4,3
Communications		
Telephone - Urban, Interurban and International		
Post, telegraph and others	50,0	6,2
TOTAL	439,4	54,8

BANCO NACIONAL DO DESENVOLVIMENTO ECONÓMICO

INVESTMENT IN INDUSTRY AND FARMING IN THE 1975/1979 PERIOD

S E C T O R S	Cr\$ Billions of 1975	US\$ Billions
Industry (Estimated Total Investment)	300	37,4
Basic Industries (Estimated Total - Including private sector)	254	31,7
- Steel and Metallurgy	90	11,2
- Transport Material	43	5,4
- Mechanic, Electric and Communication Materials	36	4,5
- Chemicals	59	7,4
- Non-metallic minerals, cellulose and paper	26	3,2
Basic Industries - Investments coordinated by the Government (Including Mineral Extraction)	108	13,5
Farming	105	13,1
Expenditures of the public sector (Including State Government)	56	7,0
Expenditures of the Federal Government	42	5,2
Official Financial Support (only new recourses)	49	6,1

SOCIAL AND ECONOMIC INDICATORS - INFRASTRUCTURE

S E C T O R S	1 9 7 4	FORECAST FOR 1979	INCREASE IN THE PERIOD	GEOMETRIC ANNUAL GROWTH RATE
ENERGY				
Electric Energy				
- Installed Capacity (millions of Kw)	17.6	28.0	159%	9.7%
- Consumption (Billions of Kw/h)	61	107	175%	11.9%
OIL				
- Refining capacity (thousand barrels/days)	1.020	1.650	162%	10.1%
- Investment in Exploration and Production Development (US\$ Billions)	0.3	1.0	364%	29.1%
- Total Investment (US\$ Billions) (x)	3.2	7.0	215%	16.5%
TRANSPORTS				
ROADS				
- Paved Federal Road Network (thousand Km)	41.2	63.0	153%	8.9%
- Federal Road Network - opened but unpaved (thousand Km)	33.5	45.8	137%	6.5%
RAILWAYS				
- Total Investment (US\$ Billions)	1.6	3.5	224%	17.5%
SHIPPING				
- Total fleet (thousand tdw)	4.205	9.438	224%	17.5%
- Total Ocean going fleet (thousand tdw)	3.436	8.079	235%	18.6%
- Total Coastal fleet (thousand tdw)	612	967	158%	9.6%
- Total Inland Navigation Fleet (thousand tdw)	157	392	249%	20.0%
- Oil tankers (thousand tdw) (xx)	1.297	2.280	175%	11.9%
- Bulk Freight (thousand tdw) (xx)	783	2.089	267%	21.1%
- Miscel (thousand tdw) (xx)	819	2.546	311%	25.1%
COMMUNICATIONS				
BASIC TELECOMMUNICATION SYSTEMS				
- Channeling (millions of voice channels per Km)	15.9	55.8	351%	28.0%
- Telephonic Communications	40	123	308%	25.0%
INTERNATIONAL TELECOMMUNICATION SYSTEM				
- Via Satellite (Voice channels)	192	444	231%	18.2%
- Via Underwater cable (Voice channels)	160	960	600%	43.0%
NATIONAL TELEX NETWORK (thousand terminals)	11.7	22.0	188%	13.5%
URBAN, RURAL AND INTERURBAN - TELEPHONES	2.8	8.1	289%	23.1%
TELEPHONIC SYSTEM - INTERSTATE CIRCUITS (thousand)	26	115	442%	34.1%
SANITATION				
WATER SUPPLY				
- Served Urban Population (millions)	39.7	60.3	152%	8.8%
- Percentage of Served Urban Population (millions)	65	79	-	-

SOCIAL AND ECONOMIC INDICATORS - INFRASTRUCTURE

S E C T O R S	1 9 7 4	FORECAST FOR 1979	INCREASE IN THE PERIOD	GEOMETRIC ANNUAL GROWTH RATE
SEWAGE SERVICES				
- Served Urban Population (millions)	17,7	33,7	190%	13,7%
- Percentage of Served Urban Population (millions)	29	44	-	
HOUSING				
FINANCING OF HOUSING UNITS BY THE HOUSING FINANCE SYSTEM (BNH)				
- During the Year (thousand units)	209	383	183%	12,9%
- Accumulated Millions of units	1,2	2,7	225%	17,6%
EDUCATION (enrollment in millions)				
Elementary School	18,2	23,0	126%	4,8%
High-School	1,7	2,5	147%	8,0%
College	1,1	1,7	155%	9,2%
HEALTH (population under permanent care in millions)	85	103	121%	3,9%
SOCIAL SECURITY (Registered urban population in millions)	15	20	133%	5,9%
F.G.T.S. (Retirement Fund). Accumulated receipts in US\$ millions	4,738	12,219	258%	21,0%
AGRICULTURE AND PRODUCTION				
DISTRIBUTION				
- Grains (corn, rice, wheat, beans - in millions of tons)	50	45	150%	8,5%
- Oil seeds (cotton, peanuts, soybeans, mamona - in millions tons)	10	16	160%	9,9%
MODERN INPUTS UTILIZATION				
- Fertilizers (millions tons)	1,6	3,1	194%	14,2%
- Defensives (thousand tons)	50	200	222%	17,3%
- Improved seeds (% of total seeds of cotton, peanuts, rice, potato, beans, maize, corn, soybeans and wheat)	40	50	125%	4,6%
- Tractors in operation (thousand units)	254	510	201%	15,0%
RURAL ELECTRIC ENERGY	5,7	11,0	193%	14,1%
- Laid-up lines (thousand Km)	11	114	1,036%	59,0%
PUBLIC AND PRIVATE IRRIGATION (thousand hectares)	737	1,100	149%	8,3%
DISTRIBUTION				
- Warehouses (static capacity in millions tons)	23	28	122%	4,1%

SOCIAL AND ECONOMIC INDICATORS - INFRASTRUCTURE

S E C T O R S

	1 9 7 4	FORECAST FOR 1979	INCREASE IN THE PERIOD	GEOMETRIC ANNUAL GROWTH RATE
-Warehouses - supply centers (No of centers)	12	22	183%	12,9%
SCIENTIFIC AND TECHNOLOGICAL DEVELOPMENT				
TOTAL EXPENDITURES				
- Cr\$billions of 1975	3.1	5.3	171%	11,3%
- US\$ millions	385,5	660,8		
CAPITAL GOODS INDUSTRY				
- Total Production (thousand tons)	2.000	3.400	170%	11,2%
- Mechanic and electric machinery (thousand tons)	898	1.603	179%	12,4%
- Tractors (thousand units)	44	84	191%	13,8%
- Ship building (thousand tdw)	410	1.140	278%	22,7%
- Railway material (thousand tons)	122	214	175%	11,9%
STEEL AND METALLURGIC INDUSTRY (Installed capacity in thousand tons) (x)				
- Steel Ingots	8.600	22.300	259%	21,0%
- Rolled steel(plates) and heavy prafiles	4.100	13.100	320%	26,0%
- Rolled steel and special steel	4.600	8.300	180%	12,5%
- Aluminium	120	190	158%	9,6%
BASIC INPUTS.				
- Capper	10	60	600%	43,1%
- Zinc	33	58	176%	12,0%
CHEMICALS (Installed capacity in thousand tons) (x)				
- Sulfuric Acid	936	3.388	344%	28,0%
- Caustic Soda and Soda Ash (Na ₂ O)	273	700	256%	20,0%
- Chlorine	212	593	279%	22,7%
- Fertilizers (NPK)	585	1.199	205%	15,4%
- Thermo plastic resines	408	891	218%	16,9%
- Artificial and synthetic fibers	176	253	143%	7,4%
- Synthetic Rubbez	144	239	166%	10,7%
- Synthetic Detergents (in DDB)	27	75	278%	22,7%
- Ethene	343	718	209%	15,9%
- Amonic	268	577	215%	16,5%
NON-METALLIC INTERMEDIARY GOODS (Installed capacity in thousand tons) (x)				
- Cement	17.130	26.190	153%	8,9%
- Cellulose	1.547	2.860	185%	13,1%
- Paper	2.267	2.900	122%	4,1%

SOCIAL AND ECONOMIC INDICATORS - INFRASTRUCTURE

S E C T O R S	1 9 7 4	FORECAST FOR 1979	INCREASE IN THE PERIOD	GEOMETRIC ANNUAL GROWTH RATE
MINING				
IRON ORE PRODUCTION (million tons)	60	138	230%	18,1%
IRON ORE EXPORTS (million tons)	44	98	223%	17,4%
RESEARCH EXPENDITURES WITH NUCLEAR ORES (Cr\$ millions 1975)	304	660	217%	16,8%
(US\$ millions)	37,9	82,3		

BNDE IN MEMBERS

BANCO NACIONAL DO DESENVOLVIMENTO ECONÔMICO

EVOLUTION OF BNDE AND FINAME APPROVED OPERATIONS TO THE PUBLIC AND PRIVATE SECTORS 1952/1974

YEARS	IN NATIONAL MONEY current Cr\$ thousands			WARRANTY OPERATIONS equiv. in US\$ thousands		
	PUBLIC SECTOR (1)	PRIVATE SECTOR (2)	TOTAL	PUBLIC SECTOR (1)	PRIVATE SECTOR (2)	TOTAL
1952	1.181	-	1.181	-	-	-
1953	1.323	163	1.486	-	2.178	2.178
1954	2.709	239	2.948	-	567	7.133
1955	2.000	593	2.593	6.566	6.058	20.672
1956	6.410	313	6.723	14.614	2.734	48.954
1957	6.854	1.647	8.501	46.220	31.255	89.865
1958	10.676	1.647	12.323	58.610	22.121	209.983
1959	7.135	3.681	10.816	187.862	6.720	163.011
1960	13.683	1.230	14.913	156.291	44.540	50.169
1961	23.048	2.425	25.473	5.629	-	62.836
1962	25.042	1.154	26.196	62.836	42.373	67.533
1963	39.766	3.956	43.722	25.160	2.000	10.755
1964	97.600	6.041	103.641	8.755	-	2.484
1965	239.920	116.109	356.029	2.484	13.645	55.423
1966	308.819	222.435	531.254	41.778	39.627	44.268
1967	493.262	259.425	752.687	4.641	35.553	44.442
1968	453.970	536.419	990.389	8.839	31.209	89.666
1969	541.346	807.449	1.348.795	58.457	19.417	111.821
1970	645.752	1.218.808	1.864.560	92.404	80.214	93.200
1971	1.095.554	2.122.036	3.217.590	12.936	33.166	98.831
1972	1.062.625	3.807.325	4.869.950	65.665	19.877	92.043
1973	1.032.279	6.475.799	7.508.078	72.166	62.571	65.156
1974	6.730.971	13.609.867	20.340.838	2.585	333.272	354.522

(1) Including direct and indirect administration institutions, as well as companies with the government participation (steel industry, oil industry and others, transportation services, electric energy, warehousing, etc.).

(2) Include the total of operations of loans to private and official agents of the several programs of the BNDE, as well as the total value of the FINAME operations.

BNDE — WARRANTY OPERATIONS ACCORDING TO SECTORS OF ECONOMIC ACTIVITIES — 1952/1974
(equivalent in US\$ thousands) (1)

Y E A R S	T O T A L	PUBLIC UTILITY SERVICES			TRANSFORMATION INDUSTRY			
		TRANSPORTS AND COMMUNICATIONS	ELECTRIC ENERGY	SUBTOTAL	STEEL	OTHERS	SUBTOTAL	OTHERS ACTIVITIES (2)
1952	-	-	-	-	-	-	-	-
1953	2.178	-	-	-	2.178	-	2.178	-
1954	7.133	293	6.840	7.133	-	-	-	-
1955	20.672	3.907	13.537	17.444	-	3.228	3.228	-
1956	48.954	19.543	22.548	42.091	-	2.734	2.734	-
1957	89.365	22.063	39.077	61.140	6.470	16.632	23.152	4.129
1958	209.983	39.897	2.255	42.152	155.797	10.829	166.626	5.573
1959	163.011	1.922	23.924	25.845	124.849	11.781	136.630	1.205
1960	50.169	33.925	4.535	38.460	3.871	6.751	10.622	535
1961	62.836	-	34.167	34.167	28.370	299	28.669	1.087
1962	67.533	43.846	3.293	47.139	-	20.333	20.333	-
1963	10.755	-	4.307	4.307	4.427	2.000	6.427	61
1964	2.481	-	2.077	2.077	-	322	322	21
1965	55.423	12.693	2.394	15.087	39.061	709	39.770	82
1966	44.268	26.608	2.226	28.835	2.200	13.232	15.432	566
1967	44.442	36.423	1.614	40.042	989	3.008	3.997	-
1968	89.666	82.715	-	82.715	2.000	4.759	6.759	403
1969	111.821	20.513	994	21.512	81.460	7.931	89.391	192
1970	93.200	72.520	310	72.830	3.637	15.746	19.433	913
1971	98.831	23.680	1.056	24.736	39.590	32.313	71.903	937
1972	92.043	62.856	7.575	70.431	11.478	10.134	21.612	2.192
1973	65.156	-	-	-	17.428	41.610	59.238	-
1974	354.522	154.742	-	154.742	23.589	174.373	197.962	5.913
								1.800

(1) Warranty operations in the name of BNDE of the National Treasury.

(2) Includes mining, farming, foodstuff industry, education, research and other activities.

EVOLUTION OF THE APPROVED NATIONAL MONEY OPERATIONS, ACCORDING TO THE ECONOMIC ACTIVITIES 1952/1974

YEARS	PUBLIC UTILITY SERVICES		TRANSFORMATION		INDUSTRY		OTHER ACTIVITIES (3)	TOTAL ENDE (4)	TOTAL FINAME (4)	TOTAL
	TRANSPORTATION	ELECTRIC ENERGY	OTHERS (1)	SUBTOTAL	STEEL	OTHERS (2)				
1952	1.181	-	-	1.181	-	-	-	1.181	-	1.181
1953	857	372	-	1.229	-	230	27	1.486	-	1.486
1954	2.310	403	-	2.713	25	208	47	2.998	-	2.998
1955	1.017	1.334	-	2.351	24	172	46	2.593	-	2.593
1956	4.833	661	-	5.544	44	846	289	6.723	-	6.723
1957	1.630	4.649	-	6.279	590	1.554	278	8.701	-	8.701
1958	-	5.549	-	5.549	4.039	2.385	350	12.323	-	12.323
1959	1.926	3.584	-	5.510	709	4.454	143	10.816	-	10.816
1960	646	1.367	-	2.013	11.040	1.805	55	14.913	-	14.913
1961	222	15.524	-	15.746	5.471	3.485	771	25.473	-	25.473
1962	-	6.097	-	6.097	16.077	2.916	1.106	26.196	-	26.196
1963	600	2.116	-	2.716	35.391	4.830	785	43.722	-	43.722
1964	-	21.109	-	21.109	74.240	7.564	726	103.641	-	103.641
1965	150	3.927	-	4.077	243.317	53.921	21.190	314.315	41.678	356.029
1966	-	64.297	-	64.297	242.150	142.341	137.541	457.635	73.619	531.254
1967	1.944	183.700	-	185.644	272.954	131.223	422.301	640.834	111.853	752.687
1968	208.283	88.334	56.000	352.672	57.030	286.081	776.401	766.848	223.541	990.389
1969	219.485	40.735	125.500	385.720	137.000	472.832	879.093	1.103.205	245.590	1.348.795
1970	335.350	24.680	86.240	446.270	146.026	759.362	151.224	1.502.882	361.678	1.864.560
1971	219.400	93.405	102.300	415.105	422.500	1.209.860	1.233.752	2.456.007	761.583	3.217.590
1972	677.170	169.600	13.800	860.560	373.200	2.151.209	2.046.630	3.710.479	1.159.471	4.869.950
1973	557.080	135.000	100.100	792.180	66.680	3.998.991	2.164.156	5.537.647	1.970.431	7.508.078
1974	2.617.211	391.331	298.405	3.306.947	3.128.531	9.340.690	1.108.737	16.884.905	3.455.933	20.340.836

(1) Telecommunications, Industrial Parks and Cás Supply.

(2) Excluding Foodstuff industries.

(3) Includes mining e mineralogic research, farning, distribution, technical and scientific research and other activities.

(4) Total value of operations approved through FINAME.

BANCO NACIONAL DO DESENVOLVIMENTO ECONOMICO

OPERATIONS IN NATIONAL MONEY APPROVED BY BNDE -- 1964/1974
ACCORDING TO THE ECONOMIC ACTIVITIES

ACTIVITIES	(Current Cr\$ millions)										
	1964	1965	1966	1967	1968	1969	1970	1971	1972	1973	1974
Public Utility Services	32,6	4,1	64,3	185,6	352,7	385,7	446,3	415,1	860,6	692,2	3.307,0
Electrical Energy	32,6	3,9	64,3	183,7	88,4	40,8	24,7	93,4	169,6	135,0	391,0
Transports:											
Ports and Navigation	-	-	-	-	51,3	36,5	71,2	89,3	82,0	-	-
Railway Transportation	-	-	-	-	89,6	110,3	171,2	79,8	336,7	227,6	2.204,0
Road Transportation	-	-	-	1,9	67,4	72,6	92,9	50,3	258,5	229,5	364,0
Air Transportation	-	-	-	-	-	-	-	-	-	-	50,0
Telecommunications	-	0,2	-	-	56,0	99,5	71,3	94,3	13,8	0,1	198,0
Gas Supply	-	-	-	-	-	-	-	-	-	70,0	-
Industrial Parks Infrastructure	-	-	-	-	-	26,0	15,0	8,0	-	30,0	100,0
Mining and Mineralogic Research	-	-	-	-	18,6	4,0	3,2	3,4	81,1	16,1	318,0
Transformation Industry	17,1	297,2	385,5	404,2	343,1	609,8	905,5	1.632,5	2.524,4	4.065,7	12.462,6
Cellulose and Paper	-	0,5	23,4	5,1	97,5	112,9	46,5	211,4	47,9	187,0	1.637,5
Chemical Products and Similar	2,5	14,7	44,2	44,3	7,4	43,5	278,4	309,2	380,8	789,3	2.163,0
Stone Clay and Glass Products	-	1,6	4,6	0,7	21,1	95,1	46,7	23,4	179,1	334,6	1.034,9
Metallurgical Products	8,7	245,0	255,5	277,3	116,6	181,9	159,7	484,2	449,5	1.142,2	3.518,8
Machinery (Excluding Electrical)	0,7	10,9	3,4	5,0	13,9	25,2	31,6	28,7	57,1	117,4	516,3
Electric and Communication Material	2,6	2,0	1,5	4,9	13,2	16,5	31,6	5,7	14,1	39,5	204,0
Transportation Material	1,9	1,6	0,4	3,2	5,5	13,8	3,1	40,3	45,0	270,5	228,1
Textiles	-	1,9	10,7	7,8	15,3	15,1	66,0	113,5	204,6	131,7	355,1
Wood and Furniture	-	0,01	9,8	8,9	1,3	19,9	16,7	24,7	2,5	60,4	508,3
Other Industries	0,7	19,0	32,0	47,0	51,3	86,1	225,0	391,6	1.143,8	993,1	2.303,6
Farming, Food and Distribution	0,8	4,1	4,3	7,3	18,9	53,9	92,9	296,6	193,6	506,3	639,5
Education and Technical-Scientific Research	-	8,9	3,5	43,7	31,4	47,6	51,8	106,5	46,0	243,7	92,6
Other Activities	0,1	-	-	-	2,1	2,2	3,2	2,0	4,8	13,7	58,3
Subtotal	50,6	314,3	457,6	640,8	766,8	1.103,2	1.503,0	2.456,1	3.710,5	5.537,7	16.885,0
FINANCE	-	41,7	73,6	111,9	223,5	245,6	361,7	761,5	1.159,5	1.970,4	3.455,9
TOTAL	50,6	356,0	531,2	752,7	990,3	1.348,8	1.864,6	3.217,6	4.870,0	7.508,1	20.340,9

FONTE: BNDE.

AGÊNCIA ESPECIAL DE FINANCIAMENTO INDUSTRIAL - FINAME - DISTRIBUIÇÃO POR SETOR DE CONSUMO

1972/1974

SETOR INDUSTRIAL	1 9 7 2 (*)		1 9 7 3 (*)		1 9 7 4	
	TOTAL APROVADO	PERCEN TAGEM	TOTAL APROVADO	PERCEN TAGEM	TOTAL APROVADO	PERCEN TAGEM
Extração de Minerais	8 452	0,7	14 295	0,7		0,9
Produtos de Minerais não Metálicos	53 741	4,6	89 231	4,5	125 904	3,7
Metalmúrgica	54 695	4,7	205 366	10,4	172 719	5,0
Mecânica	23 032	1,9	41 255	2,0	128 673	3,7
Material Elétrico e de Comunicações	6 176	0,5	11 013	0,5	22 887	0,7
Material de Transporte	7 516	0,6	30 270	1,5	92 472	2,7
Madeira	11 904	1,0	29 368	1,4	34 698	1,0
Mobiliário	1 366	0,1	3 664	0,1	8 159	0,2
Papel e Papelão	37 487	3,2	35 193	1,7	55 661	1,6
Borracha	8 959	0,7	22 723	1,1	15 699	0,5
Couro e Peles de Produtos Similares	2 481	0,2	2 984	0,1	11 972	0,4
Química	29 556	2,5	22 731	1,1	134 575	3,9
Produtos Farmacêuticos e Veterinários	723	0,0	994	0,0	1 105	0,0
Perfumaria Sabões e Velas	1 161	0,1	4 351	0,2	1 513	0,0
Produtos de Material Plástico	21 367	1,8	33 453	1,6	57 004	1,6
Textil	81 183	7,0	79 902	4,0	216 497	6,3
Vestuário Calçados e Artefatos de Tecidos	2 377	0,2	4 174	0,2	5 951	0,2
Produtos Alimentares	124 963	10,7	139 883	7,0	276 169	8,0
Bebidas	18 041	1,5	39 854	2,0	70 117	2,0
Fumo	616	0,0	652	0,0	9 204	0,3
Editorial e Gráficas	1 859	0,1	3 446	0,1	3 987	0,1
Diversos	1 799	0,1	2 768	0,1	6 598	0,2
Transportes	289 224	24,9	566 210	28,7	1 298 301	37,6
Construção	344 500	29,7	483 453	24,5	277 103	8,0
Comércio	9 503	0,8	16 726	0,8	16 693	0,5
Serviços de Saúde	244	0,0	581	0,0	722	0,0
Educação, Cultura, Informação e Diversão	361	0,0	113	0,0	304	0,0
Comunicação	2 068	0,1	-	-	62 941	1,8
Processamento de Dados	-	-	16	0,0	0	0,0
Utilidade Pública	1 738	0,1	75 685	3,8	298 107	8,6
Bancário	-	-	-	-	0	0,0
Hotelaria	-	-	15	0,0	8 768	0,3
Oficinas de Manutenção e Reparos	1 837	0,1	769	0,0	788	0,0
Serviços Agrícolas	10 470	0,9	9 278	0,4	8 626	0,2
Outros	-	-	-	-	0	0,0
T O T A L	1 159 471	100,0	1 970 431	100,0	3 455 933	100,0

(*) - Dados provisórios devido redistribuição.