

# THE BRAZILIAN DEVELOPMENT BANK

## WHAT IS A DEVELOPMENT BANK (DB)?

There is not a single definition of a development bank. DBs may differ in relation to: capital structure (integral or partially controlled by the government); *funding* (fiscal and parafiscal, fundraising with clients or in the market, return of assets); variety of sectors supported; clients' size (there are institutions that only work with micro and small enterprises, whereas others work with differentiated sizes); loan models (direct and/or indirect operations); credit conditions; regulation and monitoring (special regime or monetary authority); and corporate governance (independent or controlled by the State). There are also several instruments of credit support: financing offer, guarantees, insurance, re-insurance, shareholding, interest equalization, non-reimbursable funds, and support for preparation of projects, among others.

The first DBs appeared in the mid-19<sup>th</sup> Century in Europe. Since then, they have been playing a relevant role in socioeconomic development of countries and regions where they act, according to their different stages, in scenarios of both stability and crisis.

In addition to Brazil, various countries (developed and developing) have strong DBs, such as Germany, China, South Korea, Japan, Mexico, France and Russia. Each institution has its way of operating, but they all help implementing public policies,

complementing the offer of financial support from the financial system and contributing to private and public sectors to take risks and face challenges regarding strategic long-term investments. In the last few decades, one emphasizes the growing attention given by these entities to the integration of economic, social and environmental dimensions of development.

## WHO ARE WE?

We are a State-owned company linked to the Ministry of Planning, Development and Management, being the main instrument of the government for long-term financing and investment in the segments of the Brazilian economy. With official headquarters in Brasília (DF) and most activities concentrated in Rio de Janeiro, we operate throughout the national territory, also with offices in São Paulo, Recife and Belém. We have been operating since 1952 and we are currently one of the greatest DBs in the world.

Our efforts are guided by the **Advisory Board**, our highest governance body, the **Audit Committee** and the **Fiscal Council**. We have to render accounts to several government instances: Ministry of Finance, Central Bank, National Congress, Ministry of Transparency, Supervision and Office of the Federal Comptroller General of the Union (CGU) and Federal Court of Accounts (TCU).

We **relate with various audiences**, from the aforementioned government

bodies to Brazilian citizens, including suppliers of goods, services and financeable items, clients, opinion formers, financial agents, institutional partnerships and the academic community, among others.

## WHAT ARE OUR SOURCES OF FINANCIAL RESOURCES?

We count on various sources of resources to concede financial support for long-term investments in the Brazilian economy.

The return of our own operations along with the resources from the Workers' Assistance Fund (FAT), PIS-PASEP Fund and National Treasury represent a significative portion of our structure of financing. Other governmental funds, fundraising abroad (via multilateral institutions or issuance of bonds), public issuances of BNDESPAR debentures and Agribusiness Letters of Credit (LCA) complement this structure.

## National Treasury

Between 2008 and 2014 we received expressive funding for performing our operations. From 2015, there was no more fundraising from this source.

On December 23, 2016, we concluded the **advance payment of debt** of R\$ 100 billion, right after the operation was considered legal by the TCU – in view of the objective of reducing the public debt – and approved by our Advisory Board. In early 2016, the payment of R\$ 28 billion, initiated in the previous year, was concluded.

## Workers' Assistance Fund (FAT) and PIS-PASEP Fund

Due to the determination of the 1988 Brazilian Federal Constitution, 40% of PIS-PASEP collection is earmarked to finance economic development programs through BNDES, in order to not only protect the unemployed worker but also generate opportunities of employment. In 1990, with the extinction of PIS-PASEP and the creation of FAT it became one of our main sources of resources.

These resources are called Constitutional FAT, and BNDES is assigned to decide on their application, as long as they are used in economic development programs. They are pegged to the Long-Term Interest Rate (TJLP), in the case of financing in Brazilian *reais*, or to LIBOR plus dollar variation, in the case of financing exports.

We also raise funds from FAT via FAT Special Deposits, for being applied in specific programs and sectors, previously determined and approved by the FAT Deliberative Council Executive Secretariat.

## Issuance of bonds

Since 1953, we have raised funds on the international market through operations of issuance of bonds. The bonds issued have pre-fixed rates, determined in a bookbuilding process and amortization of the principal in a single installment. In this case, the destination of

resources is not determined, allowing the Bank to amplify the operation scope.

## Operations with multilateral institutions and governmental agencies

Fundraising with multilateral institutions and governmental agencies are performed with partner institutions.

Unlike bonds issuance, the funds raised with these institutions have, in general, a specific destination to entrepreneurial sectors or segments and they must thus meet the creditor's conditions.

The main advantages of these sources are stable cost and longer financing terms in relation to other market fundraising ways, besides its countercyclical character.

## Other loans abroad

These are operations performed in other institutions abroad that are not multilateral institutions or governmental agencies, generally commercial banks or group of commercial banks, and/or other institutions.

## Other governmental sources

The most representative values refer to the Merchant Marine Fund (FMM), whose resources are directed to financing national shipping companies and Brazilian shipbuilders, as well as to the Brazilian Navy and to FI-FGTS,

whose resources were raised in 2008 to be applied to infrastructure projects.

## BNDESPAR debentures

Through public issuance of BNDESPAR debentures, we contributed to develop the Brazilian market of fixed-income and sought to diversify sources of resources.

## Agribusiness Letters of Credit

We performed auctions of Agribusiness Letters of Credit (LCA) before institutions authorized them on electronic negotiations platforms.

Learn more in the section  
Governance, control and  
transparency

Learn more in the section  
Our relationships

Learn more in the section  
Risk management and  
financial sustainability