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Session 8. Bridging the Gap: Crowding in the Private Sector

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Brazilian Development Bank (BNDES)
BNDES is the only bank that provides long term financing to companies.

New sources of long term funding are required.

BNDES’ aim is to foster the development of the capital market through “crowding in” – motivating private sector to share operations with BNDES.

Underdeveloped capital market

Main targets

BNDES offers special conditions to:

- Areas where social return is above financial return: sectors that benefit society more than they bring in profits (infrastructure).
- Projects where there’s great uncertainty (new technologies).

DFIs must be prepared to anticipate trends and uncertainties and have the flexibility to respond quickly to new challenges.
In order to support the capital market development and to supplement the financing options to Brazilian companies, BNDES offers 5 solutions:

- Direct financing: operations above US$ 6 million.
- Indirect financing through clearing banks.
- Equity investment: the bank gets a small stake in a company, helps the company reach an agreed progress, and then sells the equity.
- Corporate bonds acquisition.
- Investment funds.

When BNDES lends or “invests”, it also gives an example to the market, creating a more favorable setting to “crowding in” the private sector.
Support to the Health Industrial Complex reached about US$ 2 billion from 2001 to 2016 (156 projects).

Brazilian pharmaceutical companies increased market share from 35% in 2003 to 56% in 2015.

R & D investments increased from 0.6% of revenues in 2003 to 2.3% in 2014.

3 public policies played an important role:

✓ Health regulation;
✓ Financing; and
✓ Government purchasing power.

Since 2007, productive development partnerships have focused on public health care, seeking to integrate priority technologies for health and to increase the population’s access to new medicines and biotechnology.
Since 2011, BNDES and FINEP (Brazilian agency for innovation financing) have supported about US$ 1 billion in development of new technologies as second generation ethanol (2GE), transgenic sugarcane and renewable chemistry.

As a result, Brazil has two of 2GE six pioneering commercial plants operating worldwide.

The long term strategic agenda is to transform the traditional technical-economic paradigm of sugarcane mills into the concept of biorefineries.

Through the full use of sugarcane, Brazilian mills will produce sugar, ethanol, bioelectricity, as well as many new higher value-added chemical products.

The new induced investments will contribute to energy supply and to the reduction of greenhouse gas emissions, negotiated by Brazil in Paris COP21 Agreement.
Thank you very much!

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