e-ISSN 2238-6912 | ISSN 2238-6262| v.5, n.9, Jan./Jun. 2016 | p.286-309

IMPACTS OF COOPERATION? COMPARING THE NATIONAL DEVELOPMENT BANKS OF BRAZIL AND ANGOLA

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Introduction

How, in the last years, a deeper international cooperation between Brazil and Angola has been established? This thought-provoking question is being comprehensively debated in research forums that consider the so-called South-South cooperation, and show the inspiration of this paper. [3]

Our objective is contributing to this debate through a qualitative analysis both of the context of creation and the legal and institutional structure of the development banks of these two countries, namely: the Brazilian Development Bank (BNDES) and the Development Bank of Angola (BDA).

In particular, without attempting to judge motivations and implying if the choice for development banks was right or not, this paper is centered on

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3 Badin and Morosini (2015) offer a detailed historical review on international relations between Brazil and Angola. The debate on South-South cooperation started in the African-Asian Conference in Bandung (1955). In the 1950s context, South countries core objective was to challenge the hegemony of developed countries in the emerging transnational organizations. Nowadays, the international order and uts power organization are tsill in question, but developing nations reached a better place in the international arenas of negotiation due to the adoption of stronger social and political institutions, which enabled them to cooperate horizontally with a greater degree of independence. (Ramanzini Júnior and Ayerbe 2015, 7-8).

one question: to investigate to what extent the creation of the BDA could represent a process of mutual transfer of knowledge between Brazil and Angola, or an import of institutions.

The political and economic relationships of both countries are historically significant. In the context of Brazil, the country traditionally relies on development banks to boost its economy and the BNDES is one of them – it was created in 1952 to act across the country. Our hypothesis is that Angola learned from the Brazilian experience when creating the BDA in 2006.[4]

We consider the argument that, no matter how the Brazilian expertise may have influenced the decision to create the Angolan development bank, it is possible to learn some important lessons when comparing the process of institutionalization and of consolidation of both countries development banks. One also has to consider the specificities of each context and historical moments of each bank´s creation.

Whether the BDA is an institutional transplantation or not is irrelevant. We do not intend to raise controversies about this concept nor examine the issues of success or failure that usually accompany this approach.

In avoiding the use of terms such as "legal culture" or "legal transplant", as did Delazay and Garth (2001, 241-255), we assume that one country's institutions could inspire another's. A country may import solutions, especially from the center - where there would be more development - to the periphery - where there would be less development.

In today's international order, Brazil certainly would not be considered an economic power as the United State, Britain or Germany, for example. But in a Southern context, and keeping the label of evolutionist approaches on development in mind, Brazil could be considered economically more advanced than Angola and thus serve as a source for the "import" of institutions.

Whether resulting in successful or unsuccessful results, what is traditionally known as institutional transplant could be explained as the process of import and export of institutions between countries, which implies horizontal learning. This is outlined in Delazay and Garth (2001, 253) when they argue that "rather than thinking of "culture" or "structure" per se, therefore, we try to employ a structural approach that sees how international strategies are played out within – and transform – local structures".

4 Besides the BNDES, there are other development banks in Brazil, such as the Banco do Nordeste do Brasil, also created by the federal government in 1952, the Banco Regional de Desenvolvimento para o Extremo Sul, created by the federal states from the Southern region (Rio Grande do Sul, Santa Catarina and Paraná) and some other development banks controlled by state governments.

To address these issues, we start by briefly showing how cooperation between Brazil and Angola evolved. Then, in the second section we present the different contexts of the creation of the BDA and the BNDES. Considering that the Brazilian model inspired the BDA, we appraise to what extent it represents an Angolan import of Brazilian experience with development banks and look at how the BDA is evolving locally in the third section. To illustrate this, some parallels between the BDA and Brazilian development banks are drawn.

Reflecting on cooperation between Brazil and Angola

International relations for political and economic purposes between Brazil and African countries evolved in close ties since the 1970s and intensified in the first Lula government, particularly with Angola. First evidences of cooperation dates back to the year 1975, when, in the context of the international oil crisis, the Brazilian military government of Ernesto Geisel recognized the independence of Angola. This was a bold step taken by Brazil, since the party that took over - the Popular Movement for the Liberation of Angola (MPLA) – was labeled under the Marxist approach in the context of Cold War.

From then on, despite some ups and downs in their bilateral relations over time, Brazil and Angola concluded several agreements and protocols of understanding. The Economic, Scientific and Technical Cooperation Agreement concluded in 1980, which established a joint commission to work for cooperation between Brazil and Angola, was the first of these. Additionally, it is also known that Brazilian public funding resources in foreign trade were channeled to infrastructure projects in Angola, probably due to other agreements and protocols signed over time5.

In 1995, for example, Brazil and Angola concluded the Agreement on Rescheduling Debt. This referenced the liability of Angola concerning the Brazilian Federal Government's Financing Program for Exports (Proex), which should be repaid through oil shipments purchased by Brazil.

After, in the 2000s, Brazilian government offered a specific funding line to the exporting of Brazilian construction services to infrastructure projects in Angola, supported by the BNDES. These financing was intensified in 2007, when, after the celebration of the

Memorandum of Understanding between the governments, BNDES started to make resources available to through credit lines exclusively estab-

5 Badin and Morosini (2015) review the history of bilateral relations between Brazil and Angola in detail using primary data and was the source of this topic.

lished to make credit available to Brazilian companies that were proposing to undertake works and services in infrastructure for the reconstruction of Angola, after the civil war. It is important to notice that it is not mentioned in the BNDES official information about foreign trade that the bank had articulated its credit lines specifically for one given country,

It is true that Angola, as wells as Brazil, does maintain important bilateral relations with other countries. For example, the African Development Bank, of which Angola is a member along with 52 other countries, is funded by 24 European, Asian and American countries, of which Brazil is only one. This bank aims to promote sustainable economic growth and to reduce poverty in Africa.6

However, Brazil-Angolan bilateral relations in political and economical issues, seem to be strategic for both countries and justify the analysis of how they are establishing mechanisms of institutional interchange.

The Context of the Creation of the Banks

In 1952, in the government of Getulio Vargas, the BNDES was created under the name of Bank of National Economic Development. The bank was the major financer of the policies of development of the import substitution period since the 1970s.[7]

Its creation was the result of the recommendations of the bilateral Joint Commission Brazil-United States (CMBEU), installed in 1951. Industrialization had already been boosted since the Estado Novo period in the 1940s with the creation of the Companhia Vale do Rio Doce and the Companhia Siderúrgica Nacional, for example. But the national economy was still going through an early stage of industrialization in the 1950s and in need of incentives to boost basic industry and the most volatile sectors of production.

Thus the Brazilian government agreed to receive financial aid from the United States through loans from the International Bank for Reconstruction and Development (IBRD) and the Export-Import Bank (Eximbank). Brazil also established the Economic Reequipping Fund (FRE) by an increase in

6 More information about the African Development Bank in the website: http://www.afdb.org/en/about-us/. Accessed October 26, 2015.

7 Since 1982, the BNDES has been called the National Bank for Economic and Social Development, due to the official inclusion of the social aspect of development in its goals. In that year, the BNDES was restructured and the bank started to manage the Social Investment Fund (Finsocial) (Paiva 2012, 75). See also Monteiro Filha (1994) and Schapiro (2010).

income tax, which funded the Economic Reequipping Plan[8] along with the foreign aid. These funds helped to establish the BNDES[9].

Regarding the BDA, it is worth noting that in 2006, when a Brazilian team of experts from the Banco do Nordeste do Brasil (BNB) landed in Angola to assist a local commission in creating a development bank[10], the country was in a moment of recovery after almost three decades of war, which devastated its economy, among other negative impacts[11].

This period coincided with the increasing in prices and production of oil in the international market. Countries aggressively sought access to mineral and petroleum resources despites the ideological orientation of the exporting countries. And since oil products are the outliners in Angola's producing and exporting agenda, it felt the positive impact on its gross domestic product (GDP) fastly.[12]

This situation inspired the government of Angola at taking urgent measures to better distributing such extraordinary resources. This concern was justified not only due to the need of a macroeconomic restructuring of

8 "Expanding infrastructure, specially for basic services of collective transport and electrical energy, which jeopardized the process of industrialization, was the core purpose of such plan" (Paiva 2012, 16, translated by the authors).

9 See respectively Paiva (2012, 15-27) and Prochnik and Machado (2008, 2-34) for further information on the context of creation and the initial capital structure of the BNDES. The CMBEU, which was formed by more than two hundred American and Brazilian experts, made several recommendations for the first financial disbursements of the BNDES to national projects (Paiva 2012, 24).

10 In March 22th, 2006, the director of development management of the BNB, Mr. Pedro Eugênio Cabral, and Mr. Augusto Archer Mangueira, economic advisor of the President of Angola, concluded a protocol of understandings in which they agreed to establishing "partnerships for commercial and technical assistance to creating the BDA" and forming a team of experts to come from Brazil to Angola in the future, when the BDA would be ready to start operating. We collected such information in the BNB's website: http://www.banconordeste.gov.br/content/aplicacao/investir_no_nordeste/principal/docs/mailclipping_12.pdf Accessed October 26, 2015. Angola established the Commission for the Creation of the BDA in the Resolution number 24.06.

11 This was the civil war started due to political disputes raised after independency, in 1975. Some argue that the United States pushed for such war to curb the expansion of communism in the region. Many other conflicts occurred earlier in Angola Sogge (2009, 1, translated by the authors) argue that "along all 20th Century Angola saw only 20 years of peace, from 1941 to 1961, which started when the last colonial military campaign concluded and ended with the first anticolonial revolutions".

12 Jensen and Paulo (2011, 1), based on data from the Center for Studies and Scientific Research (CEIC) of the Catholic University of Angola (UCAN), founded an increase of 20.9% in the GDP of Angola in 2007. This differs from the increase founded by the International Monetary Fund (IMF), according to which it was been even higher: 22.7%. See also Sogge (2009, 6)

the country, but also due to the economic vulnerability resulting from the excessive dependence on a single product. [13]

Therefore, this was the scenario in which the BDA was created: a period of peace restoring and of influx of extraordinary financial resources from international oil trade. Such resources depended on strategic allocation and upon institutional efforts to channel them into reconstructing and developing Angola in a "sustainable basis" [14].

Such efforts led to the economic and social development programs introduced by the Angolan government and anchored in the Federal Constitution of 1992, the one in force when the BDA was created[15]. The strategic priority after the war was clear: to promote and support "national entrepreneurs" enabled to boost the economy after the war. [16]

Similarly, both the current Constitution (enacted in 2010) and the National Development Plan of Angola (PND) - 2013-2017[17], highlight the importance of the "diversification of the Angolan economy", to be enabled by the "strengthening the development of the domestic private sector and of enterprises." [18]

Therefore, it was necessary to fill a gap in the financial system for long-term credit. This would be made possible through granting to the manufacturing sector loans with advantageous conditions – that is, longer terms of repayment. A public development bank would be the best choice to performing such a task.

Until then, there was an Economic and Social Development Fund (FDES), which was responsible for mobilizing resources to fund development

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13 See Mitcheel (2008) on the problems surrounding excessive dependency on oil exporting. See also Jensen and Paulo (2011).

14 According to the preliminary considerations of Decree number.37/06 that created the BDA.

15 Articles 110, h; 112, f; and 113, of the 1992 Federal Constitution, that was in place when the BDA was created.

16 According to the preliminary considerations of Decree number.37/06 that created the BDA.

17 This was the first medium-term plan drawn up after the approval of the General Basis of the National Planning System Act, which established a Long-Term Development National Strategy to rebuild the country destroyed by war.

18 This is what is also observed in the Entrepreneurship Promotion Act of Angola (Act number 14/2003), which outlines the creation by the Angolan government of "create conditions to encourage and promote productive activities of national entrepreneurialism". The aim behind this act was that economic development depended on the private sector, which, at its turn, depend on the state to provide favorable conditions, as well as legal, material and institutional tools to "foster synergies between domestic and foreign investors".

projects[19]. The formation of FDES occurred in 1999, which was an earlier government initiative to address the manufacturing sector need for credit. But even back then the government concluded that in order to enhance mobilization and effectiveness in channeling funds, a special bank for development would be a better solution. [20]

So, the BDA was created by the same act that abolished the FDES, which also transferred its assets to this new bank. Hence, the BDA started with resources from the old FDES and in the midst of favorable political and social conditions enabled by the restoration of peace and the financial stabilization Angola was finally experiencing. [21]

Searching the parallel between the banks

To what extent is the BDA an Angolan import / Brazilian export and how is it consolidating locally?

From 1952 to 1989, the federal government was responsible for choosing which sectors and what companies would benefit of the credit from the BNDES investments. Such decisions depended on the great national plans Brazil used to develop (Monteiro Filha 1994, Paiva 2012).

The BNDES was created to fund sectors in need of long-term investment under the so-called Economic Reequipping Plan[22]. Later, during Juscelino Kubitschek's government, it provided funds for another long-term plan called the Targets Plan (Plano de Metas in Portuguese)[23]. The BNDES focused its disbursements of the Triennial Plan for Economic Development During the João Goulart's administration[24]. During the military dictatorship the fed-

19 This fund was created by Decree number 21/99 and finished by Decree number 37/06, which also created the BDA.

20 According to the preliminary considerations of Decree number.37/06, which created the BDA.

21 According to the preliminary considerations of Decree number.37/06, which created the BDA.

22 "Among the objectives of this plan was the expansion of basic infrastructure, especially in transporting and electrical energy services, which jeopardized the process of industrialization" (Paiva 2012, 16, translated by the authors).

23 This plan consisted on a "set of projects related to energy, transportation, food, basic industries and technical education" as well as on the plan to build a city to place the new capital of Brazil, to be called Brasilia (Paiva 2012, 29, translated by the authors).

24 The core objectives of this plan were: reducing inflation, renegotiating foreign debt, giving incentives to economic growth and basic legal reforms to restructuring areas such as tax, banking, the use of urban space, higher education and land distribution (Paiva 2012, 39).

eral government kept exercising a great extent of control over the BNDES credit channeling its resources, especially for the implementation of the First - I PND and the Second National Development Plan - II PND[25]. Even after the end of the great national development programs, the input from the federal government remained relevant for choosing the projects the BNDES would fund. This happened until a Credit Area was created in the bank, in 1989. Since then, the BNDES started taking better risk analysis before channeling credit (Paiva 2012, 21-96).

BNDES started operating using some taxes and other means of government funding to form its capital structure. The disbursements needed to be channeled to the sectors chosen by law. From 1952 to 1995, the BNDES relied on the FRE and other funds such as the Federal Fund for Electricity (FFE), the Merchant Navy Fund (FMM) and the National Port Fund (FPN). From the late 1960s, a percentage of a tax known as the Tax over Financial Transactions (IOF) as well as other contributions granted by the National Treasury expanded the bank's capital structure. From the late 1970s, PIS and PASEP, some of the taxes paid by the workers in Brazil, were also channeled towards the BNDES and, until 1995, these resources, or the bank's net return (depending on the period), was the most important components of its structure capital (Prochnik and Machado 2008, 3-34.).

In 1974, three wholly-owned BNDES subsidiaries were established: Brazilian Mechanic (Mecânica Brasileira S.A.-Embramec), Basic Inputs S.A. (Insumos Básicos- Fibase) and Brazilian Investments (Investimentos Brasileiros S.A.- Ibrasa). The purpose of these subsidiaries was to purchase shares and other securities in domestic companies, weather public or private, which would fit within the II PND purposes and that required investment, but lacked collaterals to offer in return of loans (Paiva 2012, 65-71).

From the start, the BNDES relied on two types of direct investment[26]: the fixed income investments, which consisted in loans with subsidized interest rates and demanded offering collateral; and variable income investments,

25 The first PND investments was focused on infrastructure, mainly in the sectors of energy, transportation, telecommunications, steel and petrochemical, added to the support of education, science and technology. On the other hand the II PND was conceived to reinforce the policy of import substitution industrialization of the former plan, in order to "diversify and consolidate the national industrial park, by focusing on petrochemical, steel, mining, copper and heavy industry." (Paiva 2012, 57-60)

26 Nowadays, in addition to direct operations, the BNDES also provides indirect forms of financial support, carried out through the intermediation of third parties and mixed financial institutions, when the direct and indirect modes of financing are combined in the same project. This information are available on the electronic site of the BNDES. Accessed October 26, 2015. http://www.bndes.gov.br/SiteBNDES/bndes/bndes_pt/Institucional/Apoio_Financeiro/.

carried out through the acquisition of securities issued by the benefited companies. The variable income investments were supposed to be temporary and the equity interests should be in the minority of capital stock (Velasco Jr. 2010; Paiva 2012). [27]

In 1982, the BNDES System was restructured.[28] Embramec, Fibase and Ibrasa merged to forming BNDES Participações SA (BNDESPAR), which became the only wholly-owned subsidiary of the BNDES, turning to be the only operator for all equity investments from then on (Paiva 2012, 76).

In the 1980s, the BNDES followed the trend of neoliberal reforms inspired by the Washington Consensus.[29] The bank pioneered the Brazilian privatization process (Velasco Jr. 2010). Despite the expectation that variable income investments should be in the minority of the capital stock, BNDESPAR had assumed control of most companies in which it had equity interests in the mid-1980s. This was due to the practice adopted by the BNDES to support companies in crisis, converting the debt from defaulters into equity of the BNDESPAR (Pinheiro, Bonelli, and Schneider 2004, Velasco Jr. 2010, Paiva 2012). [30] However, BNDESPAR had no legal tools to control those companies. Additionally, it was unable to fund the companies to prevent bankruptcy (Velasco Jr. 2010).

From 1987 to 1989, 17 state companies in which BNDESPAR and / or the BNDES participated were privatized, which assured financial surplus in 1988, for the first time in six years. The experience the BNDES accumulated when privatizing its defaulters influenced the national privatization plans that took place in the 1990s, in which 36 other Brazilian state-owned business

27 Besides the types of direct investment, the BNDES channel resources so other intermediaries operate indirect investments using its funds. Currently, a company is able to ask for funding both from BNDES and the other intermediaries and even benefit from more than one of such types of investment in the same project. We found such data in the website of the BNDES: <http://www.bndes.gov.br/SiteBNDES/bndes/bndes_pt/Institucional/Apoio_Financeiro/>. Accessed October 26, 2015.

28 According to information from the bank's website, the BNDES is today composed of the bank itself, BNDESPAR and the Special Agency of Industrial Financing – FINAME: http://www.bndes.gov.br/SiteBNDES/bndes/bndes_pt/Institucional/O_BNDES/A_Empresa/. Accessed October 26, 2015.

29 The Washington Consensus consisted on taking following measures, which the Bretton Woods institutions advised both developing and transition economies to comply with in the 1990s: fiscal discipline, reorientation of domestic budget, tax reform, liberalization of finance, trade and foreign investment, privatization and strengthening of property rights, among other neoliberal reforms.

30 Such practice became known as "hospital operations". The BNDES rescued 6 companies which were going bankrupt in the beginning of the 1980s, turning their debt into equity. They were all privatized latter (Pinheiro, Bonelli and Schneider 2004, translated by the authors).

groups were privatized between 1991-2000 (Schapiro and Trubek 2012, 36-37). The BNDES operated such privatization plans from the Collor's government onwards (Velasco Jr. 2010, 324). [31]

Besides financing and operating the privatizations, since the 1991 the BNDES has been funding projects of exportation of high-value added capital goods. The credit provided for exportation is recognized by literature as significant for the domestic balance of payments during the peak of economic liberalization (Cartemol 2005, 3-30).

When the Credit Area of the BNDES was created and risk analysis was strengthened, it was part of a wider set of changes on internal governance gradually adopted until the current model was established (Paiva 2012). Today, the BNDES System relies mostly on an Executive Board[32] and some Operational Areas[33], which carry out technical analyses over the applications for funding. There is also a Board of Directors[34], the most senior management body, providing the Executive Board with advice.

In all credit analysis, both for non-automatic direct and indirect funding, a Committee of Suitability first checks if the applying company complies with the BNDES's guidelines for financial support and then the Credit Area undertake risk and return Analysis. In a second step the Executive Board judges if the project submitted fits in the BNDES's policy requirements for

31 See Mantega (2001) and Velasco Jr. (2010) for further assessment on the role BNDES played in the process of privatization in Brazil.

32 A Chairman, a Vice-Chairman and 7 managers, all appointed by the President of Brazil, forms the Executive Board. Both the Chairman and the Vice-Chairman occupy their position indeterminately, which are occupied by the managers for a 3-years term. The President of Brazil is able to fire them anytime. Since 2013 one of the managers is appointed by the Chairman to add subjects related to Latin America, Caribbean and Africa to his assignments. A Supervisory Board Committee to supervise all other bodies of the BNDES is also in place, which is formed by 3 counselors nominated by the Ministries of Development, Industry and Foreign Trade and of Finance. The counselors of the Supervisory Board occupy their position for a 2-year term and benefit of alternate members to substitute them in situations of conflict of interests. There is also the Accounting Committee, to be formed and appointed according to the judgment of the Board of Directors and under the regulation of the National Monetary Council of Brazil.

33 The Executive Board assigns the competences of the Operational Areas and also appoints their chiefs, which have to be selected among the BNDES's staff. The bank hires such staff only after a public contest is taken, even though they may have previous work links in the private sector.

34 11 counselors and their alternates, a representative of the employees, a Chairman and its Vice-Chairman form the Board of Directors of the BNDES. 4 of the counselors are appointed, respectively, by the Ministers of State for Planning, Budget and Management; Labor and Employment; Finance; and Foreign Affairs, and the others are appointed by the Ministry of Development, Industry and Foreign Trade, except for the employee representative, who is nominated by the Chairman.

funding and, if it is decided to go further and fund the project, the third step is to choose what type of investment to use[35]. The final step is the hiring of the project, with a contract elaborated by the specific operational area that also supervises the investment [36].

If the application for credit requests less than 20 million Brazilian reais and was made to one of the intermediaries this is an automatic indirect investment, which demands simpler analysis. Companies make such credit applications necessarily to one of the financial intermediary agents, who do the risk analyses and close the contract, taking the credit risk for full. If the intermediary is willing to approve one automatic indirect investment, it is necessary to send the proposal to an Indirect Operations Area (AOI) of the BNDES, which review and decide whether to issue approval or not. The chief of the related Operational Area and his manager endorse approvals or return it to the respective AOI. If approved in the BNDES, the intermediary is able to close the contract and channel the resources requested.

There are credit lines, or products, offered by the BNDES System, which meet the ongoing policy for financial support from the bank and have no budget limits previously established. That means any source of capital with unrestricted expenditure is free to be used in the credit lines as demands for funding are approved. BNDES's Programs are different. They seek to meet specific transitional policies with a term and pre-established budget limits. Programs could turn into credit lines when Executive Board decides a transitional policy became a permanent priority in the Brazilian economy[37].

All funding possibilities by the BNDES in the debt (or fixed income) mode require guarantees, preferably collateral[38]. In the case of foreign trade, however, depending on the nature of the export, (such as whether it consists of products or services), or depending on the program or credit line of the bank, securities may be used as collateral. This includes promissory notes or specific bills of exchange, used especially in cases of post-shipment export. Both the Investment Guarantees Fund (FGI), structured by the BNDES for smaller companies - and the Fund for Guarantees for Exports (FGE), which was established by law, provide guarantees by the government to foreign investments. The Ministry of Finance manages the FGE under a government benefit called Export Credit Insurance (SCE), which aims to "provide insur-

35 The Committee of Framework and Credit, responsible for the first analysis, is composed by the directors of the BNDES.

36 All the chiefs of Operational Areas form the Committee of Suitability.

37 See the 2012 Annual Report of the BNDES for further information on the difference between programs and credit lines (or products).

38 These collaterals are set out in the resolution number 665/87 of the BNDES.

ance to Brazilian exports of goods and services in the face of commercial, political and extraordinary risks that could affect investments related to credits for exports"[39].

It is also important to mention the recently created Brazilian Agency to Manage Collateral and Funds (ABGF), a state-owned company to manage public funds and provide guarantees on various types of investment. We believe guaranteeing investments made by the BNDES is under the purposes of the ABGF, yet we found no data regarding its operations so far[40].

Since 1995, the main sources of BNDES's capital structure have been the raising of funds in stock markets in Brazil and abroad in addition to the net return on the banks own investments. None of such sources needs to be channeled to specific sectors or projects (Prochnik and Machado 2008, 3-34.). Also during the 1990s, the BNDES started to manage the resources and special deposits under the Workers Assistance Fund (FAT) as well as the Fund for National Development (FND)'s due to the provisions of the Constitution of 1988. Such funds increased the bank's capital structure. Occasionally, the BNDES raises funds in international bodies such as the World Bank, the Japan Bank for International Cooperation (JBIC) and the European Investment Bank (EIB). From 2008 to 2012 BNDES also received exceptional donations from the National Treasury, which needed to be channeled to specific sectors depending on the Act that had authorized them[41].

The relevance of the BNDES in supporting Brazilian industry is undeniable until today. The bank is the second largest source of credit to manufacturing companies in Brazil since 2001, after enterprises own net return (Coutinho 2013, 39). BNDESPAR was the largest institutional investor in Brazilian securities market in 2013 (Schneider 2013, 27-31).

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39 See Act number 9818/1999 for further information on the FGE and the Act number 6407/1979 for further information on the SCE. Regarding the FGI, see: http://www.bndes.gov.br/SiteBNDES/bndes/bndes_pt/Institucional/Apoio_Financeiro/Programas_e_Fundos/FGI/index.html. Accessed October 26, 2015.

40 The ABGF was created by the Decree number 7976/2013, which had been authorized in the Act number 12.712/2012. This Act establishes the purposes of Brazilian government in creating the ABGF.

41 See the annual reports of the BNDES (years 2008-2012) on the website of the bank: http://www.bndes.gov.br/SiteBNDES/bndes/bndes_pt/Institucional/Relacao_Com_Investidores/Relatorio_Anual/. Accessed October 26, 2015. The exceptional donations approved by the Act number 12.452/2011 were channeled to investments in the following sectors: acquisition and production of capital good, including related components and services; production of consumer goods for exports; electric energy sector; infrastructure for the export of liquid bulks; engineering projects; technological innovation; and Financing of Studies and Projects-FINEP, only in the modality of technological innovation (article 10 one the Law).

BNDES's stake as the main source of credit to manufacturing companies in Brazil is enabled by the subsidies in its interest rates and its long-term liquidity preferences. Due to such particularities, BNDES was relevant as provider of countercyclical credit during the global economic crisis of 2008 (IPEA 2011, 9) [42].

Until recently, Brazil had adopted again the planning strategy through national development plans, such as the Policy for Manufacturing, Technology and Foreign Trade (PITCE), launched in 2004, the Productive Development Policy (PDP) of 2008, and the later one, the Plan for Brazilian Growing (PBM), released in 2011. Such planning strategy had been abandoned in the 1980s and took place again in the first Lula government.

At the core of the PITCE was the support to the sectors of softwares and services, the microelectronics and pharmaceutical industries, focusing on projects with high technological content and innovative potential (Almeida 2009, 16-17). PDP and PBM extended such purposes. The scope of this plans, especially the PDP, is summarized by Coutinho, Ferraz, Nassif and Oliva (2012, 100-133) as follows: they aim to i) expand and consolidate Brazilian international leadership pressured by international competition through supporting mergers and acquisitions, the internationalization of companies and the strengthening of their governance frameworks; ii) increase the export competitiveness and internal expansion of other emerging sectors with comparative advantages, in order to provide positive externalities along supply chains; and create competences with high value technology, that could lead the country to frontier of international competition. [43]

These comprehensive issues were applied as guidelines by the BNDES' Executive Board when judging if a credit application was suited to the funding policy of the bank. The government planning observed until the late 1970s was never in place again after the 2000s. The BNDES seek to take investments combining wider guidelines of economic policy with the assessments of risk and return required to preserve its capacity of self-sus-

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42 The cost of the credit provided by the BNDES varies depending on the sector receiving financial support and the type of investment. Normally, the Long Term Interest Rate – TJLP is applied, which adopts the method of calculation approved by Act number 10.183/2001 and ends up set in levels way below the interest rates usually charged by private banks. In 2012, for example, the TJLP averaged 5.75%, while the interest rates charged by private banks in the same period went up to the average of 13.9%. See Lopes (2013) and the website of the BNDES: http://www.bndes.gov.br/SiteBNDES/bndes/bndes_pt/Ferramentas_e_Normas/Custos_Financeiros/Taxa_de_Juros_de_Longo_Prazo_TJLP/. Accessed October 26, 2015.

43 Coutinho et al. (2012, 100-133) accesses only the PDP. Yet, taking the assessment Schapiro (2013, 7-50) made on the PBM into account, we believe the same scope applied to both PDP and PBM.

tainability. [44]

On the other hand, the BDA is an emerging bank in a country undergoing a process of political, social and economic reconstruction. The need to set up a financial institution more comprehensive, able to act as a developmental agent and to operate the country's new investment policies justified replacing the FDES with the BDA. A development bank would be the best choice to manage the extraordinary flow of tax revenue from the increasing in oil prices in international market and promote Angola's manufacturing companies by proving them with special credit conditions.[45]

To accomplish its mission, the BDA was created in the form of a state-owned company, which has autonomy to manage and channel its assets. In any case, the bylaws of the BDA states its purpose is to fund projects under the "Investment Policy for Development of the Government".[46]

By providing credit, the BDA aims to "increase production capacity, alleviate poverty, create jobs and income, substitute imports and promote exports," and also to "accelerate the balanced and sustainable development of the Angolan Republic," modernizing "economic and social structures" and to ensure "the international competitiveness of the economy." [47]

Among the BDA's assignments it is: i) to finance programs included in the "Economic and Social Development Program" of Angola; ii) to raise resources from domestic sources, public or private, or from abroad to form its structure of capital; to assess, plan and supervise the execution of projects benefited by its funds; and to "facilitate the participation of the private sector" and "community organizations" from Angola in development programs. The BDA is able to acquire equity "in companies already established or to be established" by "entrepreneurs and manufacturers from Angola" that seem able to "recover the productive capacity of the country" and increase "competitiveness and productivity in Angola". [48]

The statute of the BDA established the initial capital of 50 million dollars (fixed in Kwanzas), which could increase by "capitalization with new resources, incorporation of reserves or by other means", as long as in compli-

44 See Colby (2013) on how the BNDES combine the public policy purpose behind its investments with the risk and return requirements needed to preserve self-sustainability.

45 According to the preliminary considerations of Decree number 37/06 that created the BDA.

46 According to the preliminary considerations of Decree number 37/06 that created the BDA.

47 According to the preliminary considerations of Decree number 37/06 that created the BDA.

48 According to article 2nd, items 3 and 4 of Decree number 37/06.

ance with applied regulation.[49]

In addition to the initial capital, net return, donations, financial applications and "return on debt issued" by the Ministry of Finance of Angola are possible alternatives to increasing BDA's capital structure. However, the most relevant source of capital of the bank is the National Development Fund (FND) that it manages. [50] Such fund is formed by the rents from oil and diamond taxation, which goes up to 5% and 2% of their annual global revenue, respectively. [51] The Ministry of Finance channels resources to the FND quarterly, according to the estimates made under the Financial Programming of the Treasury.[52]

Financial charges are fixed as follows: (i) Interest Rate: 6.7% per year; (ii) Interest Rate on Arrears: 1% to 4%; (iii) Interest Rate Subsidy: granted according to business sector, geographic area and punctuality in repayment. [53]

The BDA is also able to provide safeguards to investments made by third parties. Such type of financial support is believed to have greater relevance than investments in the bank's initial years of operation (Manuel 2010, 12).

Applications for credit in the BDA require submitting a project, which must comply with the guidelines of the national program for development of Angola. The BDA then take technical and economic analysis on the project and its possible externalities, taking also risk analysis and assessing the suitability of the applicant company to legal requirements demanded by law. [54] Collateral or personal guarantee are required in the case of fixed income investments. [55] The BDA's Board of Directors is responsible for approving credit applications and establishing contracting terms.

The BDA channel credit directly or using intermediaries.[56] Within its scope, the bank should "fund investments made by domestic companies

49 According to article 4th of Decree number 37/06.

50 Act number 9/06 created the FND.

51 In 2011, the resources from the FND channeled to the BDA increased by approximately 16.5 billion Kwanzas, according to the Annual Report published in April, 2012. See the BDA's website http://www.bda.ao/relatorios-e-contas/. Accessed October 26, 2015.

52 According to the items 3 and 4 of article 4th of the FND's regulation.

53 The interest rates the BDA charges are below the Basic Interest Rate announced by the National Bank of Angola in 2014, which went up to of 8.75%. The Monetary Policy Committee of Angola defines such Basic Interest Rate aiming to reflect the interest rates charged by private banks.

54 According to article 10, items 3 and 4 of Decree number 37/06.

55 According to article 11, items 3 and 4 of Decree number 37/06.

56 According to article 9th of Decree number 37/06.

abroad" if they provide evidence of contributing to the Angolan economy long-term. The BDA could also "make investments abroad and raise funds both in domestic and foreign sources", and should "fund and foster exporting of goods and services", invest in research programs in the "scientific and technological field" and regarding social subjects, as well as invest in stock markets. [57]

A Board of Directors, an Audit Committee and an Advisory Council form the governance structure of the BDA. The Board of Directors is formed by 5 directors appointed for the term of 5 years and is assigned to run day-to-day operations, establishing internal rules and the budget. It also examines development policies and programs made by the government and may propose new projects as well as approve non-refundable investments. The Board of Directors should send the National Bank of Angola the external auditing reports, since it is the authority to supervise the BDA. The Audit Committee, which is formed by 3 members nominated for a term of 3 years, takes care of internal auditing. The Advisory Council supervises if investments made by the BDA complies with the government's public policies for Angolan development.

The Board of Directors may also create other executive boards to assure investments comply with policies and programs of the government, to prospect and promote new investments, to control and manage risks, to develop new systems and new technologies and running the bank by accomplishing any delegated assignment. The executive boards act under the rules established by the Board of Directors when it decides delegating assignments.[58]

Under such governance structure, the BDA is increasing its disbursements, which are channeled according to thirty-two different credit lines, most of them focused on the agricultural sector. In 2011, the BDA funded one hundred and forty-nine projects that created nearly three thousand five hundred jobs. Eighty of these investments took place under a special program called Investment for Agricultural Credit. [59]

Despite the criticism usually raised in the media arguing there is misallocation of resources, delay in credit analysis, lacking of criteria to choose beneficiaries and inefficiency in supporting small companies, the government of Angola keeps releasing how important is the BDA to support development policies.

57 According to article 10 of Decree number 37/06.

58 According to article 19, item d, of Decree number 37/06.

59 According to the Annual Report published in April, 2012. See the BDA's website http://www.bda.ao/relatorios-e-contas/. Accessed October 26, 2015.

The improvement in the economic performance of Angola, attributed to domestic structural reforms has been even recognized by the Bretton Woods institutions. [60] Although the International Monetary Fund opposed the strategy of creating a development bank when the BDA was established, the Angolan government believes its creation is currently justified, among other reasons, due to its good performance. [61] The BDA is believed to have improved the redistribution of rents from oil to other sectors, due to which Angola would have reduced economic dependence to oil resources as well as economic vulnerability.[62] The government argues there is causality between the performance of the BDA and the growing participation of the non-oil sector in Angola's GDP, which grew more than the oil sector in 2011.[63]

The increasing of partnerships with financial intermediaries is believed to have contributed to redistributing rents, by channeling credit to Angola's most remote regions. The improvement in the BDA's performance is also related to partnerships with other institutions in order to develop new operating systems, training employees, giving guidance to small entrepreneurs and controlling risk management. [64]

The memorandum of understandings agreed by the BDA and the BNDES on 27 May 27th, 2014 exemplifies such partnerships. Such agreement was made in order "to promote the interchange of information in order to share experiences" and would range from financial support to operational questions, such as training and exchanging of officials from both institu-

60 The alternate deputy of the 25th Executive Constituency of the World Bank Council, Ana Dias Lourenço, has considered Angola "a country of reference on the African continent" because of its "infrastructure advances and macroeconomic stability". See the website of the Angolan Embassy in Washington, DC: http://www.angola.org/index.php?mact=News,cntnt01,detail,0&cntnt01articleid=963&cntnt01origid=15&cntnt01detailtemplate=detail&cntnt01returnid=81. Accessed October 26, 2015.

61 In news published by Afro News, an IMF representative argued the experience of other countries have shown that public development banks are prone to poor governance, misallocation of credit and low economic performance. See the website: http://afrol.com/articles/18798. Accessed October 26, 2015.

62 According to the Annual Report published in April, 2012. See the BDA's website http://www.bda.ao/relatorios-e-contas/. Accessed October 26, 2015.

63 Over the past five years, the Angolan economy would have grown at an average rate of 9.2% per year and, taking only non-oil sectors into account, this rate would go up to 12%, what means nearly doubling the output of the production in non-oil sectors in the period (Ministério do Planeamento 2010).

64 According to the Annual Report published in April, 2012. See the BDA's website http://www.bda.ao/relatorios-e-contas/. Accessed October 26, 2015.

tions.[65]

The BDA: A process of institutional import / export?

There is no consensus over the definition of a development bank. In Brazil, for example, if we rigorously take regulation into account not even the BNDES would be one. According to Resolution number 394/1976 from the National Monetary Council, development banks are financial institutions controlled by state governments to promote local development policies, by granting credit to the private sector. Yet, the federal government created the BNDES before Resolution number 394/1976 went into force, and from the beginning the bank's comprehensive scope was to fund projects for Brazilian development, according to the different meanings such developmental purpose acquired over time.

Thus, we assume development banks are those created to promote public policies, and believe this kind of financial institution could adopt a broad or a specific scope, which are limited to pre-established sectors, markets or projects if the choice is for the later type of scope.[66] That said, we argue that both the BNDES and the BDA adopt a broad scope due to the comprehensive purposes established in their bylaws. Yet, the channeling of credit under such broad scopes works according to the idiosyncrasies of each bank's context.

In the case of the BNDES, its creation in 1952 was due to the Brazil-U.S. Joint Commission recommendation instead of any government assessment on how useful a development bank could be in development planning. Managing the resources donated by international aid institutions, as the BIRD and the American Exim-Bank, required a bank with the governance structure originally adopted by the BNDES, which was similar to the Exim-Bank's. Therefore, the BNDES itself could be seen as resulting of an import of institutions in the 1950s.

In the first two decades of operation, the BNDES became known as the National Steel Bank. About 60% of its resources were channeled to companies in steel and metal sectors, whose pricing regulation was recognized to

65 According to news published in the BDA's website: http://www.bda.ao/parcerias/bda-assina-memorando-com-banco-brasileiro/. Accessed October 26, 2015.

66 Ferraz, Além and Madeira (2013, 8-16) review different development bank definitions found in the literature and conclude there is no consensus over it. As for the scope of such financial institution, which is usually state-owned, the authors argued they use to adopt: "(i) a term of investment in specific markets or sectors that could promote relevant socio-economic impacts; or (ii) a broad scope to provide funding for social and economic development of a specific region."

be problematic. Indeed, the government used to fix prices bellow market value rather than associating them to the demands of the companies' management in such sectors (Schneider 1994, 155-170). From the 1970s on, the federal government itself encouraged expanding BNDES's credit to other sectors. Paiva (2013, 65-88) explains the sources directed from taxation to form the BNDES's capital structure increased, as mentioned above. Brazil was growing above international average rates in this period: it was the "Brazilian miracle". With a stronger capital structure, the BNDES was able to channel credit to industry with greater autonomy.

The government changed the legal form of the BNDES, which was a public autarchy and turned it into a state-owned company. This enabled the bank to start raising resources in capital markets in Brazil and abroad to keep increasing its capital structure. According to Decree number 200/1967, in Brazil both autarchies and state-owned companies have autonomy over managing their assets and taking decisions, but only state-owned companies are able to perform economic activities such as issuing debt in capital markets. Since the 1980s, the BNDES saw an increase in its management autonomy regarding both to invest and disinvest, and it was a pioneer in the process of privatization in Brazil. By the end of the 1990s, net return on own assets were the main source of the bank's capital structure and, in the scope of its decision-making autonomy, the bank invested in emerging companies, in export companies, first capital goods, and later on other sectors, including the privatization auctions that it managed through a subsidiary. From the 2000s on, the Brazilian economy was stronger. At the same time, Lula´s government came into power, which had a more interventionist stance in the economic national policy. From this period onwards, the credit from the BNDES increased steadily, both regarding volume and eligible beneficiaries. The bank played a decisive role in providing countercyclical credit along the crisis of 2008 and remains the largest source of credit to manufacturing sector in Brazil.

The creation of the BDA presents a significant difference: it seems that the bank was created much more from a desire of the won Angolan government than from an external imposition. Multilateral institutions dedicated to development, such as the IMF included, showed some misgivings towards the initiative. However, one cannot ignore that Brazil provides great amount of credit to infrastructure projects in Angola, being one of its most important partners in international trade, and that a technical committee from BNB arrived in Angola in 2006 in order to help taking the BDA into operation. Evidences do not indicate any imposition, but the Brazilian presence in Angola may have influenced the decision to create the BDA due to the long-term horizontal learning both countries are experiencing.

As the BNDES, the BNB was also created in 1952. Evidence shows that after returning from a trip to the Northeast region to see the damage caused by the drought of 1951, the former Minister of Finance, Horacio Lafer, presented a memorandum to President Getúlio Vargas recommending the creation of this bank. Such initiative in addition to the cooperation of some foreign diplomatic missions took to creating the BNB to promote development projects in the Northeast region, which had been devastated by constant droughts and the scarcity of stable resources, lacked a financial organism able to structure its economy. Contrasting the BNDES, which is a state-owned company, the BND is a mixed capital company publicly negotiated since 1977 to raise funds in the domestic stock market. Its scope is limited to regional development projects in the nine federal states of the Northeast area, namely Maranhão, Piauí, Ceará, Rio Grande do Norte, Paraíba, Pernambuco, Alagoas, Sergipe and Bahia, in the northern Minas Gerais and in the northern Espírito Santo. Within such regional scope, the BNB addresses agricultural credit and micro-credit and supports infrastructure projects particular o the needs of the so-called “Polygon of Drought” area, placed in the Northeast region of Brazil. [67]

According to what BNB stated, its particular regional scope took its staff to Angola to assist in the creation of the BDA. Such technical assistance makes sense, since the agricultural sector has been the main beneficiary of the Angolan bank financing in its first years. In any case, the government of Angola seems to be planning to extend real scope of the BDA mandate. So it is, that since 2014 a partnership with the BNDES, not only for financial aid, but also for exchanging of institutional experience.

It is possible to identify the parallel between the banks, even if taking their contexts of creation into account. Just as the BNDES, the BDA’s initial capital structure consisted of part of the taxation on oil and diamonds, its main exporting products. In its early years of operation, its investments focused in one relevant sector. The BNDES addressed the steel industry, while the BDA focused on the agricultural sector. The types of investment, which could be taken directly or by using financial intermediaries and include debt and equity investments in both cases, are very similar. The governance of the BDA is simpler. The Board of Directors accumulates assignments similar to those of the Executive Boards of the BNDES. The Advisory Council takes the place of the Brazilian bank’s Board of Directors. Executive boards envisioned by the BDA for the future, in turn, could become close to the Operational Areas of the BNDES, which are isolated from public policy guidelines outlined by the federal government, since such guideline are incorporated in the

67 See the BNB’s website for further information on its scope and context of creation: www.bnb.gov.br. Accessed October 26, 2015.

decisions made by the Executive Board. Operational Areas focus on technical issues related to managing the credit portfolio. Perhaps, the BNDES-BDA cooperation has, as its most sensitive issue of institutional learning, the matter of governance in order enlarge the capacity of credit direction of the Angolan bank.

Even criticisms over both banks are similar. If public opinion in Angola argues the BDA has been benefiting few well-established companies, same kind of criticism over the BNDES in Brazil has never stopped. As much as the Brazilian bank has managed to expand its sectorial scope of investment and has also benefited from increasing autonomy in decision-making, its ratio of credit distribution is of about 70% of funds channeled for large companies compared to 30% disbursed in small and medium-sized enterprises in the 2009-2013 period (Coutinho 2013).

If the BNDES inspired Angola in creating and operationalizing the BDA, perhaps both banks could use a process of cooperative learning to solve their bottlenecks performance, that seem closer as well as its functioning structure.

Conclusion

In search of a parallel between the experience of Brazil and Angola with development banks, we took the BNDES and the BDA into account at the core of our study. In order to this, we examined the context in which each institution was created in prospective analysis. Considering their historical and local specificities, we investigated the institutional and public policies range related to each bank, as well as the investments source that are most relevant for them, and the agents that were significant for the creation and internal governance designed for each of their operations.

Both experiences proved to be closer, despite the fifty-years difference that separates the creation of each bank. Therefore, there is strong evidence that the BDA is the result of the export of the Brazilian model of development banks. The involvement of the BNB, in addition to the BNDES, in the process of institutional cooperation indicates that in Brazil the experience is already consolidated.

For their turn, BNDES and the BNB themselves in Brazil, seem to be a process of an institutional import that occurred in the 1950s. Whereas considering the theoretical framework provided by Delazay and Garth (2001, 41-255), therefore, the BNDES and BNB resulted from the Brazilian learning, that assumed their own structures during the country´s development process.

One expects that the same happens with the BDA, which process of institutionalization is taking place in Angola, according to its local context.

By observing the organizational parallel, the criticism presented and the clues of institutional cooperation found, we expect that the process of BDA´s institutionalization takes place coherently in Angola locally. In addition to that, we also expect that Brazil makes use of the institutional learning opportunity to acquire new capabilities in the process of cooperation between banks, since the challenges of enhancing the BNDES and the BDA are similar to the ones of their functioning.

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ABSTRACT

Importing institutional solutions is a theoretical alternative to cases non-identified with the transplants approach. Studying the context of the creation of the Brazilian development banks and the Angolan bank, the BDA, illustrates the utility of such approach. Judgment regarding convenience and suitability of institutional solutions is beyond our scope in this paper, which also did not aim at contributing to the critical literature on institutional transplants. By taking an exploratory qualitative research based on the comparison of cases, our core purpose was reflecting if Angola imported the Brazilian institutional model when it decided to create the BDA, noting as well how it has been consolidating locally.

KEYWORDS

Import and Export of Institutions; Development Banks; South-South Cooperation.

Received on June 28, 2016.
Approved on July 16, 2016.