

**Central Banks, Financial Systems and Economic Development:
The experience of Development Banks**

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<http://www.bndes.gov.br/bibliotecadigital>

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The experience of Development Banks

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*O banco nacional
do desenvolvimento*

João Carlos Ferraz
Vice President

↪ Not an exception but **very common institution**: in countries under different regimes, at different stages of development.

↪ BDC (2009): 235 DIs in 92 countries.

International Benchmark Study on Development Institutions. Business Development Canada, 2009

↪ WB (2012): 90 DIs in 61 countries. By 2009, total assets of US\$ 2.01 trillion; loan portfolio of US \$1.59 trillion.

Global Survey of Development Banks. Policy Research Working Paper, n. 5969. Washington: World Bank, 2012.


↪ Different types of Development Institutions: **Development Banks**, Specialized Agencies (Credit, Guarantee or Equity), Development Financing Institutions (usually multilateral)

- **OECD: institutions providing long term loans that are beyond the capacity or the willingness of others to do so.**
- **After 2007/8, “rediscovery” of DBs: Confidence builder, long term financing, risk mitigating institution.**
- **But not at all without controversy! For:**
 - **Crowding out private industry**
 - **Having discretionary power (“pick winners”)**
 - **Being an ambiance conducive to cronyism**

- Not a homogeneous group, differing in:
 - Ownership structure (fully vs. partially owned by government)
 - Target sectors and clients (narrow vs. wide focus)
 - Lending models (first-tier vs. second-tier)
 - Credit conditions (subsidized vs. market interest rates)
 - Regulation and supervision (special regime vs regime applicable to all banks)
 - Corporate governance (independent vs. government controlled boards)


BNDES at a glance



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

➤ Direct operations 

➤ Indirect operations

➤ MSME (financing & guarantee) 

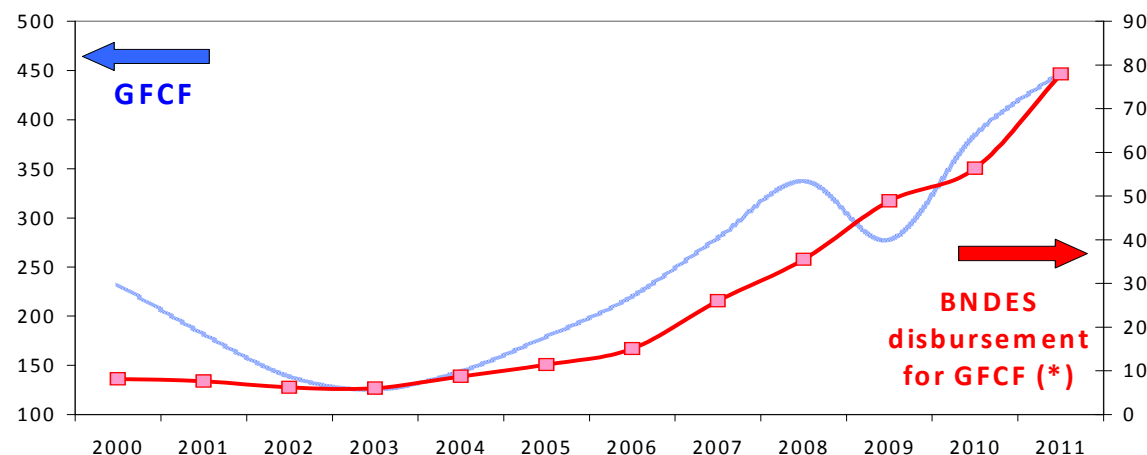
➤ Exim 

➤ Project finance

➤ Equity investments 

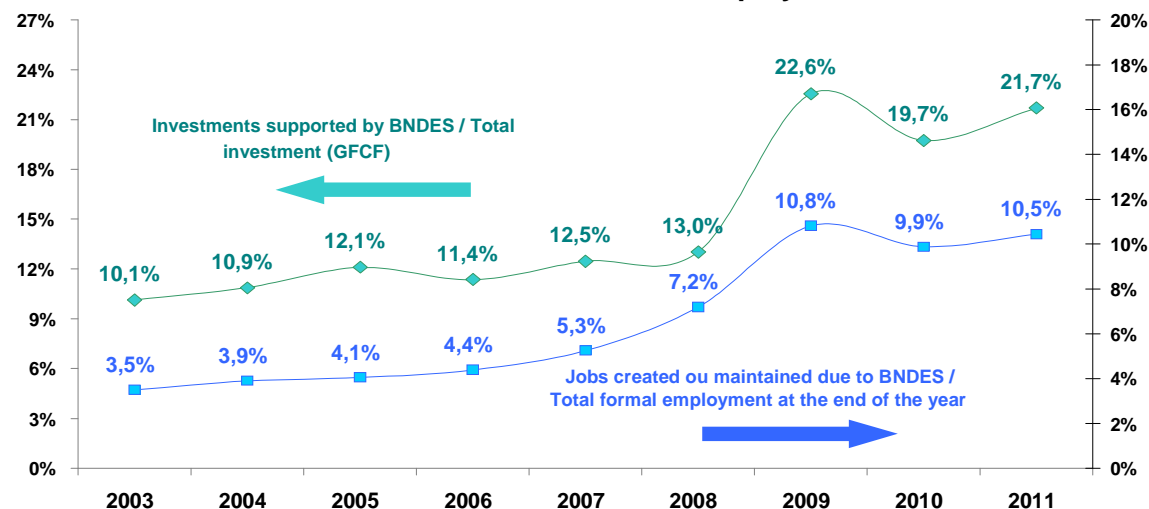
➤ Grants

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

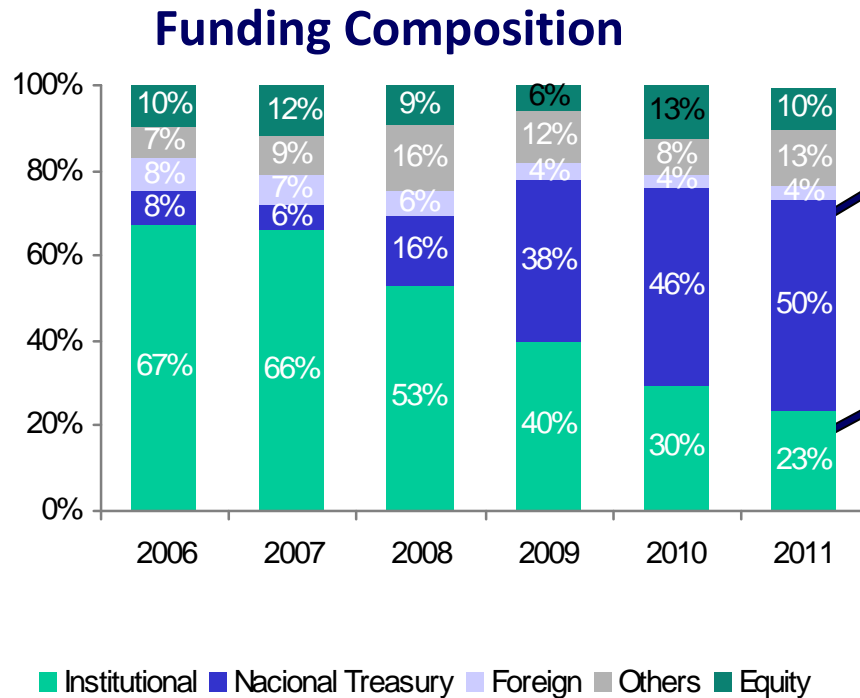


(*). exc. BNDES Exim; working capital, M&A and Equity Financing.

BNDES contribution to investment and employment



Source: BNDES



Recent demand expansion and crisis firmly supported by National Treasury

Institutional Funding
(by Constitution, 40% of Worker Assistance Fund)

Source: BNDES

Prudential behavior

2011

- Basel Indice: 20.6%
- NPL/total loans: 0.14%

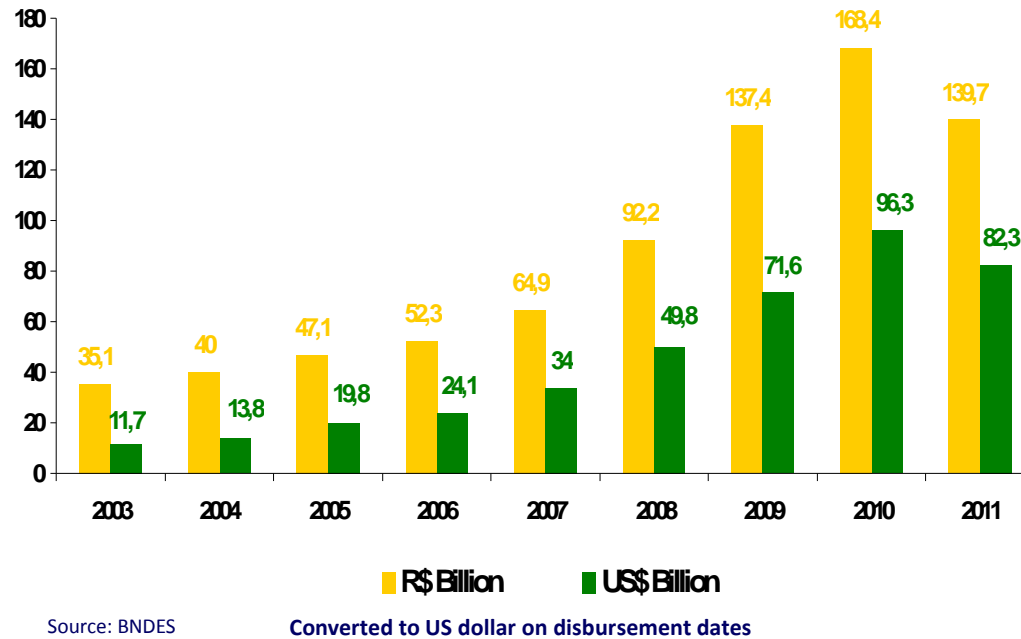
Sound financial performance

2011

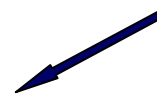
- ROE: 23.1%
- Assets: US\$ 340 billion
- Equity: US\$ 32.8 billion



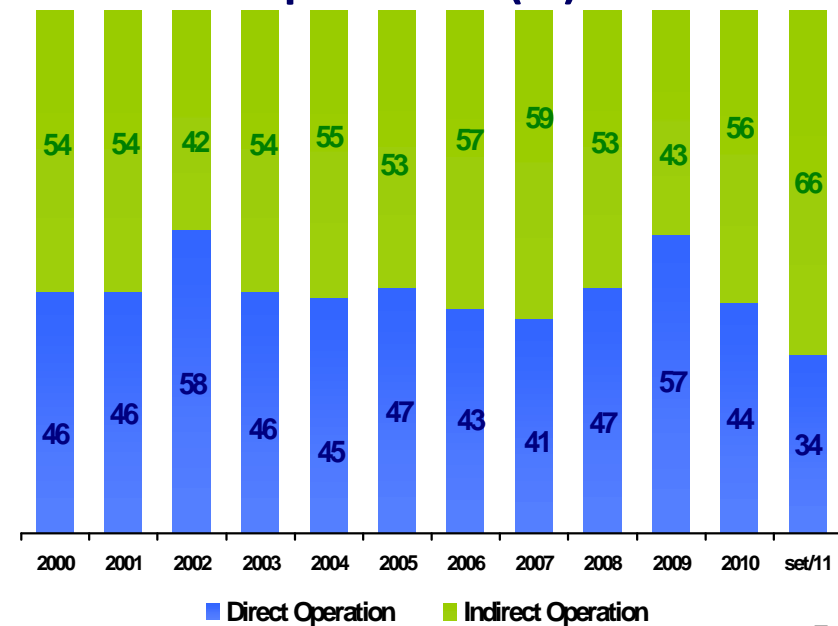
BNDES annual disbursements



Growth rates receding to allow for "crowding-in" of private industry



Share of Direct & Indirect operations (%)



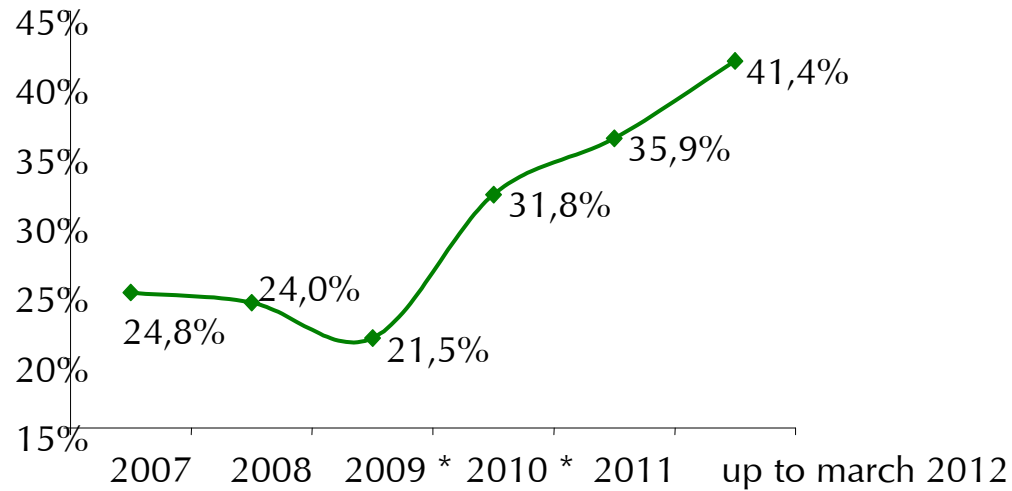
Capillarity ensured by accrediting & providing funds to commercial banks. Risk of operations is theirs



Financing by type of clients



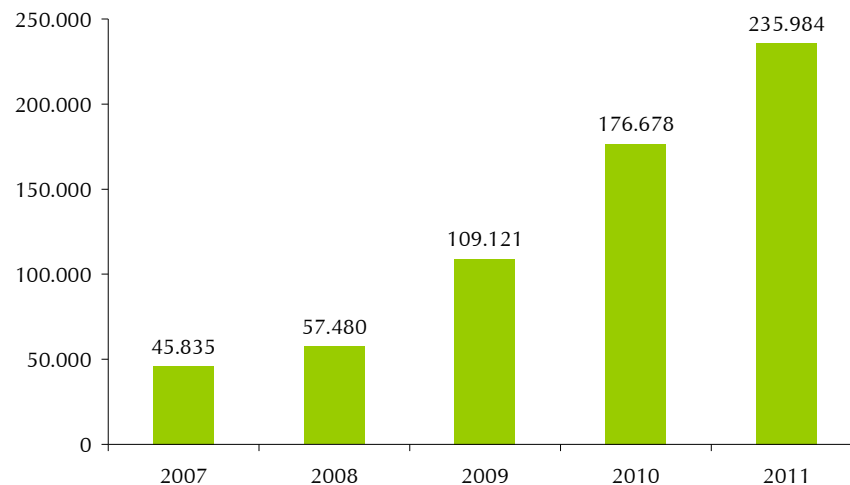
Share of MSMEs in total disbursement



85.5% of townships with active operations with BNDES credit card for SMEs



N° of MSMEs supported in 2011

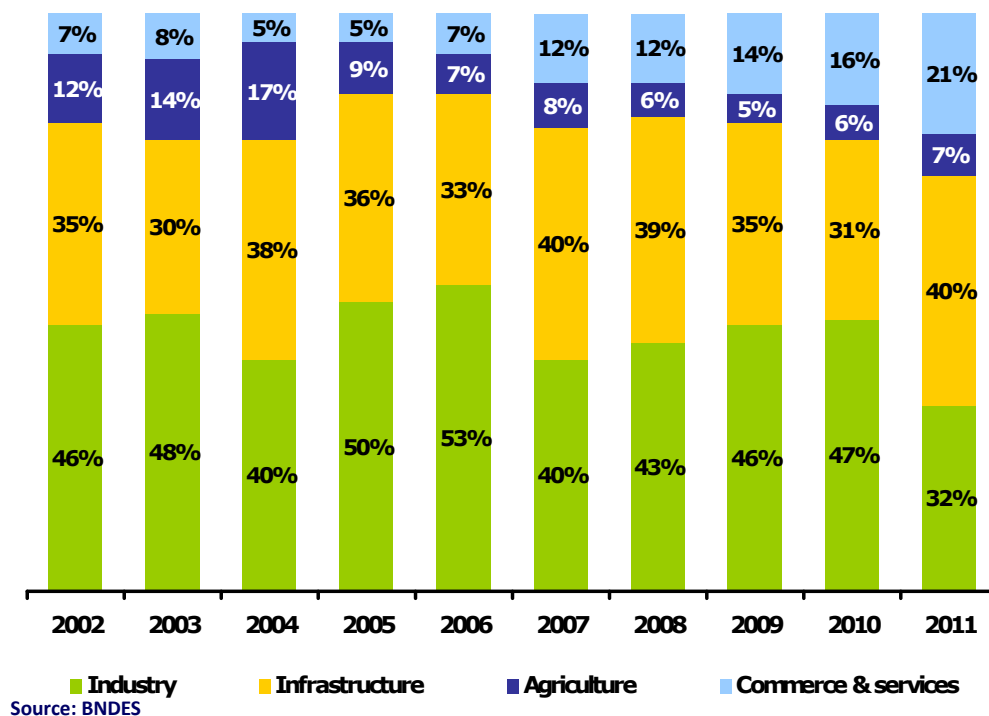


- Cartão BNDES:**
- 510,000 active cards
 - 2011: R\$ 7.6 bi
 - 2012: R\$ 11. bi (expected)

Disbursements by sector



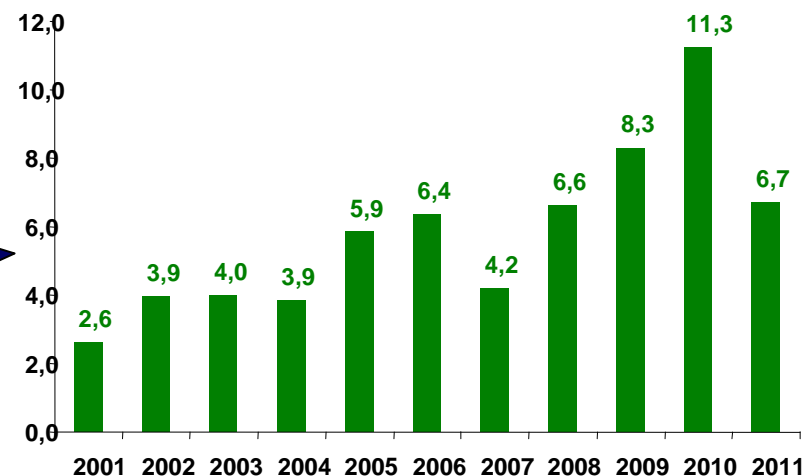
Disbursements by business sector (%)



Infrastructure financing is expected to grow at 20% annually up to 2015

Industrial Policy Priority Sectors: 55% of total

Export Financing (US\$ billion)



BNDES support for export of high value added products (capital goods) and engineering services



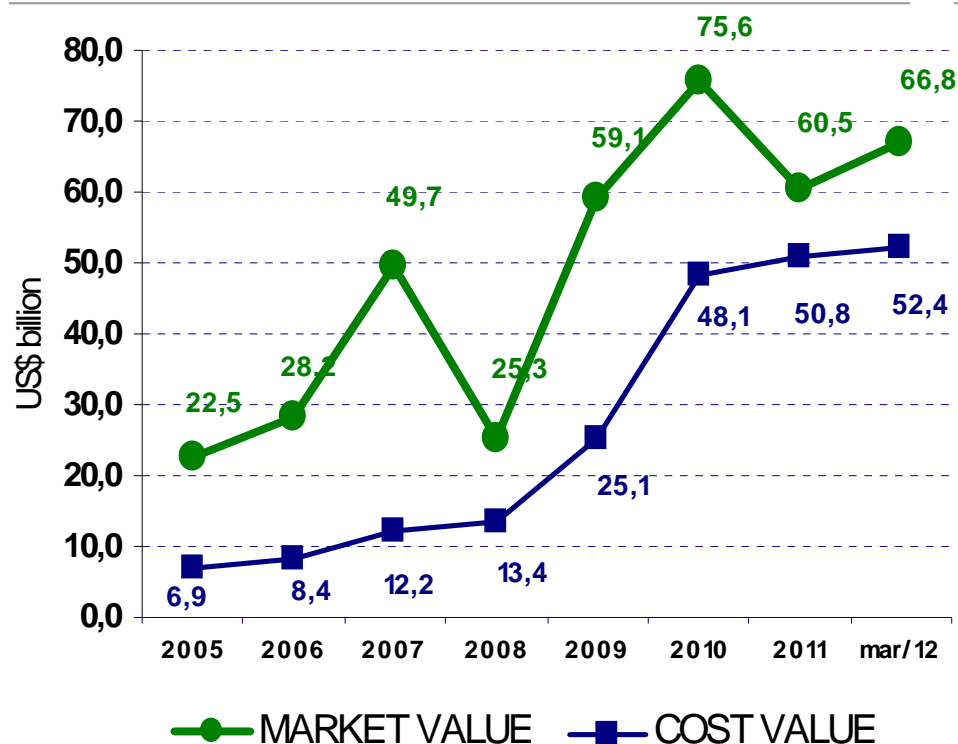
Source: BNDES

■ Support for exports – US\$ billion

BNDES as an Investment Bank



BNDES Equity Portfolio (USD million)



BNDES Portfolio in PE/VC Funds

USD million (April/2012) – USD/R\$ = 1,90

Fund Focus	# Funds	# Corps.	All Commit. Equity	BNDES Commit. Equity
Innovation	9	100	247	95
Infrastruct	7	45	2.176	448
Governance	4	20	482	84
Environment	3	5	745	205
Regional	2	10	79	14
Agribusiness	2	8	598	119
Education	1	7	186	37
Food	1	4	49	11
Total	29	199	4.562	1.013

- Brazil's largest investor in PE & VC
- BNDES brand attracts new investors
- Long experience: 35 years involved with capital markets

- **Finance expansion** of capacity, fill gaps, fix failures, induce externalities...
- **Foster** an innovative, sustainable **long term financing industry**
- Contribute to **systemic stability** (anti-cyclical role)
- Appropriate and **distribute** (to society, via the State) **returns** of (financial) investment decisions

- **Political priority:** The role/mandate of a DB must be enforced at the highest political level
- **Stable funding:** the basic asset to finance long term
- **Scale and scope:** A DB must have the means – resources and instruments- for accomplishing mandates.
- **Capacity to change:** Flexible adaptation to different stages and momentum of a country development.
- **Competences and values:** a servant of public interest; effectiveness and efficiency; team player: an instrument to build the future.

Of course, these assets are not “ready made”...

- Each Development Bank is a singular institution. No role model exists.
- As market based finance has proved to not induce sustainable development, a stronger configuration for a national finance industry is where private and public institutions co-live (*But... attention!!! Time and place do matter in defining the mode of relation. Again, no role model exists...*)
- A Development Bank should not be the vanguard nor the rearguard but the co-guard of development

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