



## The Brazilian Development Bank



**Eduardo Rath Fingerl**  
**Capital Markets - Director**

- Founded June 20, 1952
- 100% owned by the Federal Government
- Key instrument for implementation of Federal Government industrial and infrastructure policies
- Main provider of long-term financing in Brazil
- Brazilian Export Bank
- Equity investor through BNDESPAR



## Financial Indicators

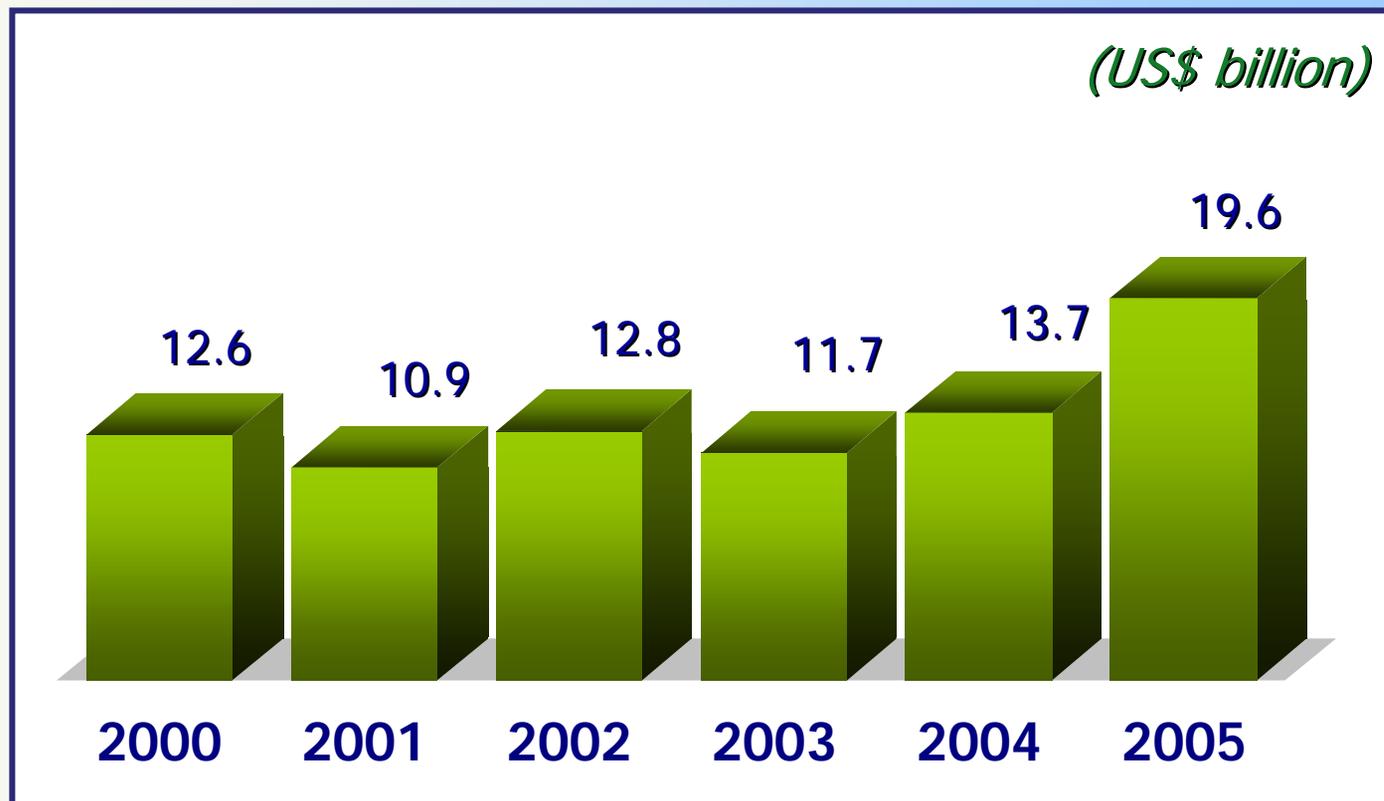
(US\$ million)

	<b>BNDES</b>	<b>IDB</b>	<b>IRDB</b>	<b>China DB</b>
	Dec 31, 2005	Dec 31, 2005	June 30, 2005	Dec 31, 2005
Total Assets	74,750	65,382	222,008	236,912
Shareholders' Equity	6,712	18,727	38,588	16,290
Net Income	1,314	762	3,831	2,846
Loan Disbursements	19,618	5,328	9,722	68,244
Capitalization	8.98%	28.64%	17.38%	6.88%
ROA	1.89%	1.72%	1.73%	1.31%
ROE	21.47%	6.60%	9.93%	19.15%
NPL	0.86%	0.43%	0.59%	0.87%

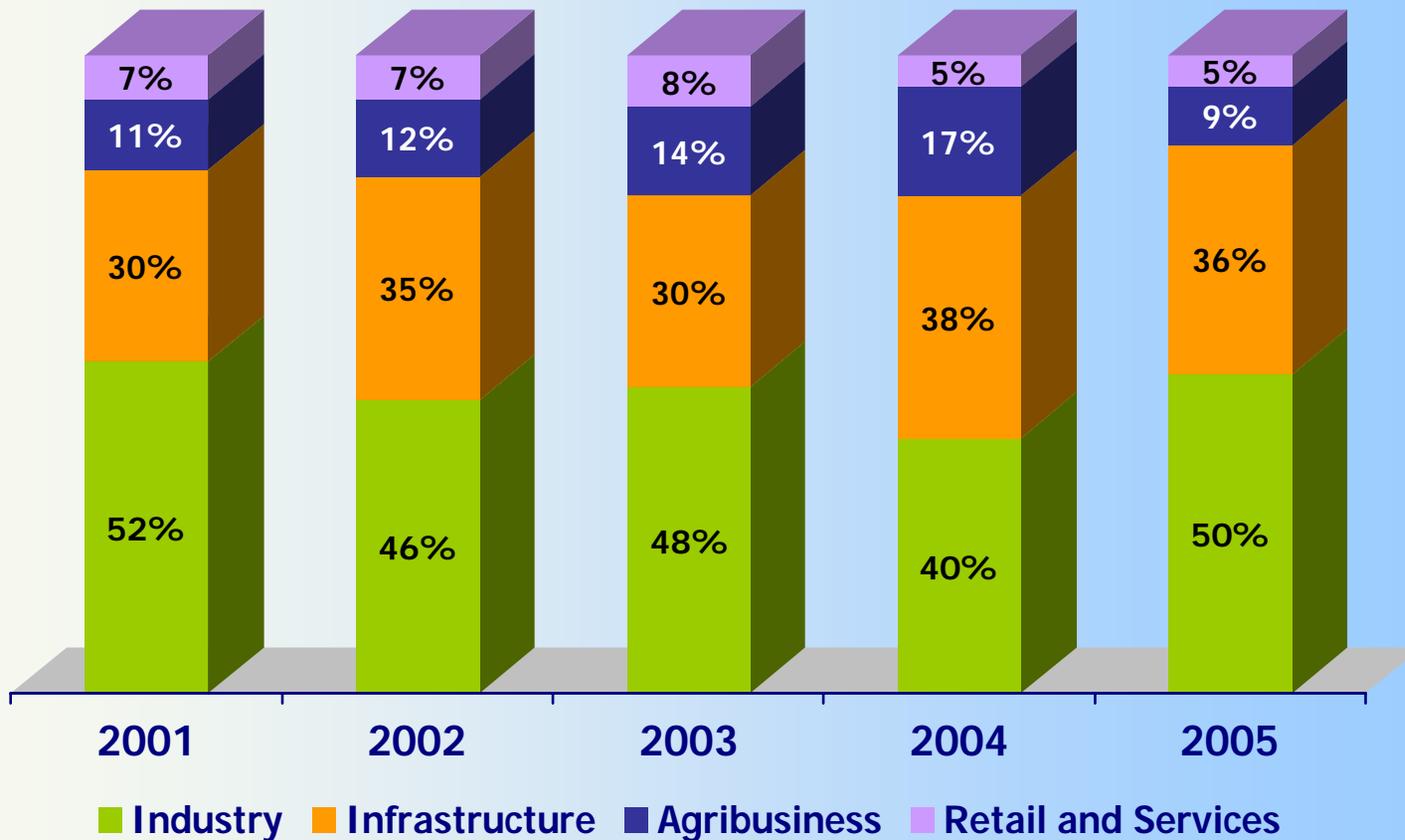
IDB – Inter-American Development Bank

IBRD – The International Bank for Reconstruction and Development (*The World Bank*)

# Annual Disbursements

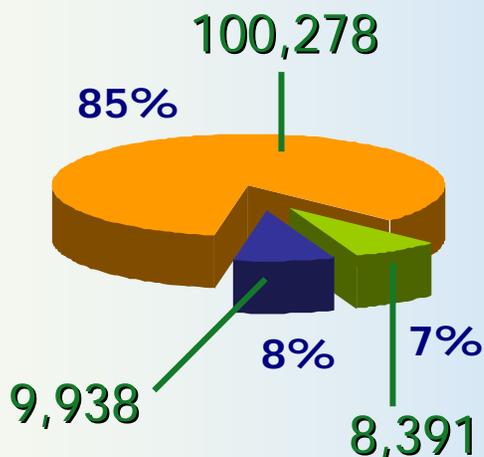


# Disbursements by Business Sector

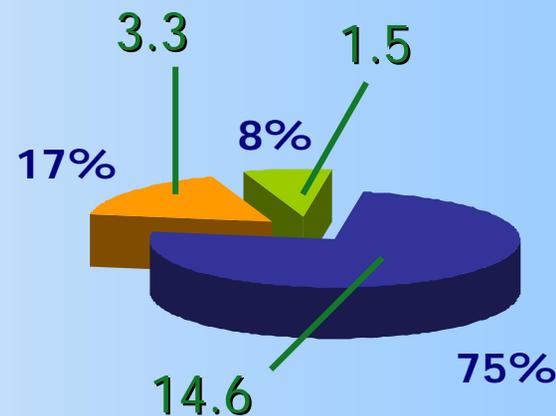




Number of Transactions



US\$ billion



■ Micro and Small 
 ■ Medium 
 ■ Large

# BNDES and the Knowledge Era

## Challenges for BNDES's operations:

Knowledge Economy vs Industrial Society



Credit Risk: higher emphasis in the future



New Approach for Evaluating and Monitoring of Projects /  
Enterprises / Economic Groups



New factors to be observed: intangible assets



Knowledge Management  
Development of Core Competences  
IT Tools



Integrated Actions



# Evaluation System and New Metrics

## - *Focus on Intangible Assets*

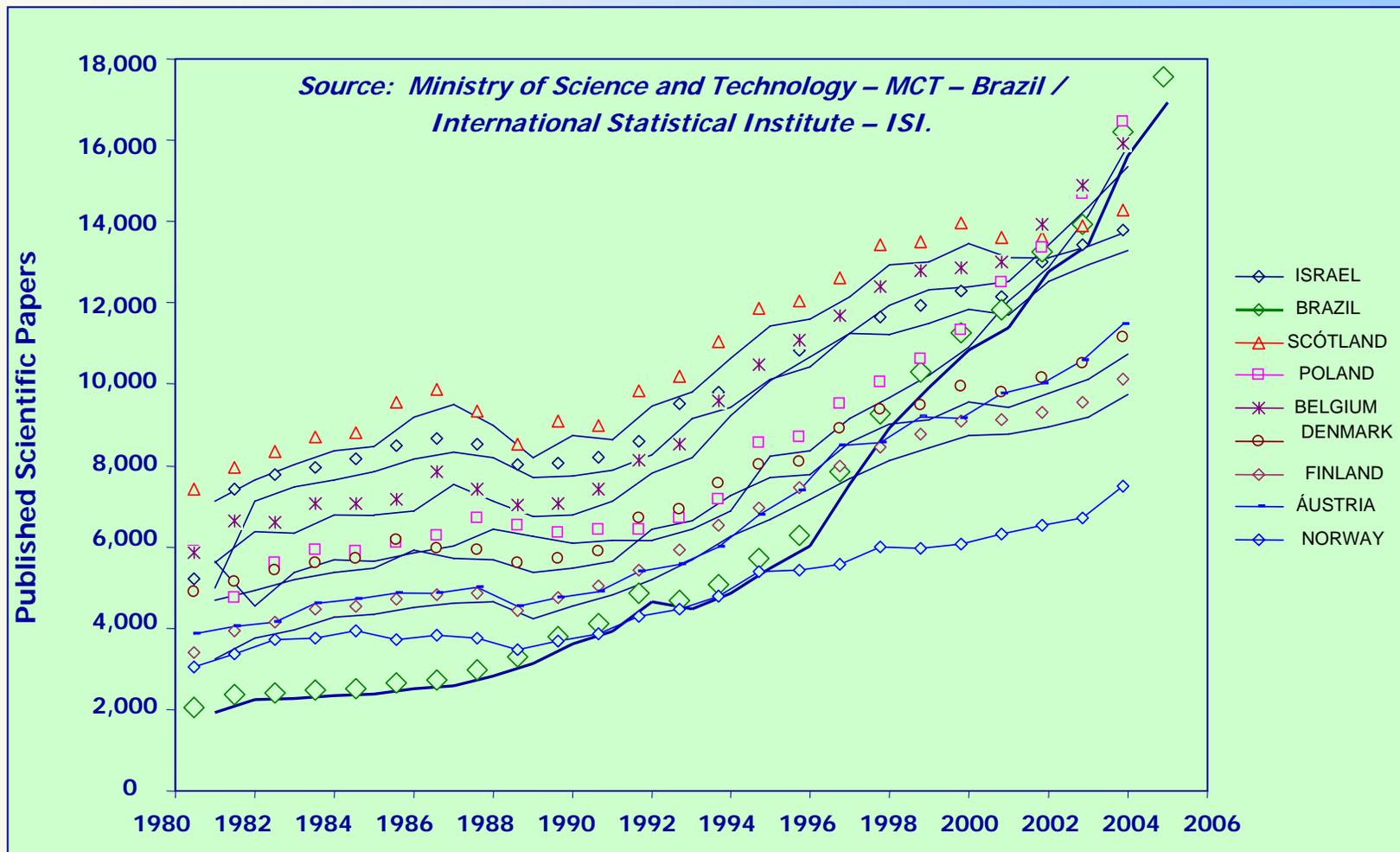
- 
- Governance
  - Innovation
  - Research and development
  - Patents and brands
  - Design
  - Social and environmental accountability
  - Job creation
  - Partnerships (*technological, commercial, integration with Research Institutes and Universities*)
  - Value added products
  - Export drive



- 2003: R&D expenses = 1% GDP
- 7<sup>th</sup> largest increase in scientific papers published in international journals from 6,700 (1997) to 17,155 (2005)
- PhD scholarships: from 7,178 (1991) to 15,922 (2002)
- PhDs graduated: from 1,000 (1991) to 9,500 (2005)
- New patents registered in the U.S.: increased 142% (1997 to 2003)

# Brazil – Scientific Papers

## Comparison with 8 Developed Countries



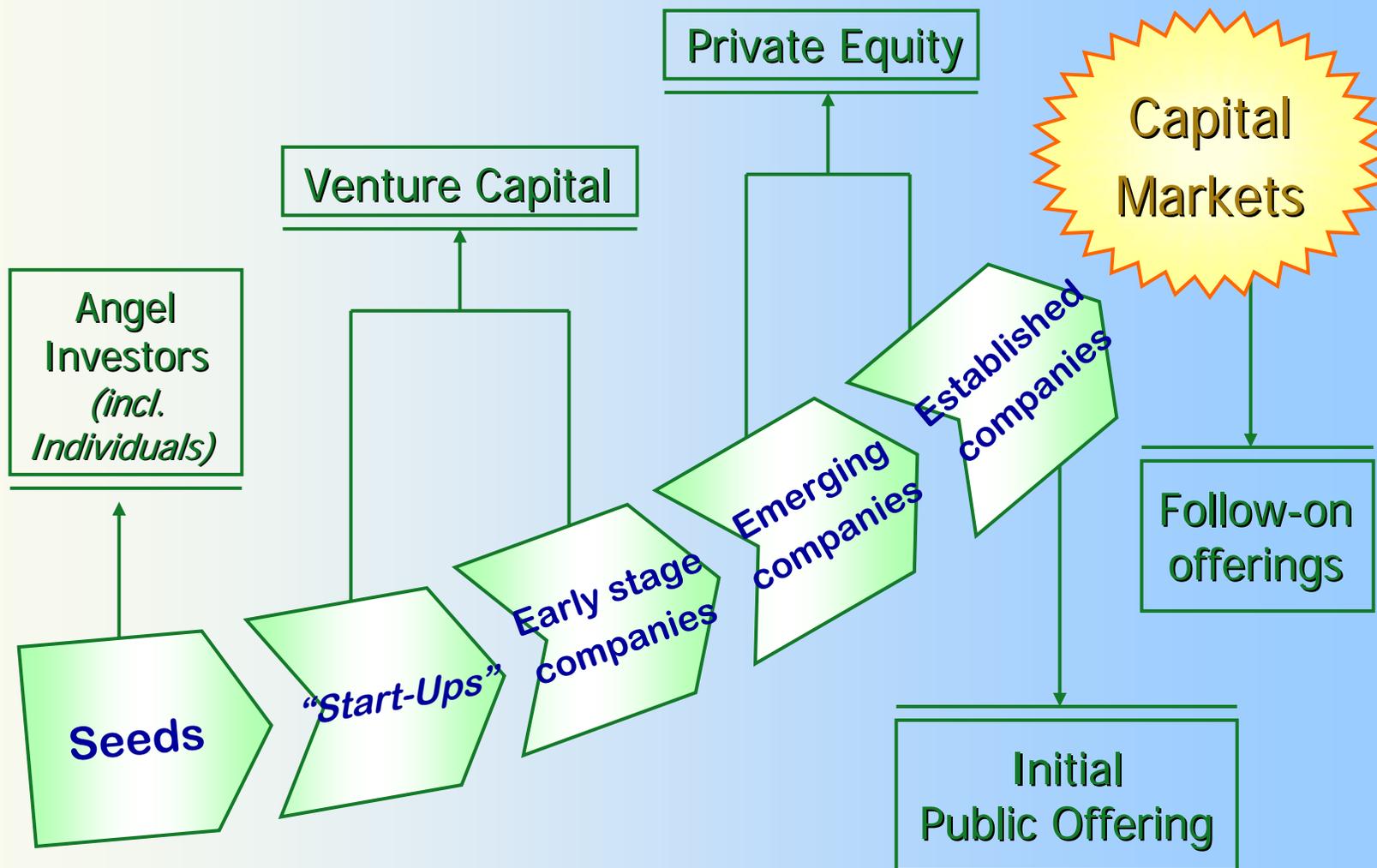
The steep increase in scientific production has enabled Brazil to overtake important nations

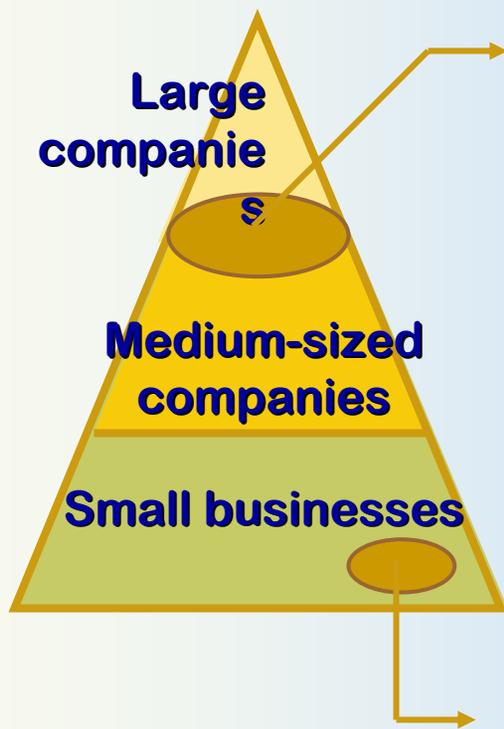
## Incubators in Brazil

- 297 active and 92 being implemented
- 85% attached to universities (*64% of which are public ones*)
- 5,620 enterprises connected to incubators and responsible for generating 30,000 direct jobs
- Start-ups are usually highly innovative enterprises and foster a new breed of entrepreneurs already adapted to the new competitive environment
  - ❖ Support with Finance, Management and Sales skills are essential for survival and growth



# BNDESPAR and The Investment Cycle





*Medium-sized, innovative companies*

- ◆ Invest mainly in  
knowledge;  
innovation;  
business processes; and  
network building;
- ◆ Build assets not always accounted for;
- ◆ Cannot offer real guarantees, but are at the core of value creation; and
- ◆ Have strong competitive capabilities.

*Seed Money Funds*

## BNDES' agenda:

- ☐ Break traditional banking paradigms  
*(guarantees, valuation of intangibles)*
- ☐ Foster and support new lending or investment practices
- ☐ Develop new financial products

# Products and Activities Emphasizing Governance and Other Intangible Assets

- Fast-track lending procedures  
*(e.g., credit limits)*
- Credit rating assessments
- Private Equity Funds (2)
- Venture Capital Funds (7)
- Seed Money Funds  
*(evaluation currently being finalized)*
- Project Finance
- Support to BOVESPA *(Brazilian Stock Exchange)*  
in identifying target companies *(mainly medium-sized companies)*
- Financing for internationalization of brazilian companies



## Direct investing

- Shareholdings in 24 companies (*directly monitored*)

## Indirect investing

### ■ 9 active Funds

- ❖ 7 funds targeting emerging companies – *shareholdings in 44 companies*
- ❖ 2 joint management funds – *shareholdings in 17 companies*

### ■ RFP for new funds (2006)

- ❖ 5 selected (*2 Private Equity, 3 Venture Capital*)
- ❖ 4 currently being assessed (*Venture Capital*)
- ❖ 80 companies will be invested

Targeted leverage: US\$ 650 million



**Desenvolvimento**

Ministério do Desenvolvimento, Indústria e Comércio Exterior



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