Financing development in an uncertain world: BNDES experience

João Carlos Ferraz
Development Banks as Agents of Change

Doha, April 26, 2012

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BNDES Brazilian development bank

www.bndes.gov.br/english/
Infrastructure

Heavy Industry — Consumer Goods

Small and Medium-Sized Enterprises

Technologic Development

Imports Substitution

Energy

Agribusiness

Exports

Privatization Program

Urban and Social Development

Social Inclusion

Innovation

Sustainability

Small Business
Long-term financing is aimed at

- More and better work opportunities
- More and better infrastructure
- More and better competitive capabilities

As markets are pro-cyclical

- A development bank is an instrument of systemic stability
- But... Attention!! Scale and scope matters... Banks must have adequate resources and instruments
Main provider of long-term financing in Brazil
100% state-owned company under private law
Institutional funding
2,500 employees
Instruments
- Direct operations
- Indirect operations
- MSME (financing & guarantee)
- Exim
- Project finance
- Equity investments
- Grants

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

BNDES disbursement for GFCF (*)

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

BNDES contribution to investment & employment

Investments supported by BNDES/ GFCF
Jobs created or maintained due to BNDES / Total Employment

Source: BNDES
The crisis has changed the size of the BNDES

Disbursements

Source: BNDES

Converted to US dollar on disbursement dates
Credit to GDP and BNDES share

The crisis

BNDES’ Counter-cyclical role

Source: Brazilian Central Bank
During the crisis: pro-active policies sharply decrease the cost of capital.

Growth Rates (3Q2008= 100)

 PSI
Investment Support Program in which interest rates are reduced

BNDES' monthly disbursements to acquire capital goods (R$ million)

Source: BNDES
Statements and beliefs
• **Contemporary State:** focus on building up competences => more and better jobs.

• **Developing financing** for the long term demands => more State and more Market.

• **Public banks are essential** for systemic stability and the permanent availability of investment financing.

• To be effective, a Development Bank must have the necessary means: resources and instruments.
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