

# The Brazilian Development Bank

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**International Conference on Financial  
Intermediation Mechanisms for Energy Efficiency  
in Brazil, China and India**

**Paris, May 2006**

## STRUCTURE OF THE PRESENTATION

 General Info on BNDES

 BNDES and the Environment

 Support to Energy Efficiency Projects

 Difficulties in Financing ESCOs

 Guarantee Facility

 BNDES New Program

# Outlook for BNDES

- 📄 Founded on June 20, 1952
- 📄 Latin America's largest development bank
- 📄 Brazil's main provider of long-term financing
- 📄 Brazilian Export Import Bank
- 📄 Excellent funding base
- 📄 Suitable profitability
- 📄 Good asset quality indicators
- 📄 Key instrument for the Federal Government Policies
- 📄 100% owned by the Federal Government
- 📄 1,950 active employees (December 2005)

# Areas of Activity

## **Innovation**

BNDES establishes as a priority the support to investments promoting technological innovation and offers low financial costs to projects directed to research efforts aiming at better competitive positionings.

## **Infrastructure**

Access to basic services such as electric power, telecommunications, urban transport, water supply and sanitation. To increase offer of services ahead of demand to avoid impairment of economic growth.

## **Productive structure**

To increase industry production capacity. Turn industry and service sectors more effective. Priority to small and medium size companies. Support to international businesses of Brazilian companies.

## **Exports**

To promote external sales and reduce imports. Technological investments to increase contents value of consumer goods. Preferential trade relations to Mercosul and other south-american neighbours.

## **Social inclusion**

Conditions and stimulus to intensify social benefits are established for the concession of BNDES credit.

## Financial Indicators

US\$ Million

	BNDES	IDB	IRDB
	Dec 31, 2005	Dec 31, 2005	June 30, 2005
Total Assets	74,750	65,382	222,008
Shareholders' Equity	6,712	18,727	38,588
Net Income	1,314	762	3,831
Loan Disbursements	19,618	5,328	9,722
Capitalization	8.98%	28.64%	17.38%
ROA	1.89%	1.72%	1.73%
ROE	21.47%	6.60%	9.93%
NPL	0.86%	0.43%	0.59%

**IDB** = Inter-American Development Bank

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

- ✓ **Below R\$ 10 million ( around US\$ 4 million )**

**BNDES Automatic - financing through a network of accredited financial institutions**

- ✓ **Over R\$ 10 million**

**FINEM Direct financing**

**FINEM Indirect financing**

- ✓ **Unlimited**

**FINAME - Machinery and equipment**

- **FAT – Worker’s Assistance Fund**

Permanent financing or semi-equity

- **Foreign Funding**

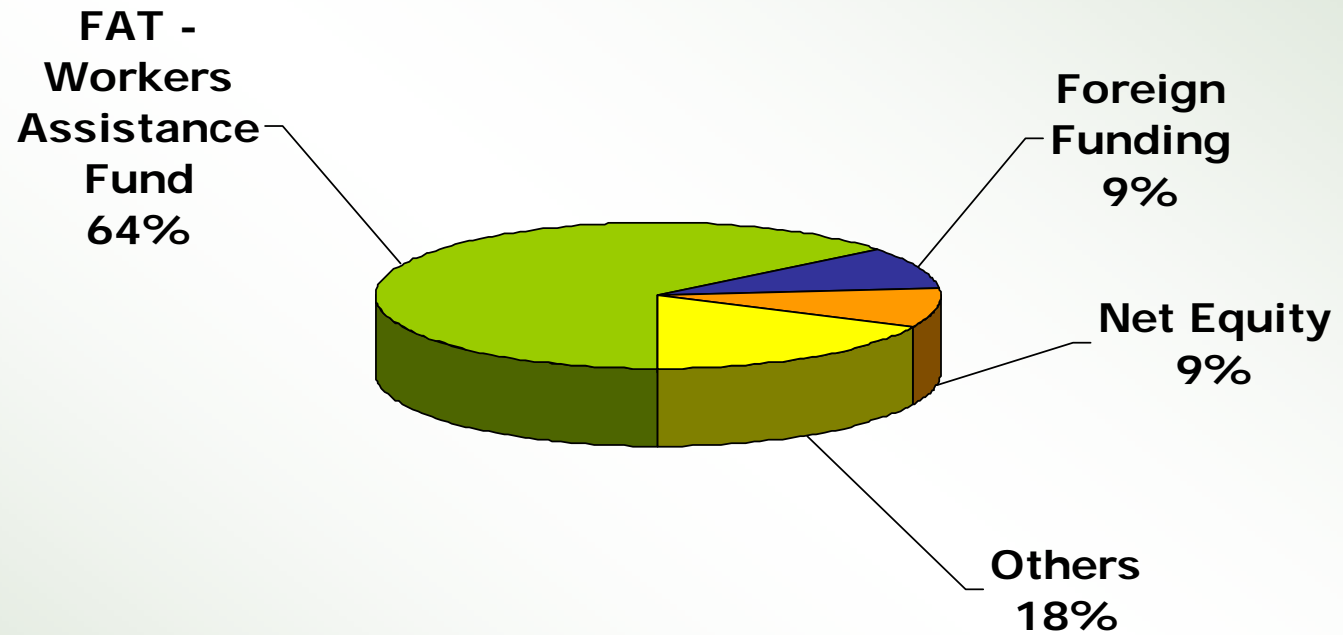
**Government Agencies and Multilateral Institutions**

**IDB, JBIC, World Bank, KfW, etc.**

**Market Funding**

**Bonds, Loans, Structured Notes (ABS)**

# Funding 2005 – Capital Structure



# FAT - Worker Assistance Fund

- **Government-established fund**  
**Social contribution on net operating revenues**
- **Independent of Federal Budget**
- **Remunerated at TJLP (Long Term Interest Rate)**
- **At least 40% of annual revenues are transferred to BNDES (Constitutional FAT)**

# BNDES Interest rate

Interest Rate of the Project = Financial Cost  
+ BNDES's spread  
+ Accredited institutions' spread

Financial cost =

Long Term Interest Rate (TJLP)  
or US dollar or currency basket

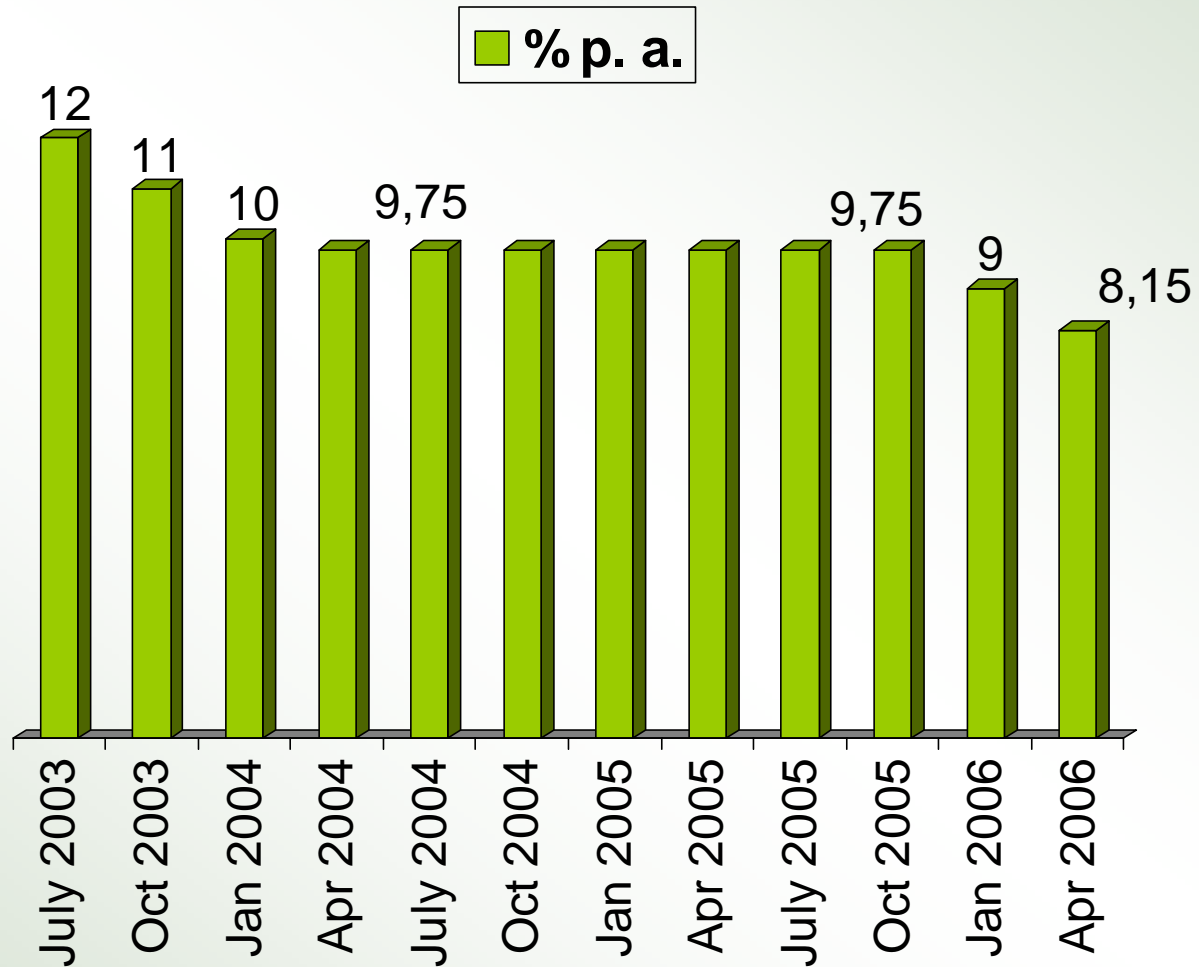
Spread of direct  
operations =

Basic spread (+)(-) Adjustment factors  
+ Risk spread

Spread of indirect  
operations =

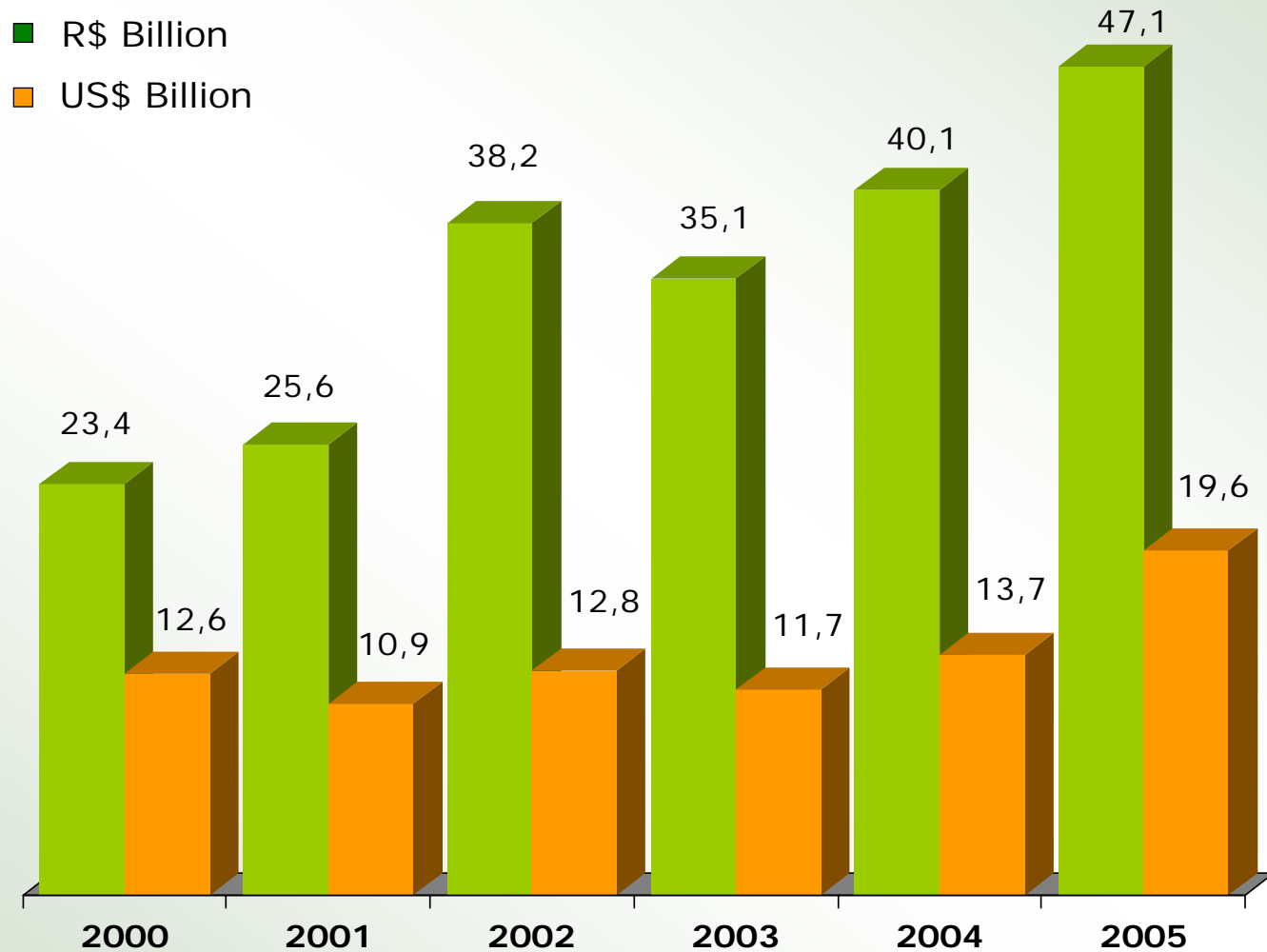
Basic spread (+)(-) Adjustment factors  
+ Financial commission  
+ Accredited institutions' spread

# TJLP Long-Term Interest Rate\*



\*TJLP set each quarter by National Monetary Council

# Annual Disbursements



Converted to US dollar on the disbursement dates

## BNDES

- Health
- Education
- Regional Development
- Micro Finance
- Urban Development

## BNDES Social Fund

**Program to Support Children and Young People at Risk**

## Promoting environmental concepts and practices

- Fostering environmental projects

Water & sanitation, landfills , waste management, hydric resources management, modern renewable energy sources, recycling chains, eco-tourism, energy efficiency, eco-efficiency and cleaner production

- Being proactive

Support to ESCOs, CDM

# Energy Efficiency at BNDES

- ❖ **Credit Lines**
- ❖ **ESCOs Financing**

# Energy Efficiency at BNDES

- ❖ **Avoiding Waste**
- ❖ **More Efficient Equipment**
- ❖ **Improving Industrial Process**
- ❖ **Competitiveness**
- ❖ **Postpone Power Generation Investment**
- ❖ **Environmental Benefits**

## HISTORY

- ❖ **CONSERVE – ( early 80's )**  
**Energy Conservation Program focused on oil derivatives consumption**
- ❖ **PROEN – ( late 80's )**  
**Energy Efficiency Program focused on the electricity end user**
- ❖ **Present Situation**

# Energy Efficiency at BNDES

- **Identifying Energy Efficiency opportunities in the projects presented to BNDES**  
**(stimulating investment and financing)**
- **Modernization of Productive Sectors of Brazilian Economy**  
**(steel industry, pulp and paper, petrochemistry etc)**
- **Supporting Energy Efficient Equipment Manufacturers**  
**(motors, refrigerators, freezers etc)**

## Financing Energy Efficient Projects

- ❖ FINAME – Machinery and Equipment Purchasing
- ✓ BNDES CARD
- ✓ Automatic BNDES - under R\$ 10 million
- ✓ Direct Financing – over R\$ 10 million
- ✓ PMAT – Public Lighting, Public Buildings
  
- ✓ Equity

# BNDES CARD

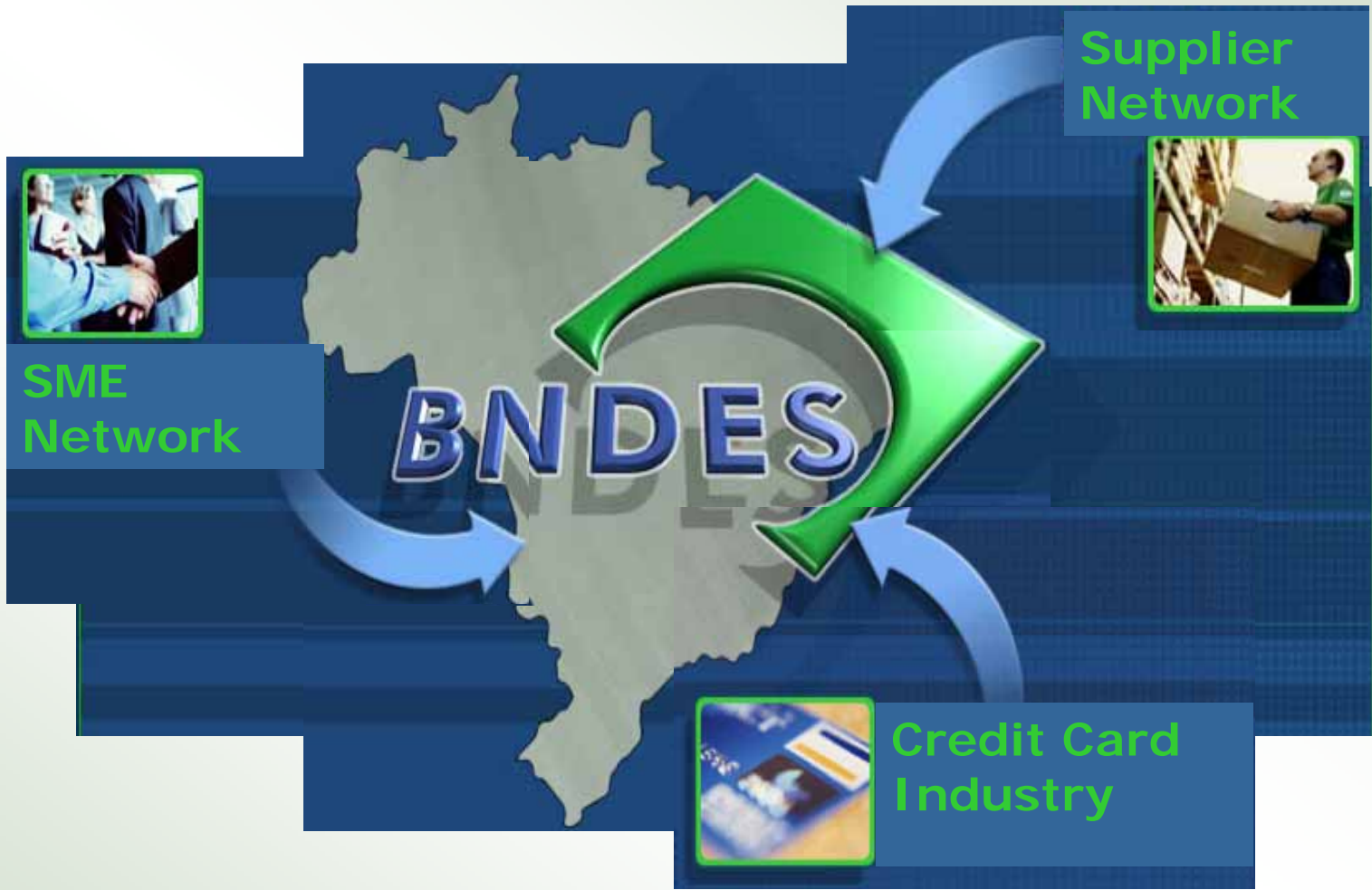


A product designed for:

- Making the micro, small and medium companies' access to BNDES easier and faster
- Allowing the cardholder the automatic use of a pre-approved credit line
- Establishing a direct contact between BNDES and small companies

# Where the transactions happen

([www.cartaobndes.gov.br](http://www.cartaobndes.gov.br))



# BNDES CARD

- -Credit Limit: R\$ 100.000,00 .  
-Fixed instalments  
. Interest Rate: **1,39%** a.m.  
(changes every month) –fixed  
after contract
  
- . Total Period: 12, 18 , 24 ou  
36 months
  
- -Associated Banks: BRADESCO  
BANCO DO BRASIL e CAIXA  
ECONÔMICA FEDERAL

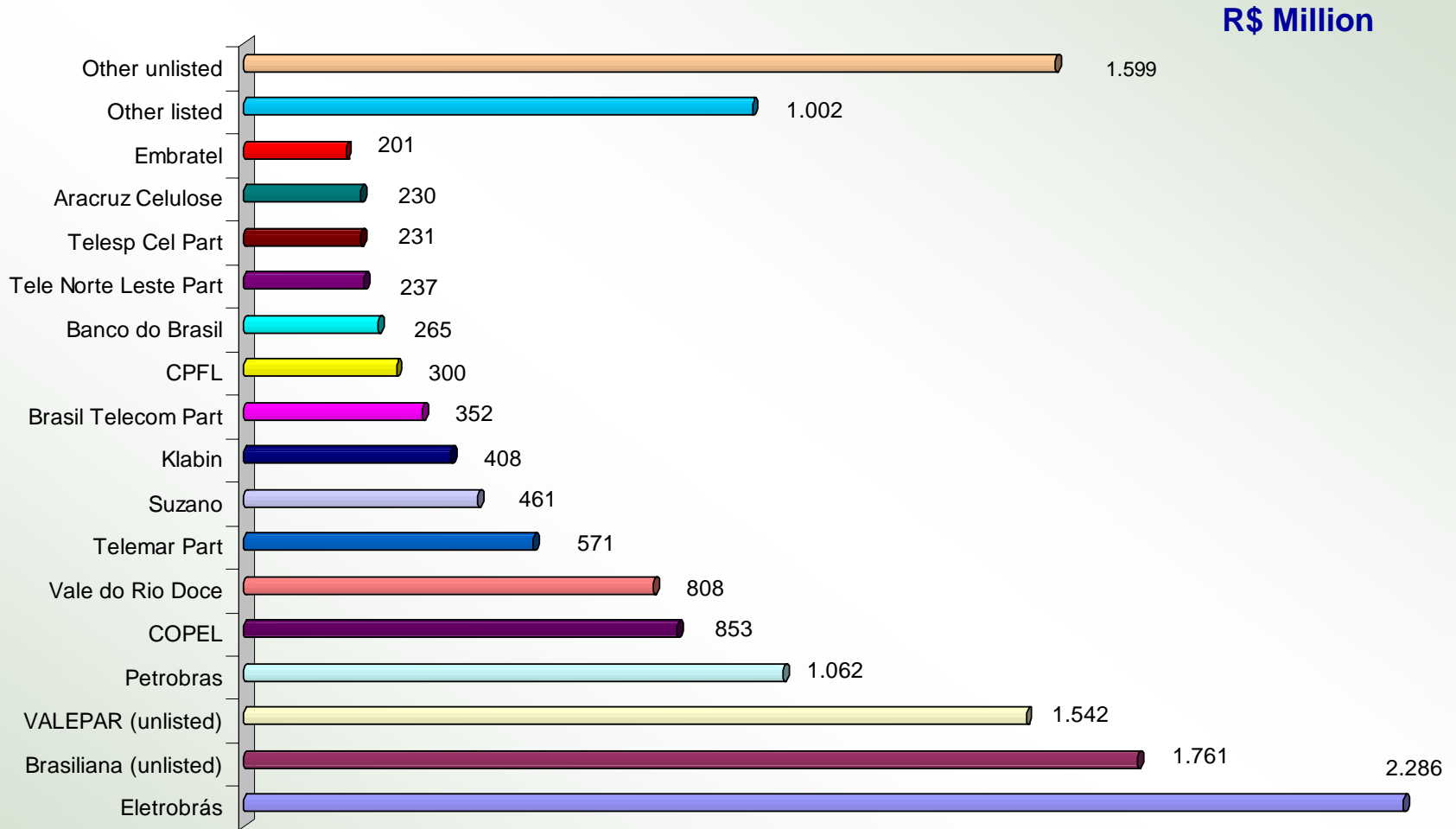
## PMAT- Program for the Modernization of Municipalities Management

- ❖ **Encompasses efforts to increase fiscal revenue and to enhance the quality of disbursements**
- ✓ **Energy savings in public lighting and in public buildings**
- ✓ **It's the only program through which we are allowed to finance the public sector without restriction**

## PMAT- Program for the Modernization of Municipalities Management

- ❖ Total period – up to 6 years
- ❖ BNDES maximum involvement - 90% or 100% depending on the municipality population
- ❖ Interest rate: TJLP + 1% <sup>aa</sup>

# Equity Investment



**Dec 31, 2003**

**Total Book Value R\$ 14,2 Billion**

**Total Market Value R\$ 29,8 Billion**

## EQUITY

- ❖ **2004 - BNDES becomes partner of ECOLUZ through an Emerging Companies Investment Fund**

❖ **FINAME – Machinery and Equipment Purchasing**

✓ **BN DES CARD**

## **FINANCING THE ESCO**

## **CUSTOMER**

✓ **Automatic BNDES - under R\$ 10 million**

✓ **Direct Operations – over R\$ 10 million**

✓ **PMAT – Public Lighting, Public Buildings**

✓ **Equity**

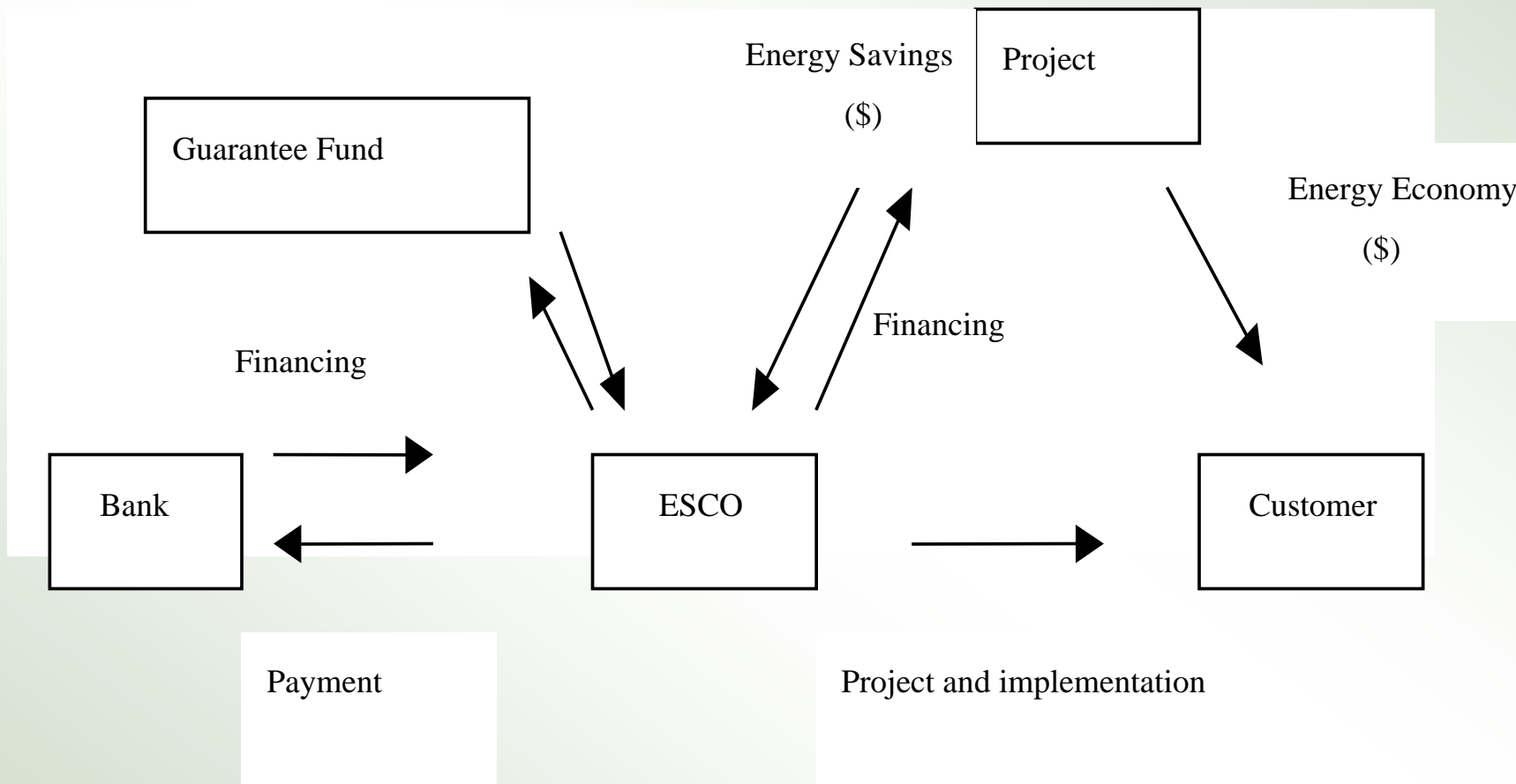
## FINANCING ESCOs

### Overcoming Barriers

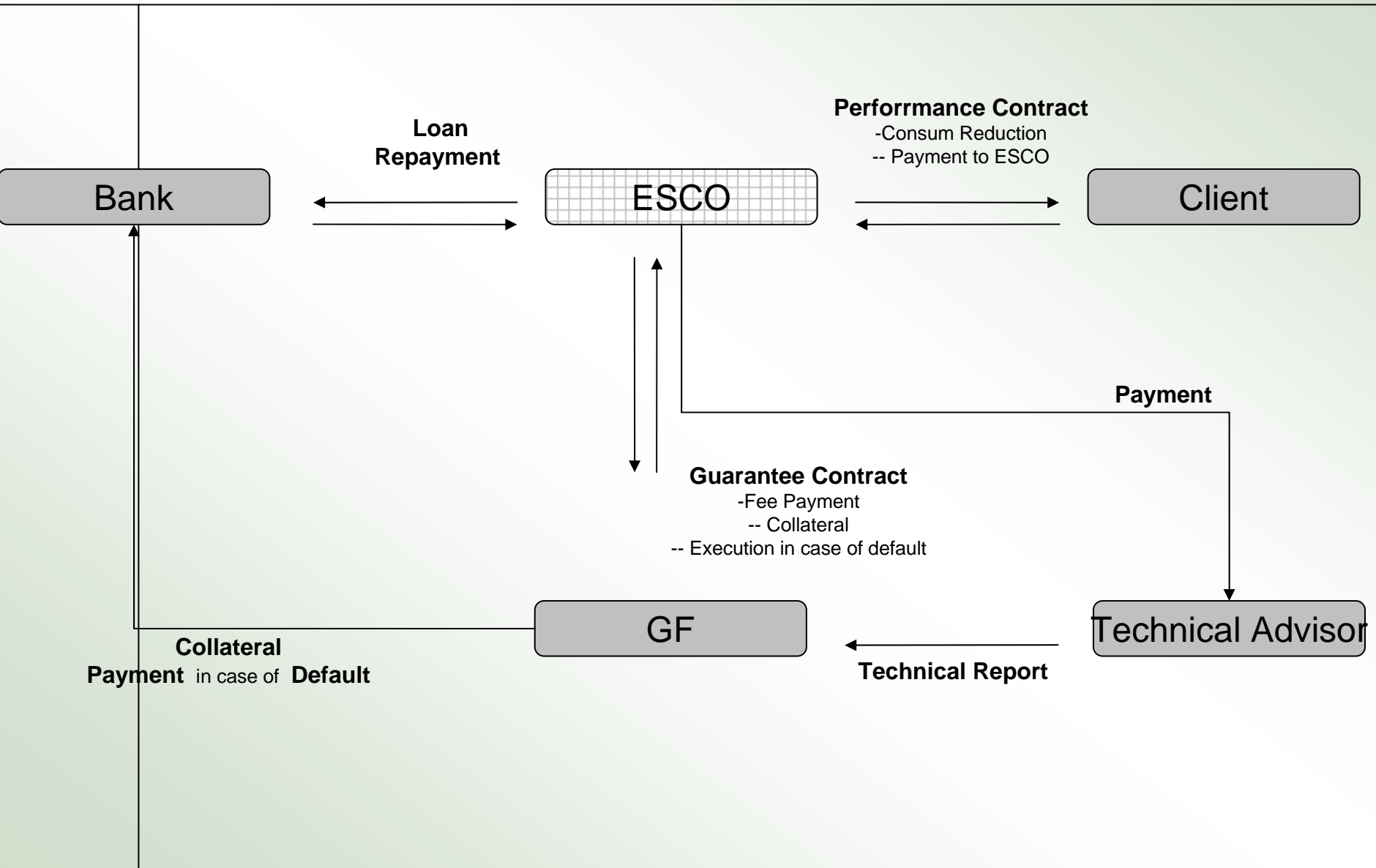
## **FINANCING ESCOs – Barriers to Overcome**

- ✓ **Small Scale Projects**
- ✓ **Small Scale Companies**
- ✓ **Underdeveloped Market**
- ✓ **Unawareness of Banks**
- ✓ **Lack of Collateral**

## ❖ The Guarantee Fund



# WB – Guarantee Facility

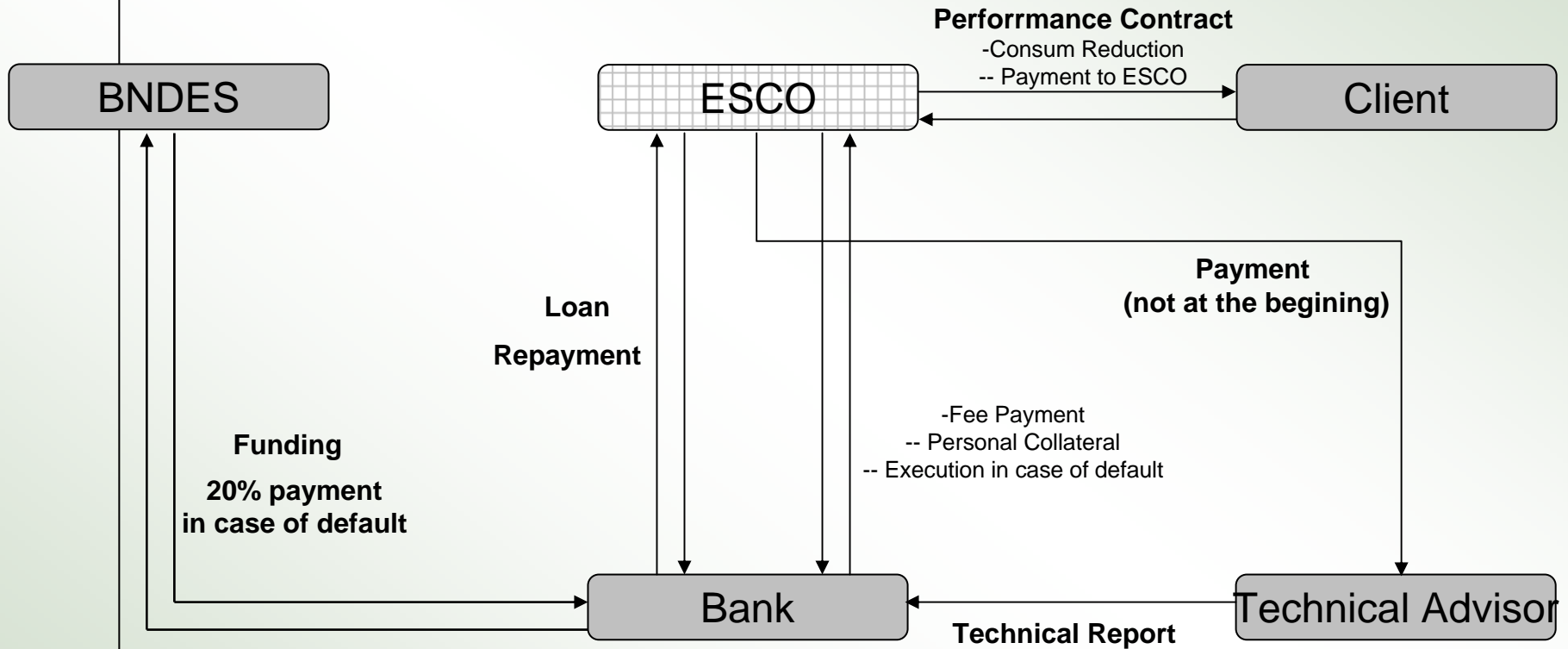


# BNDES - Guarantee Facility

- ❖ **Why should we adapt the proposed solution?**
- ✓ **No time to wait**
- ✓ **BNDES is the source of financing**
- ✓ **It is pointless to guarantee our own money**
- ✓ **Trial phase**

## ❖ New Credit Line to ESCOs

- ✓ **Partnership with Banks committed to Sustainable Development**
- ✓ **Risk Sharing ( 80% - 20%)**
- ✓ **ESCOs will only offer personal guarantees**
- ✓ **Risk Bearing Fee**
- ✓ **Fast Track Operational Procedure**
- ✓ **PROCEL is providing technical support for free**



## ❖ Conditions for financing ESCOs:

- ✓ **Many Good Projects**
- ✓ **Capacity Building certification (?)**
- ✓ **Performance Contract - Receivables Soundness**
- ✓ **Participation of financial agents**
- ✓ **Good Quality Assets**
- ✓ **Collateral Structure**

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