

# BNDES Intangible Capital - Agenda

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# BNDES at the Knowledge Era

Challenges for BNDES's operations:

Knowledge Economy vs Industrial Society



Credit Risk: higher emphasis in the future



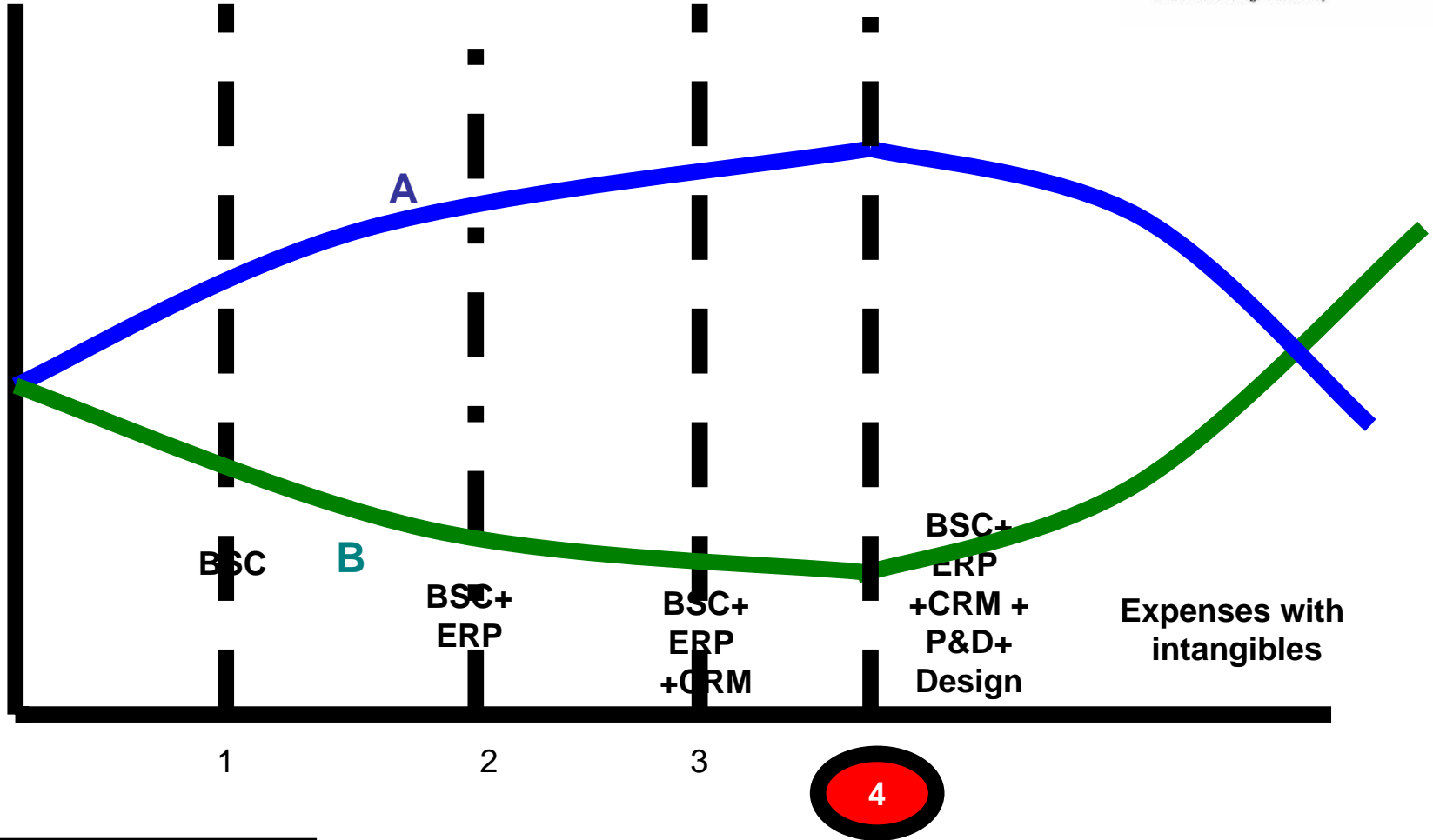
New Approach for Evaluating and Monitoring of Projects /  
Enterprises / Economic Groups



New factors to be observed: intangible assets

# Motivation

Book Profits



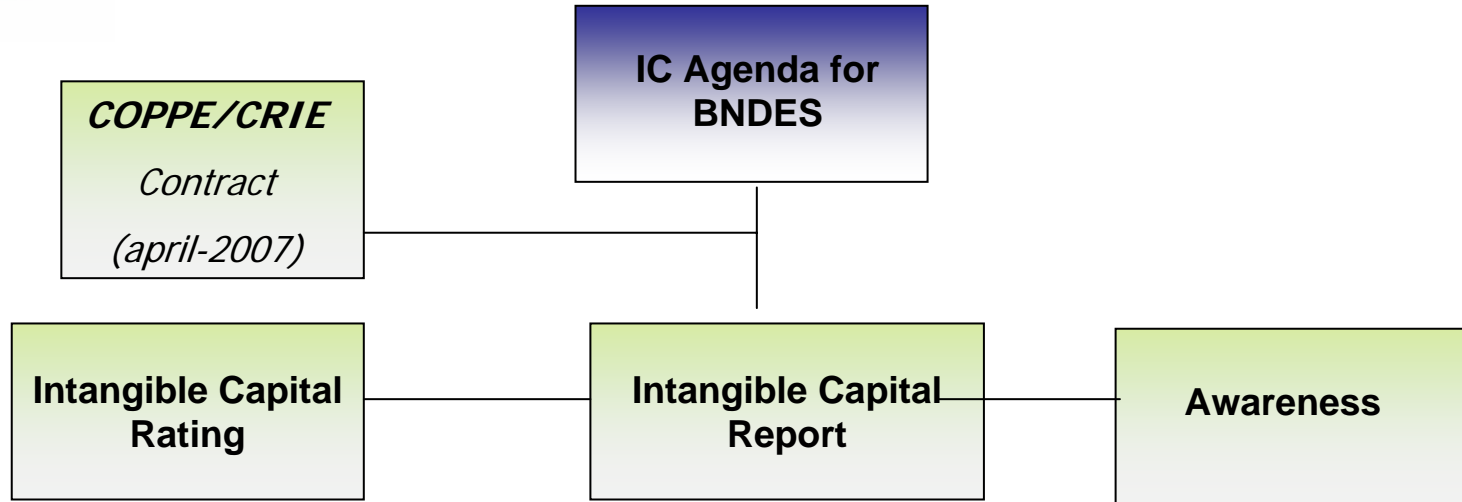
Expenses with intangibles

Eduardo Rath Fingerl

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Request for support

# The Intangible Capital Agenda

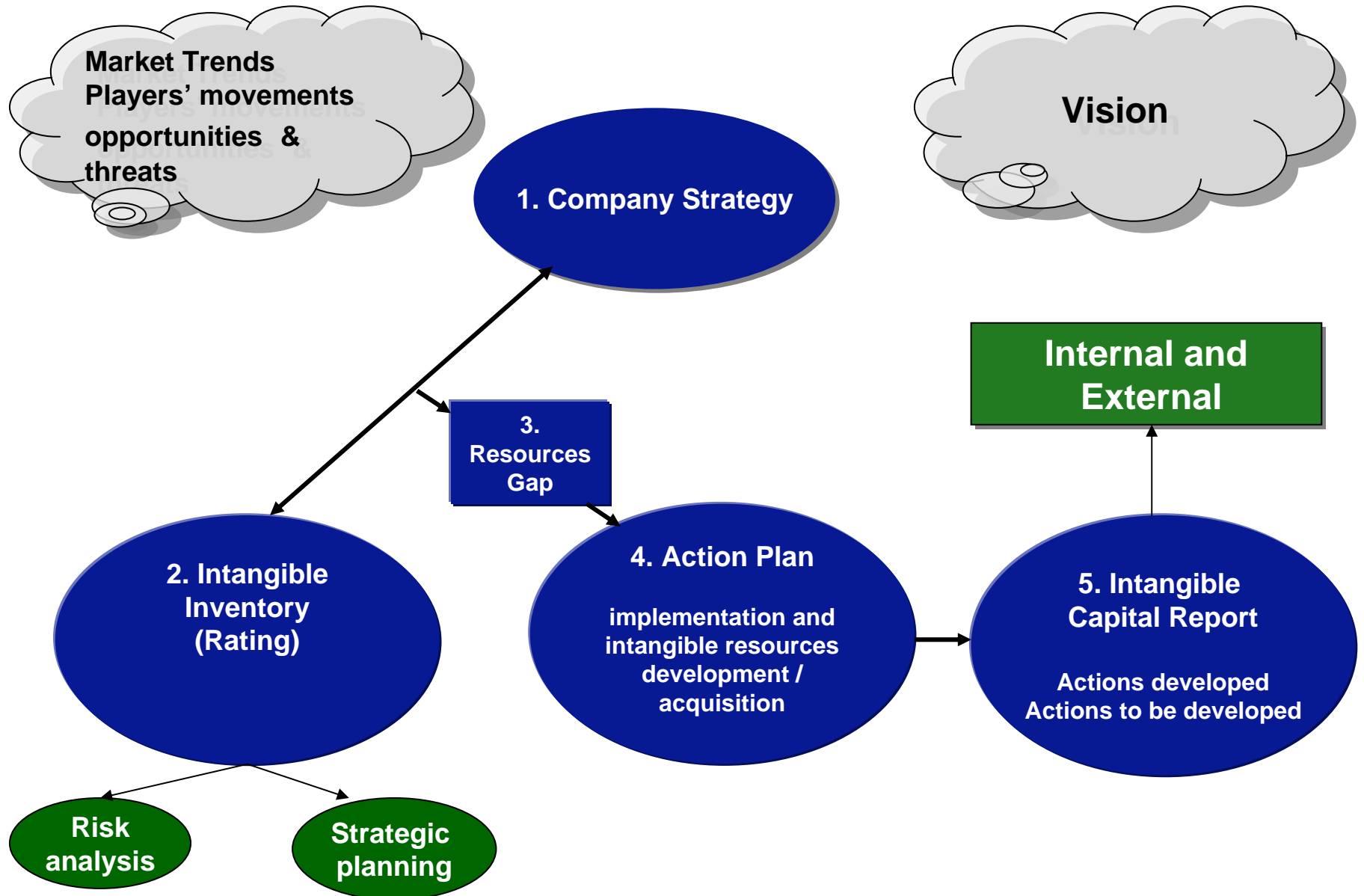


- Develop metrics and scorecards for quick IC assessment by BNDES
- Improve valuation, avoiding inefficient allocation of resources by the capital markets and/or BNDES

- Encourage companies to build Intangible Capital
- Encourage companies to show Intangible Capital

- Introduce the topic into the business and policy agendas

# Intangibles Mindset



# Intangible Capital Rating

Capitals	Assets / Competencies	Indicators	Questions
6	19	53	53

<b>Capitals (6)</b>	<b>Assets / Competencies (19)</b>
<b>1. Strategic</b>	1.1 Apparatus / Competence in monitoring the market
	1.2 Apparatus / Competence in Formulating, Implementing and Following-up the strategy.
<b>2. Environmental</b>	2.1 Financing System
	2.2 Regulatory Environment (Institutional Aspects)
	2.3 Innovation Environment (P&D) and Entrepreneurial Spirit
	2.4 Infra-structure and logistics
<b>3. Relationship</b>	3.1 Clients / Contract Portfolio
	3.2 Suppliers
	3.3 Trademarks - Reputation
	3.4 Network – Interaction with the stakeholders
	3.5 Insertion in the Market
<b>4. Structural</b>	4.1 Corporate Governance
	4.2 Processes
	4.3 Innovation Capacity
<b>5. Human</b>	5.1 Administrators
	5.2 Operators
<b>6. Financial</b>	6.1 Trustworthiness of the Administrator
	6.2 Strategic Risk Administration
	6.3 Financial Intelligence

<b>Capitals (6)</b>	<b>Assets (19)</b>	<b>Indicators ( 53)</b>
<b>1. Strategic</b>	<b>1.1 Apparatus / Competence in monitoring the market</b>	<b>1.1.1 Information Capture Processes</b>
		1.1.2 Processing Processes – To convert Information into Knowledge
		1.1.3 Knowledge Dissemination Processes
	1.2 Apparatus/ Competence in formulating, implementing and following-up the strategy.	1.2.1 Formulation Processes
		1.2.2 Implementation Processes
		1.2.3 Follow-up Processes



<p>Capitals (6)</p>	<p>Assets / Competencies (19)</p>	<p>Indicators (53)</p>	<p>Questions (53)</p>
<p>Strategic</p>	<p>1.1 Competence in monitoring the market</p>	<p>1.1.1 Information Capture Processes</p>	<p>Does the company have an efficient mechanism (apparatus) enabling it to monitor the external environment (marketing, political, social, demographic and technological)?</p>

<b>Capitals</b>	<b>Weights</b>	
	<b>Large Corporations</b>	<b>SME</b>
<b>1. Strategic</b>	20%	25%
<b>2. Environmental</b>	10%	15%
<b>3. Relationship</b>	15%	15%
<b>4. Structural</b>	25%	15%
<b>5. Human</b>	20%	25%
<b>6. Financial</b>	10%	5%
	100%	100%

### Rating of Company X - questions

<b>Capitals</b>	<b>MARK</b>	<b>MARK (maximum)</b>	<b>Rating</b>
Strategic	1.12	1.40	80%
<b>Environmental</b>	0.50	0.70	<b>71%</b>
Relationship	0.76	1.05	73%
Structural	1.33	1.75	76%
Human	1.04	1.40	74%
Financial	0.56	0.70	80%
<b>RATING</b>	<b>5.31</b>	<b>7.00</b>	<b>76%</b>

## Environmental Capital

Assets	Indicators	Mark	MARK (maximum)	Rating
2.1 Financing System	2.1.1 System's Completeness Degree	0.12	0.14	82%
2.2 Regulatory Environment (Institutional Aspects)	2.2.1 Regulatory Level of the Sector	0.13	0.19	68%
2.3 Innovation Environment (P&D) and Entrepreneurial Spirit	2.3.1 Innovation apparatus	0.05	0.08	68%
	<b>2.3.2 Intellectual property</b>	0.06	0.10	61%
2.4 Infra-structure and logistics	2.4.1 Physical	0.09	0.13	71%
	2.4.2 TICs (IT + Communication)	0.05	0.07	79%
RATING		0.50	0.70	71%

## Intangible Capitals Report Internal Report

Chapters	Description
1. Market	<ul style="list-style-type: none"><li>▪ New market trends</li><li>▪ Players movements</li><li>▪ Opportunities and Threats</li></ul>
2. Strategic positioning	<ul style="list-style-type: none"><li>▪ Strategy to deal with:<ul style="list-style-type: none"><li>▪ opportunity(ies) or threat(s)</li></ul></li><li>▪ Resources Inventory (do we have?)</li><li>▪ Gap</li><li>▪ Action Plan</li></ul>
3. Intangible Capitals Report	<ul style="list-style-type: none"><li>▪ Actions developed in the period and disbursements,</li><li>▪ Actions to be developed in the next period and disbursements.</li></ul>

# Validation 1

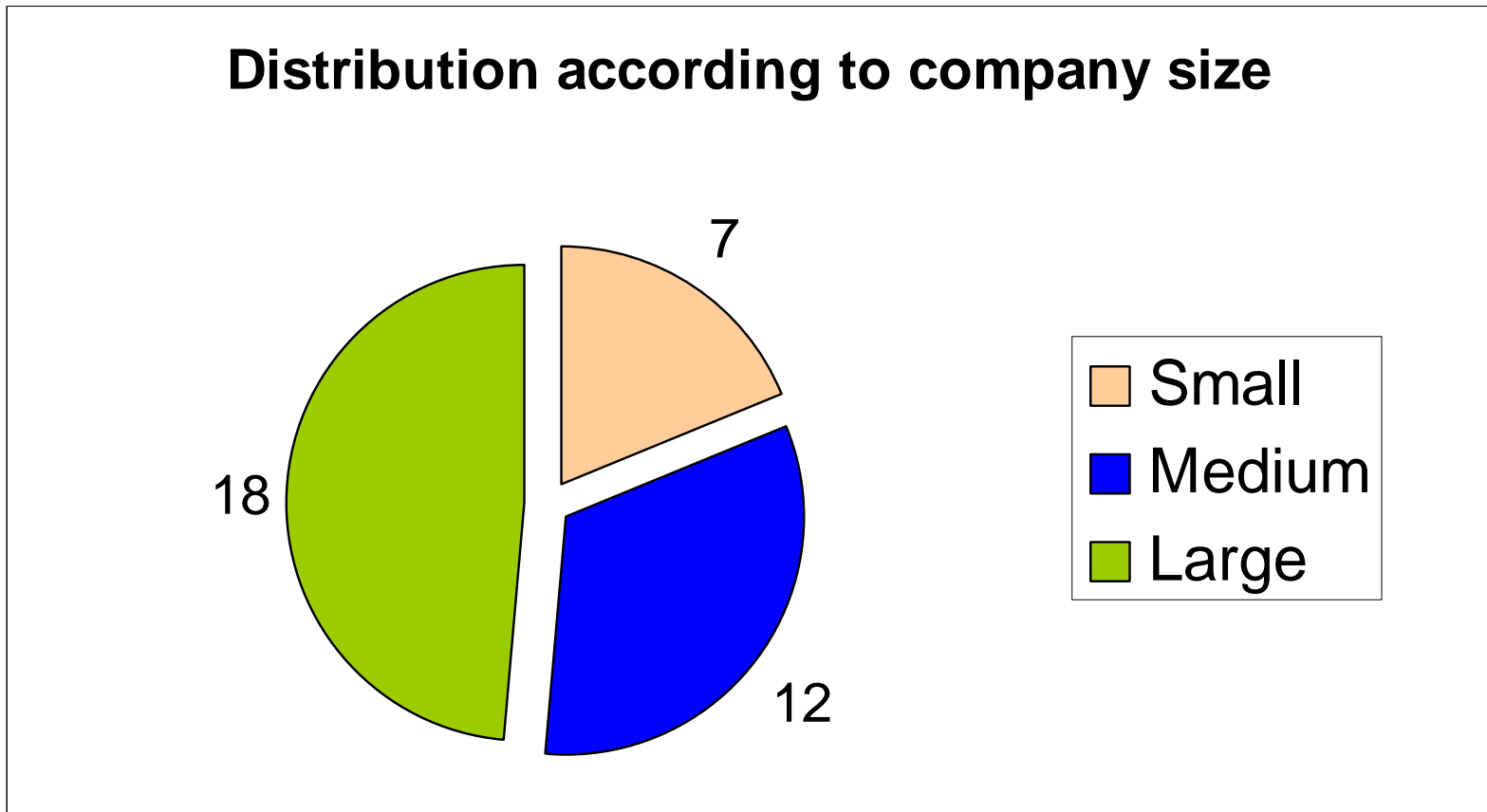
Four companies of the BNDES' portfolio interviewed by CRIE's and BNDES' teams

- Pulp and Paper - Suzano
- IT service – ERP - TOTVS
- Biotech “start up” - Genoa
- Aerospace - EMBRAER

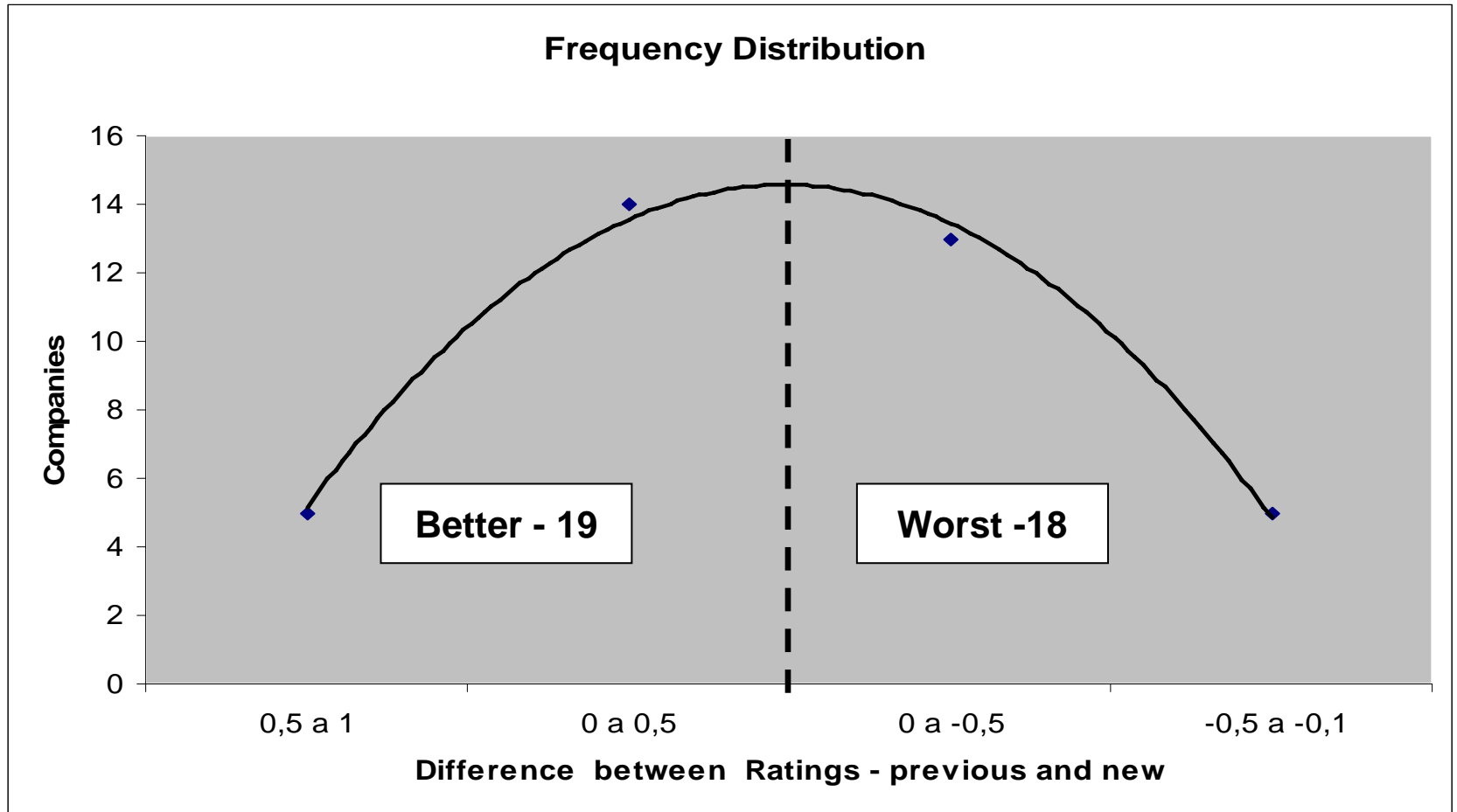


# Validation 2

- Interviews with 37 companies from the BNDES' portfolio



# Validation 2







# The Intangible Capital Agenda Recent and Next Steps

- March 2008 – Line of credit to finance companies innovative efforts - “intangible assets”
- May 2008 – VC/PE Equity Area
- June 2008 – Certification from Centrim (Univ. of Brighton) to reproduce a management innovation course
- July 2008 – Intangible evaluation implemented as a formal process: BNDES Rating combining intangible and classic financial indicators