

# Sketching profiles of Development Banks

Seminar Global Economic Governance  
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## Assertive

- A development bank is an essential instrument to support development strategies and policies.

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## Propositions

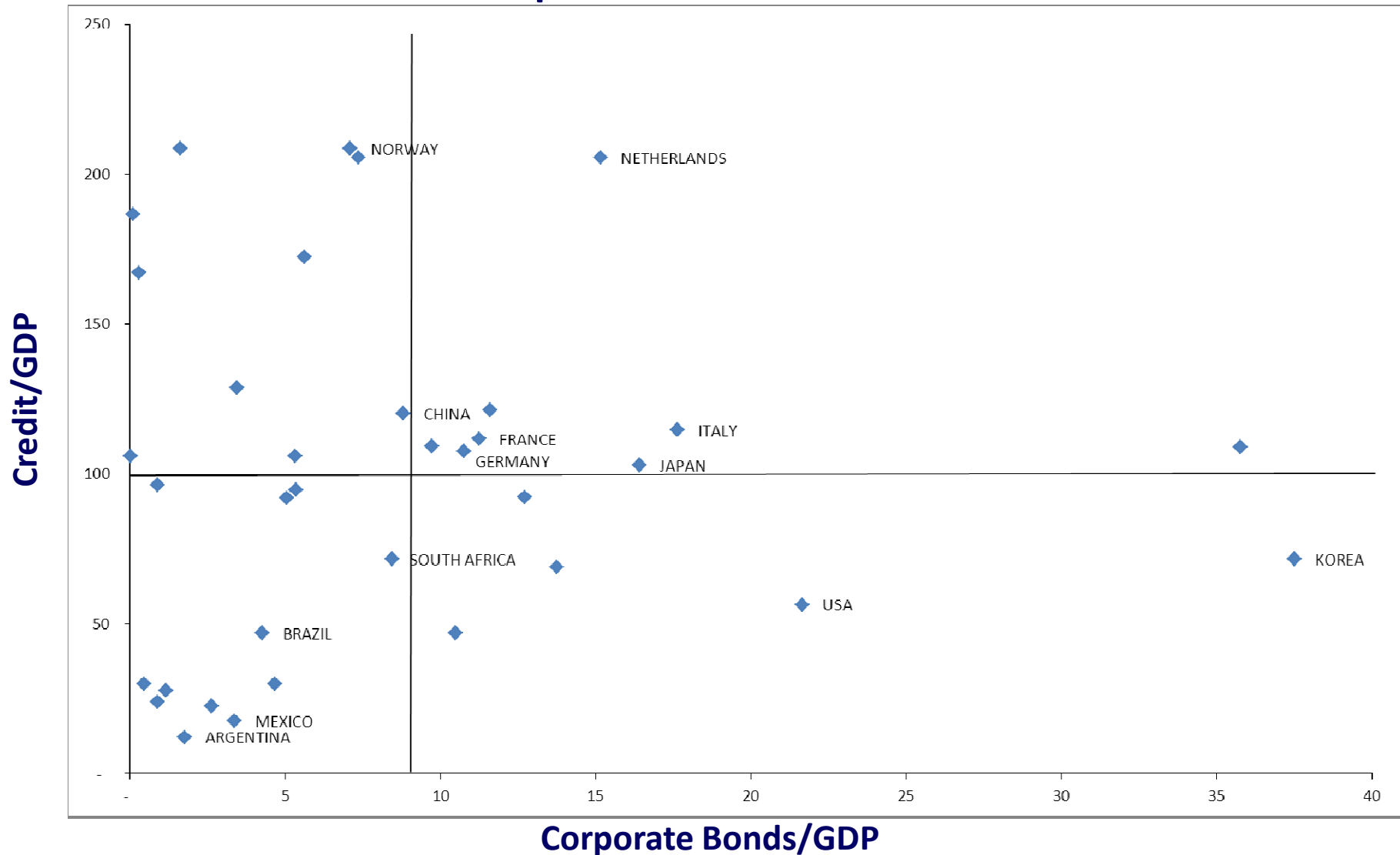
- Each Development Bank is a singular institution. **No role model exists.**
- As market based finance can be relied only partially for development financing, **a stronger configuration for a national financial industry is where private and public institutions co-live .**
- But... attention!!! **Time and place do matter** in defining: (i) a DB place in development and, (ii) the public/private modes of relation.

# The starting point: each country, a specific model for the financing of economic activities



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## Credit and corporate bonds as % of GDP - 2010



Source: Financial Structure Database and BIS - 2010

- **A very common institution:** in countries under different regimes, at different stages of development.
  - OECD: institutions providing long term loans that are beyond the capacity or the willingness of others to do so.
  - BDC (2009): 235 DIs in 92 countries.
  - WB (2012): 90 DIs in 61 countries. 2009: total assets: US\$ 2.01 trillion; loan portfolio: US \$1.59 trillion.

International Benchmark Study on Development Institutions. Business Development Canada, 2009

Global Survey of Development Banks. Policy Research Working Paper, n. 5969. Washington: World Bank, 2012.

- Different types of Development Institutions: **Development Banks**, Specialized Agencies (Credit, Guarantee or Equity), Development Financing Institutions (usually multilateral)

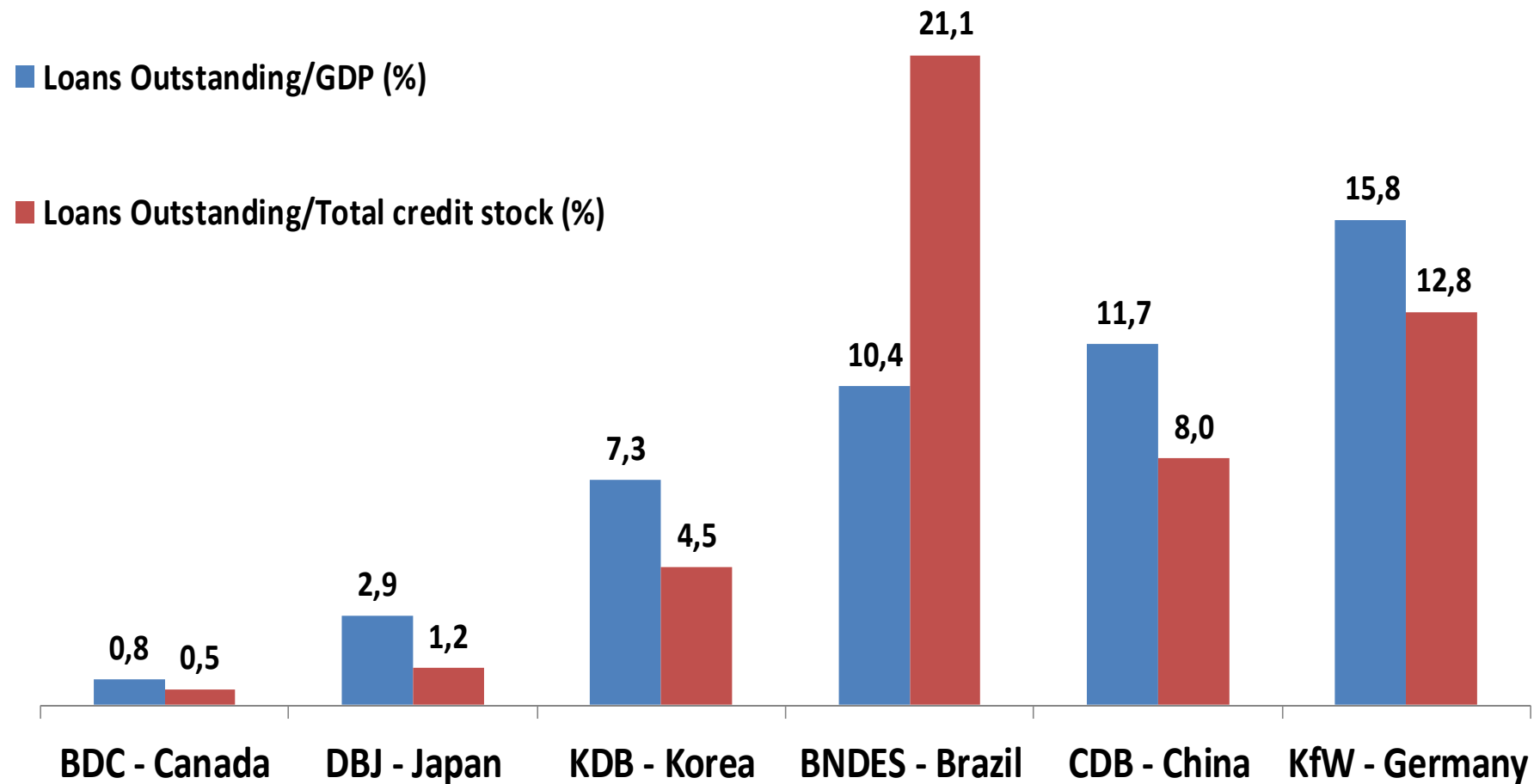
- Not a homogeneous group, differing in:
  - Ownership structure (fully vs. partially owned by government)
  - Target sectors and clients (narrow vs. wide focus)
  - Lending models (first-tier vs. second-tier)
  - Credit conditions (subsidized vs. market interest rates)
  - Regulation and supervision (special regime vs regime applicable to all banks)
  - Corporate governance (independent vs. government controlled boards)
  - Size (absolute and relative), loan portfolio, performance indicators...

# Role of each development bank: direct relation to “national financing structure”



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## Comparative role in the economy – 2011 data-



- **Finance expansion** of capacity, fill gaps, fix failures, induce externalities...
- **Foster** an innovative, sustainable **long term financing industry**
- Contribute to **systemic stability** (anti-cyclical role)
- Appropriate and **distribute** (to society, via the State) **returns** of (financial) investment decisions

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- **But not at all without controversy!** Common criticisms
    - Crowding out private industry
    - Discretionary power (“pick winners”)
    - Cronyism

# The awakening of the Sleeping Beauty? DBs are back to the game



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**“Once a financial crisis hits, it is too late for governments to create institutional capacity to provide fall-back credit support. The institutions must already exist, with a clear operate mandate, experienced professional staff, and the financial capacity to respond to the financial needs and ramp-up their operations when the private market fails.” (Conference Board of Canada, 2010)**

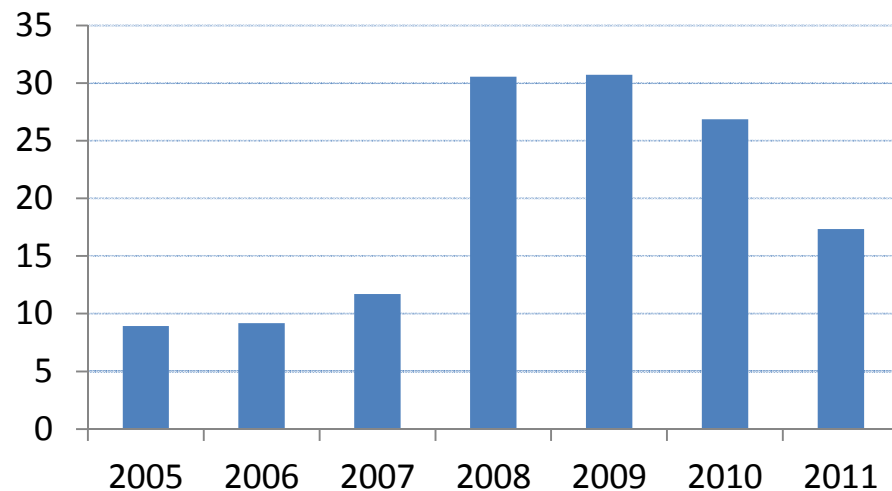
**“An Infrastructure Bank (IB) to facilitate the provision of stable, long-term, predictable finance for infrastructure. There are good theoretical reasons for the creation of such a bank: it can help to overcome key market failures in capital markets in a direct and constructive way. (LSE Growth Commission, 2013)**



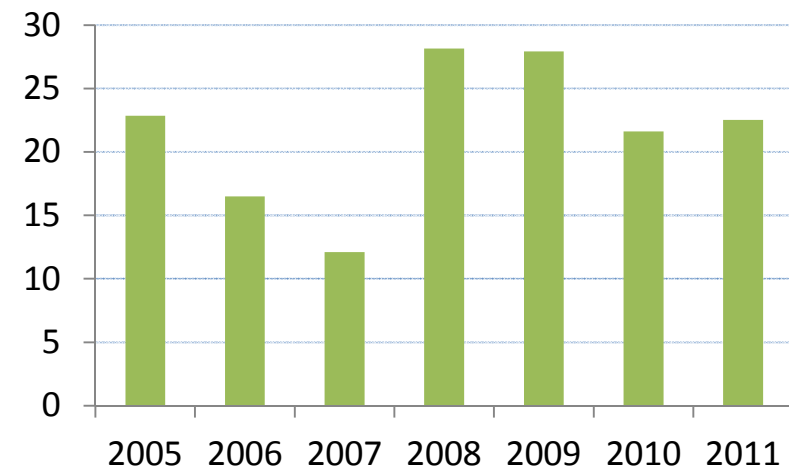
# Current crisis show: a strategic role for development banks

## Growth (%) of credit portfolio of selected development banks -2011

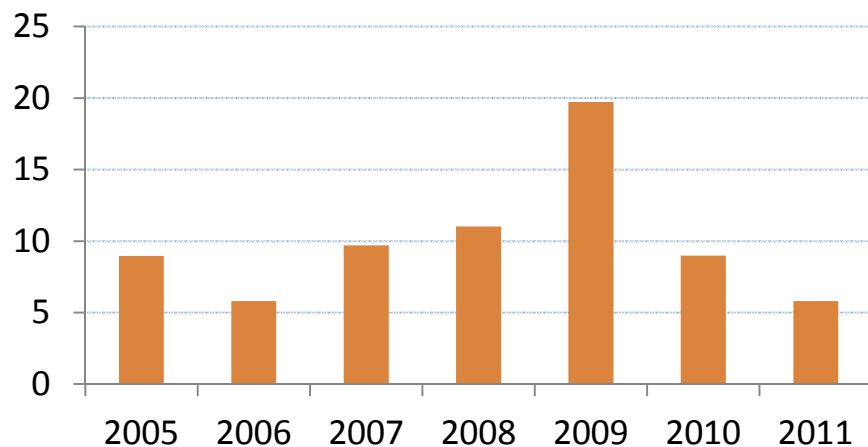
**BNDES - Brazil**



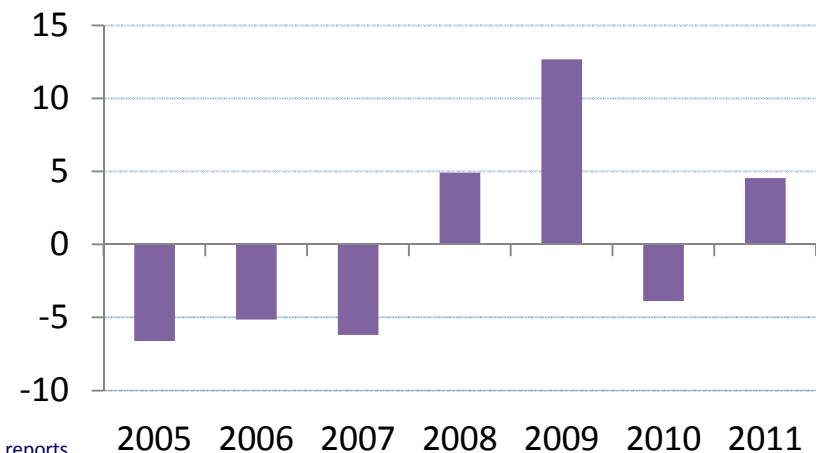
**CDB - China**



**BDC - Canada**



**DBJ - Japan**



Source: Annual reports.

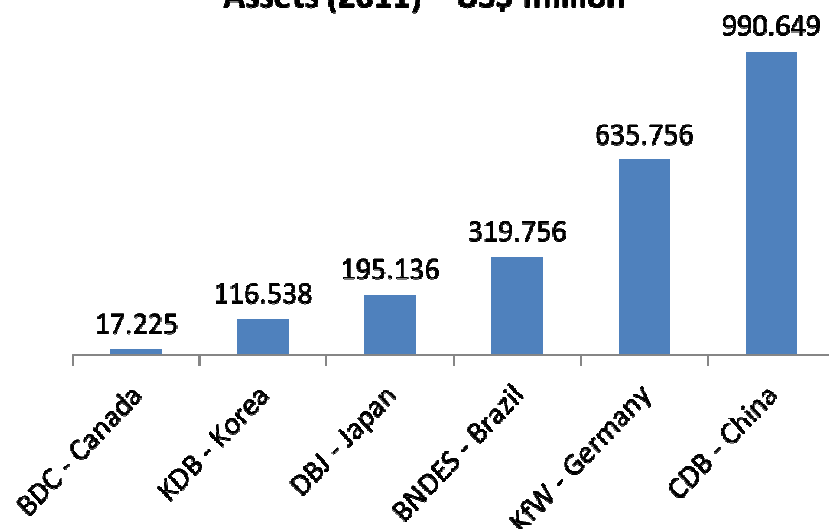
# A comparative perspective: significant and adequate economic and financial performance



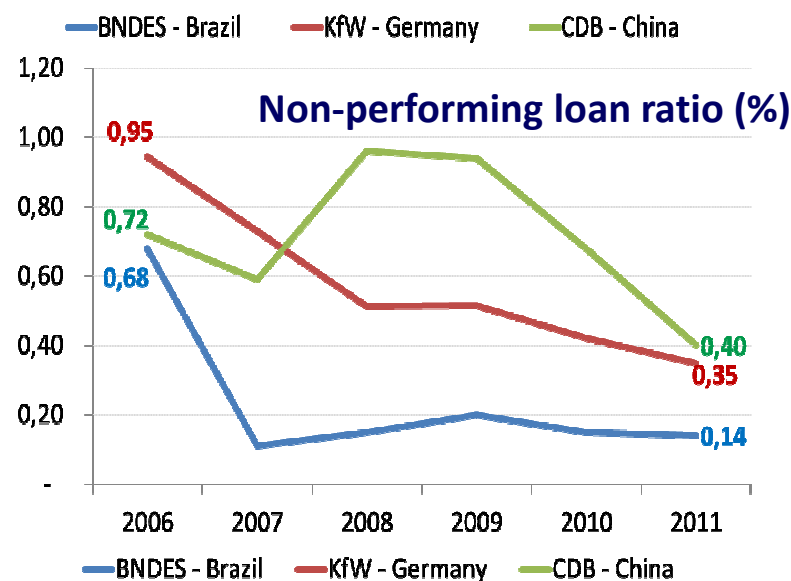
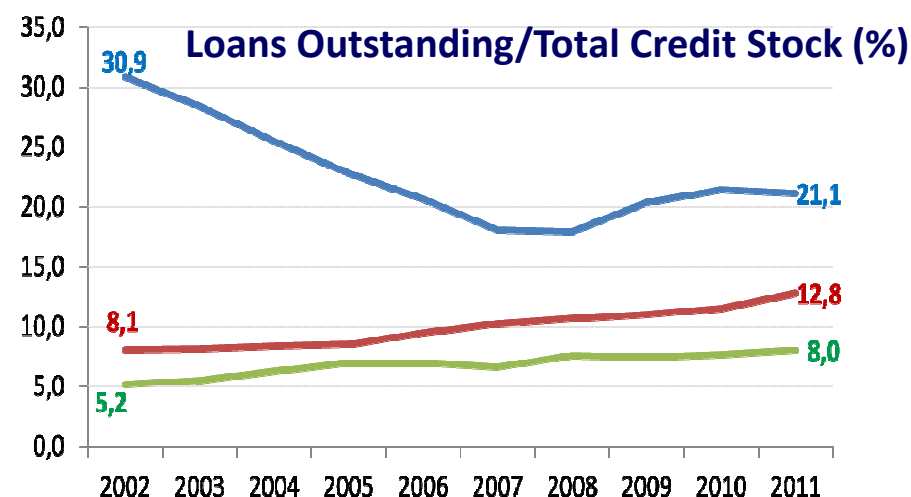
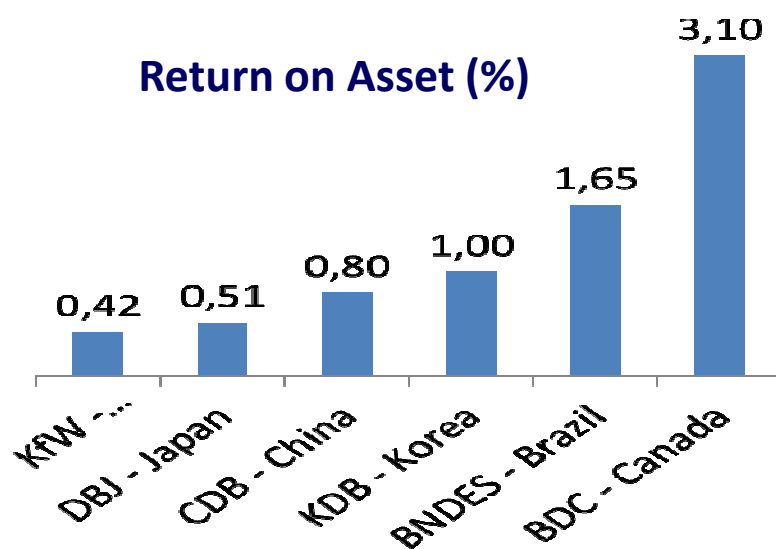
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## Comparative performance – 2011 data-

Assets (2011) – US\$ million



Return on Asset (%)



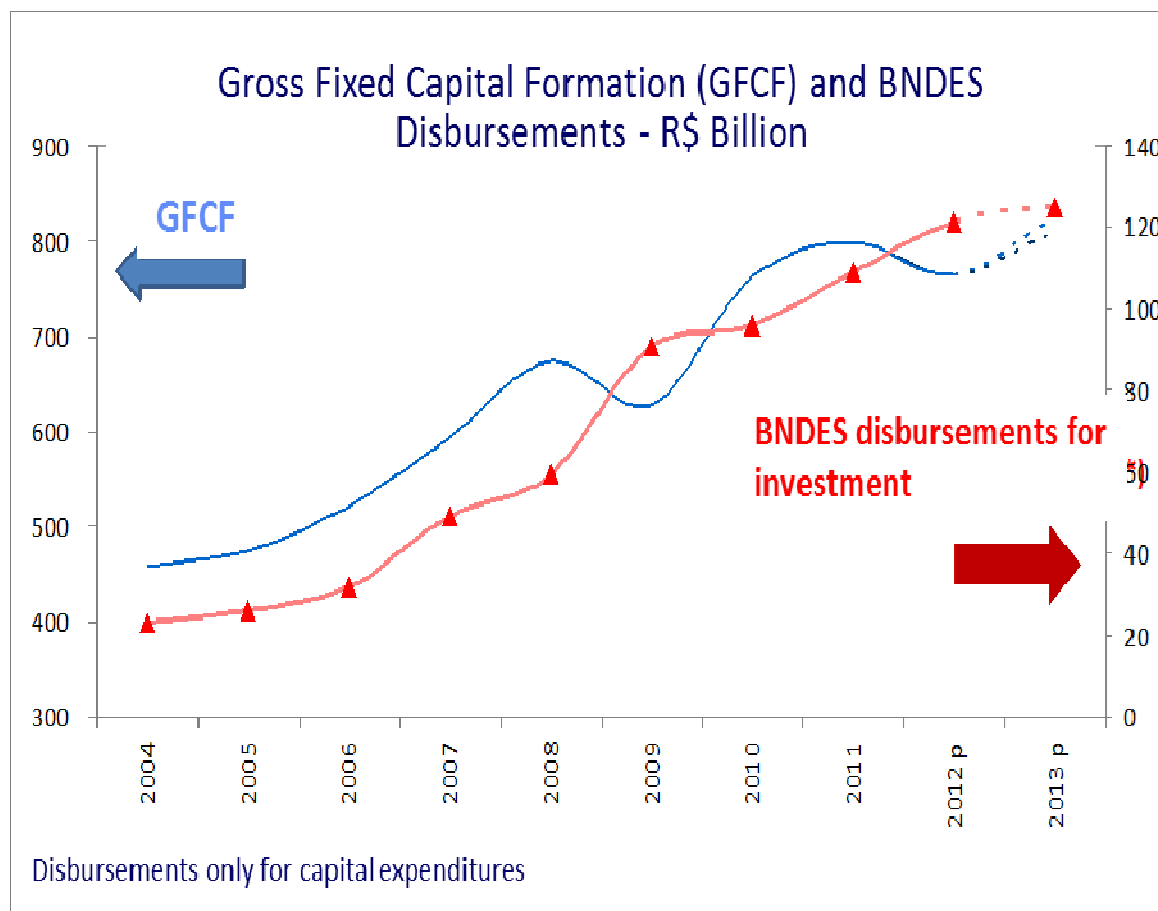
# BNDES at a glance: scale and scope matters



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- ✓ Main provider of long-term financing in Brazil
- ✓ 100% state-owned company under private law
- ✓ Stable funding
- ✓ 2,780 employees
- ✓ Instruments
  - Direct operations
  - Indirect operations
  - MSME (financing & guarantee)
  - Exim
  - Project finance
  - Equity investments
  - Grants

**Total disbursements 2012:  
US 75 billion; + 12% vs 2011**



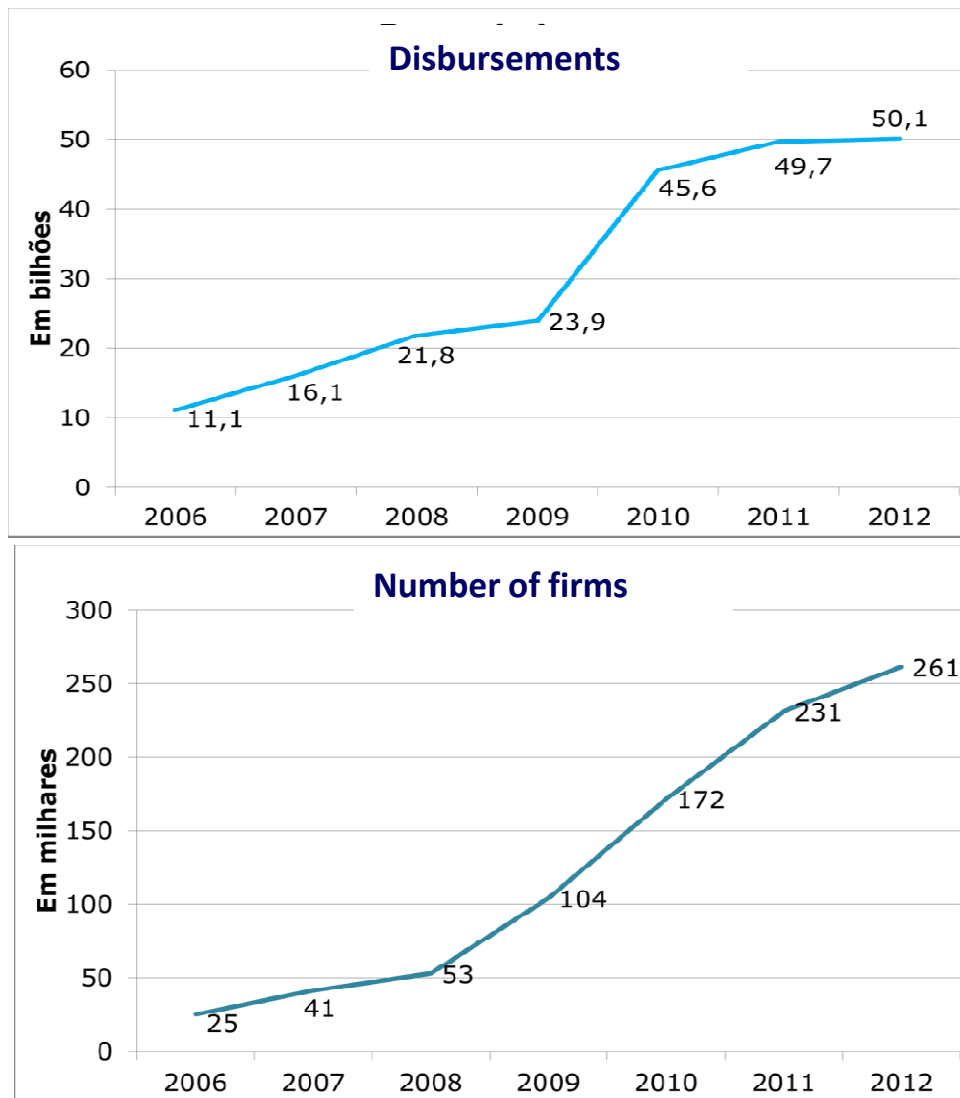
Source BNDES

# BNDES efforts towards inclusion and sustainability



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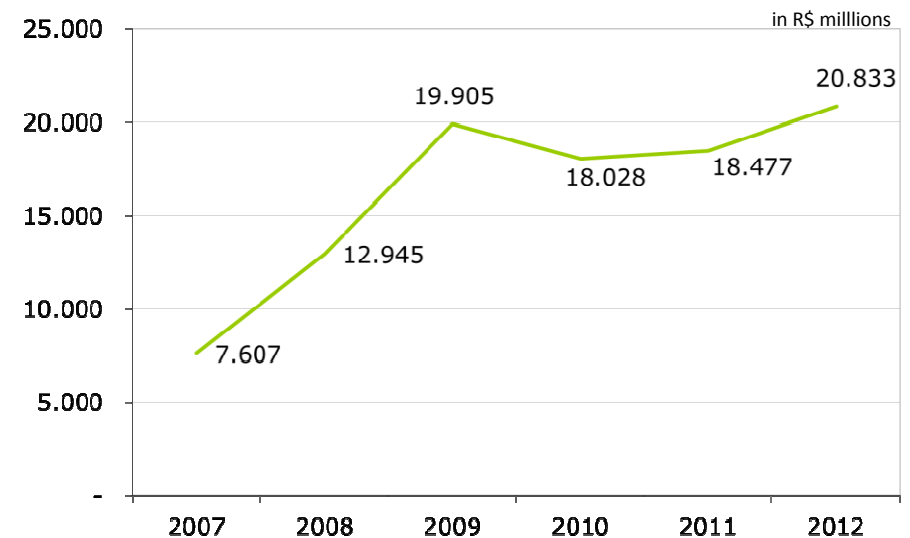
## Loans for MSME



Source BNDES

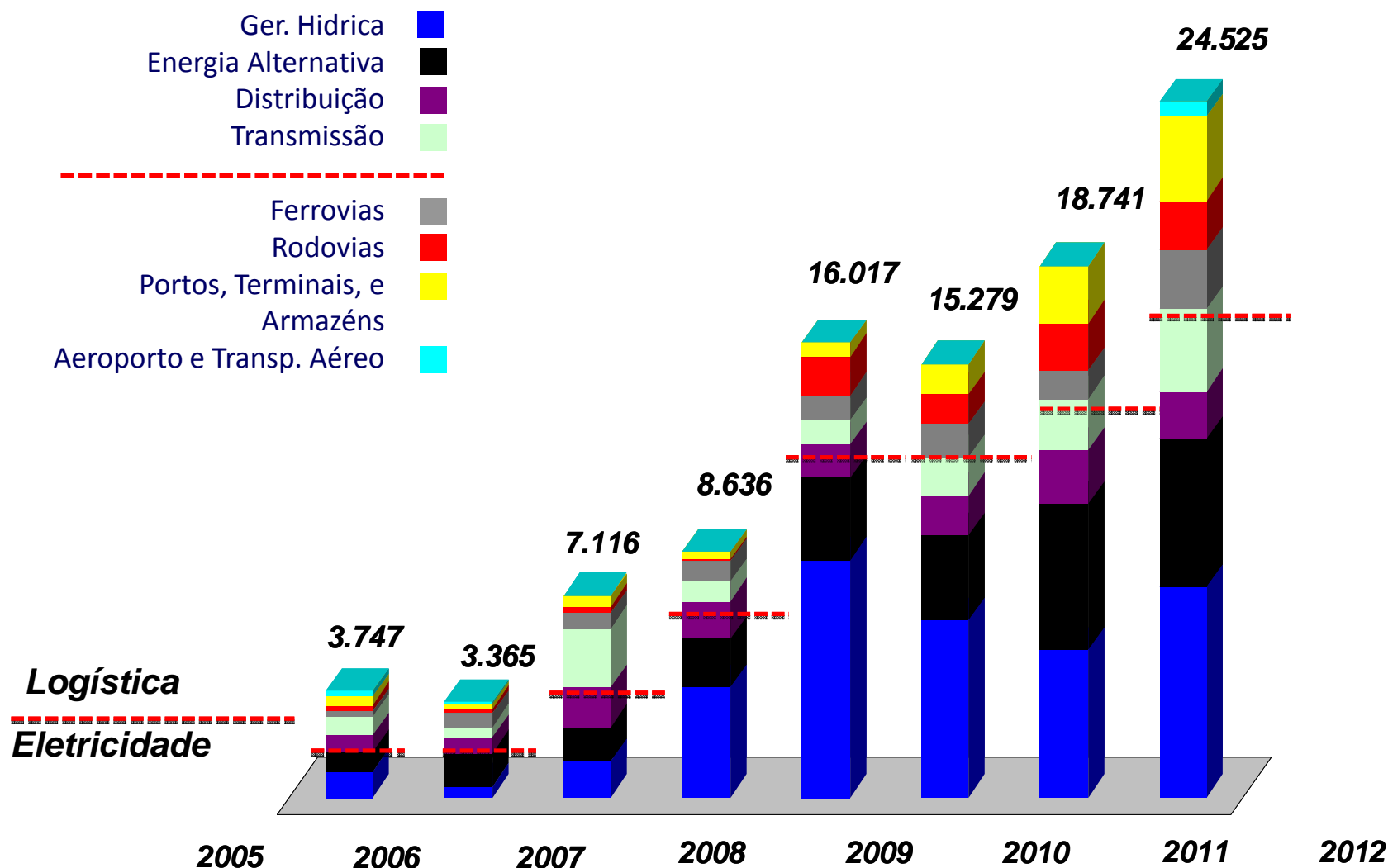
**Disbursements 2012:**  
**US 75 billion; + 12% vs 2011**

## Sustainability and green economy



# Support for “economic infrastructure”

R\$ millions



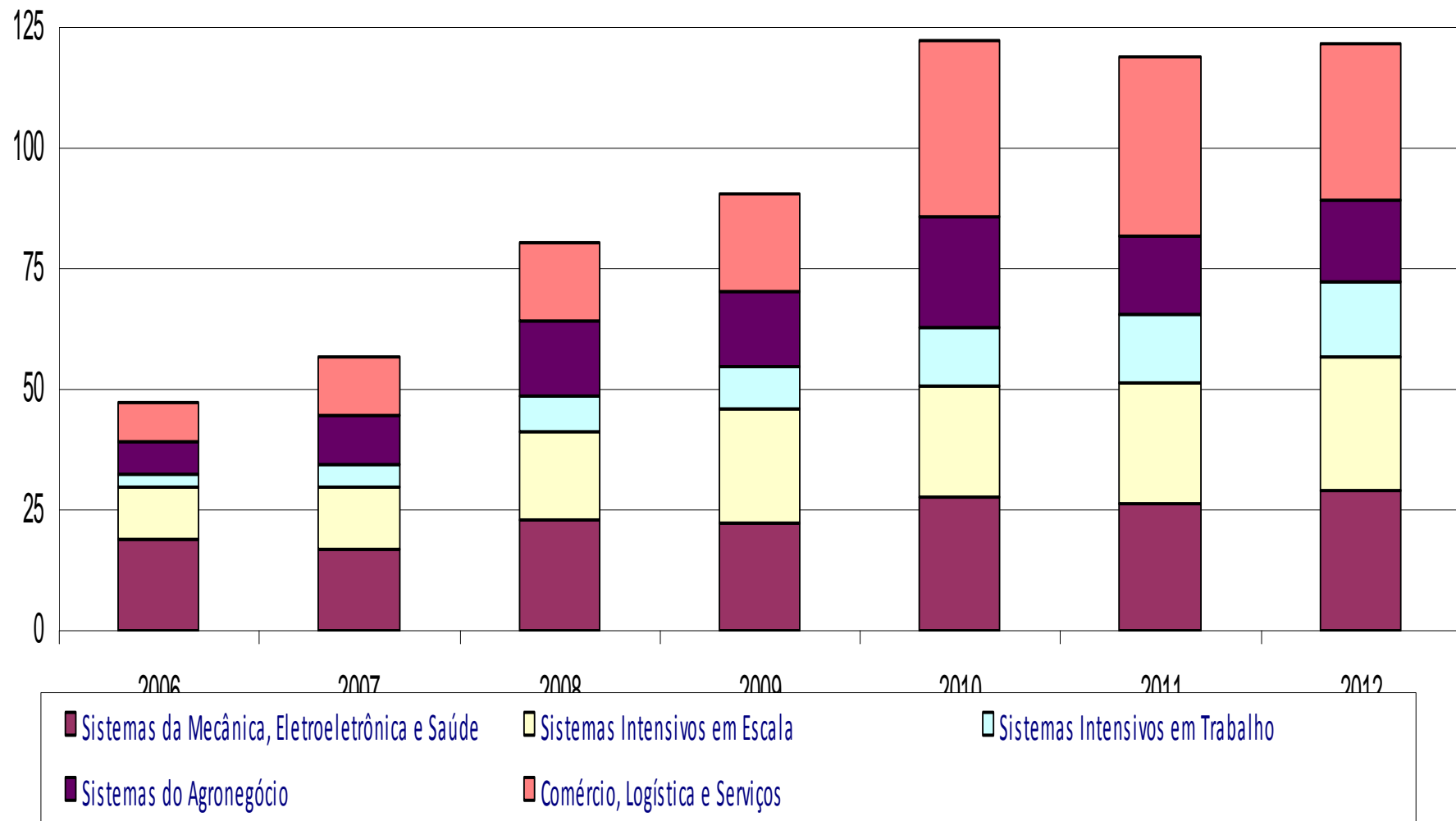
# Support for industrial investment and competitiveness



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## Sectoral disbursements according to Plano Brasil Maior directives

in R\$ billion



- **Mandates** must be given and enforced at the highest political level
- **Servant** of public interest; pursuer of effectiveness and efficiency
- **Stable funding** as a basic asset for financial sustainability
- **Flexible competences** to mobilize resources and instruments adequate to mandates and to different stages and needs of a country's development.

Development Banks must not be the vanguard nor the rearguard  
but the **co-guard of development**

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