

Sketching profiles of Development Banks

Seminar Global Economic Governance
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Assertive

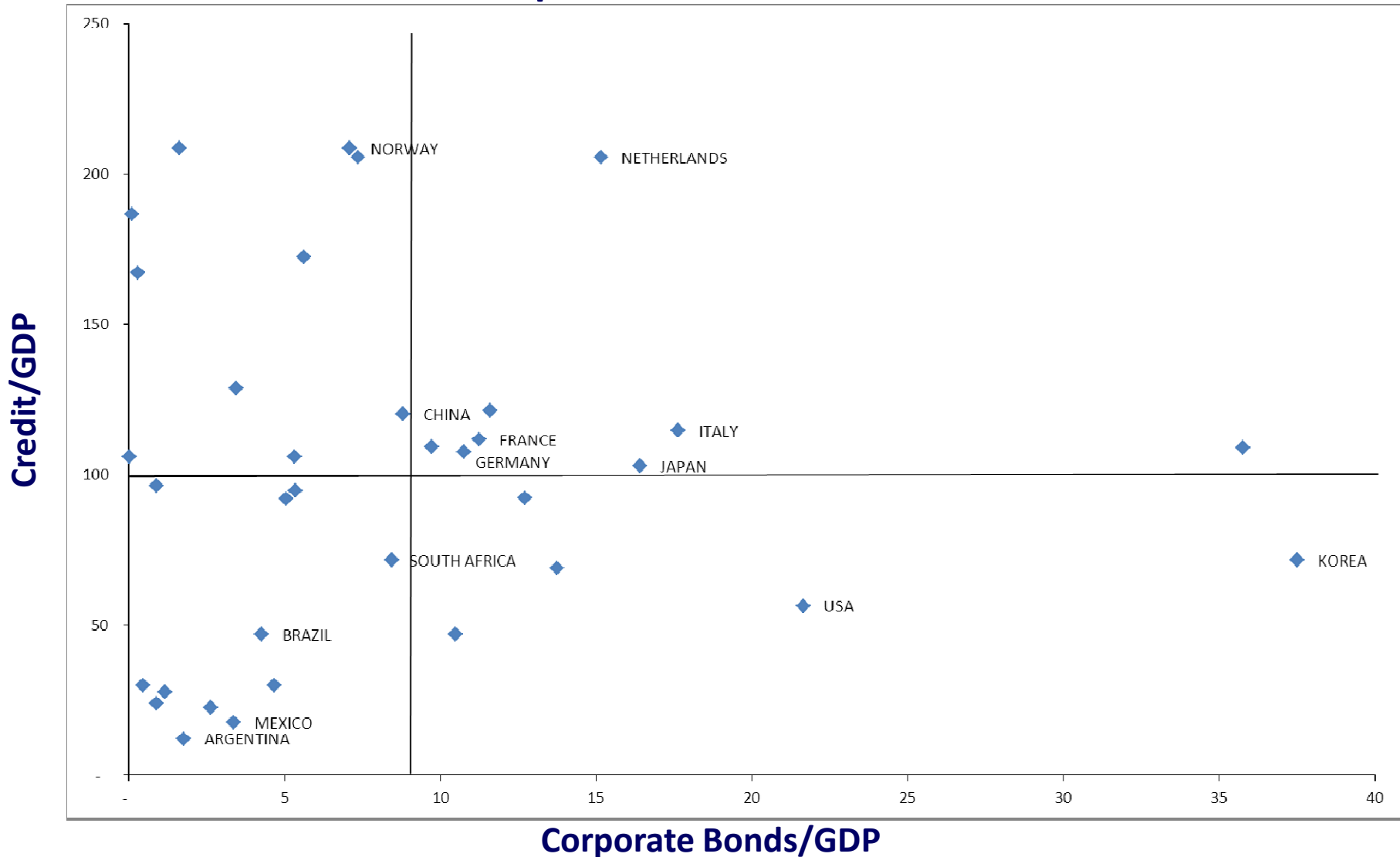
- A development bank is an essential instrument to support development strategies and policies.

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

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.

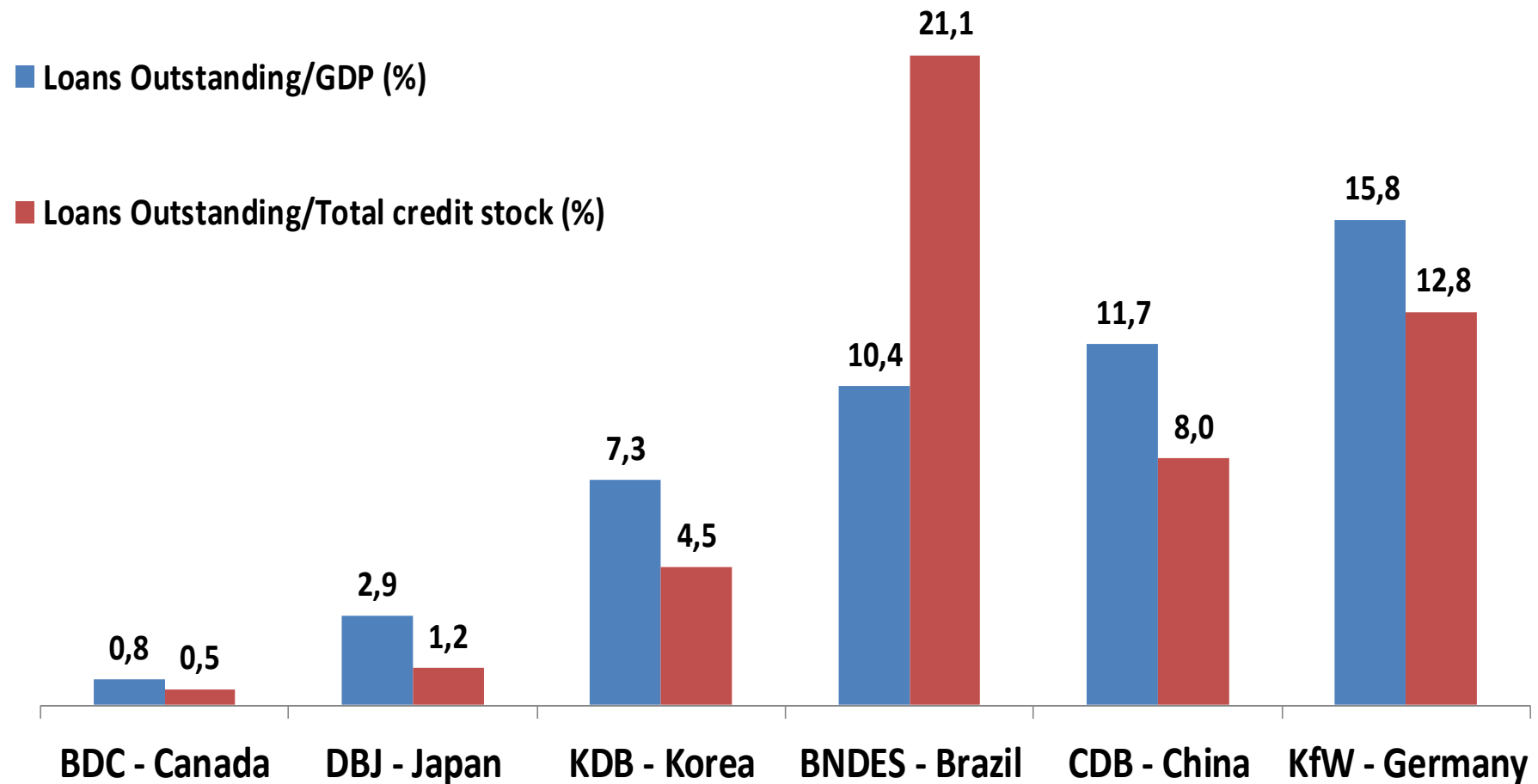
- Different types of Development Institutions: **Development Banks**, Specialized Agencies (Credit, Guarantee or Equity), Development Financing Institutions (usually multilateral)

- 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”



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

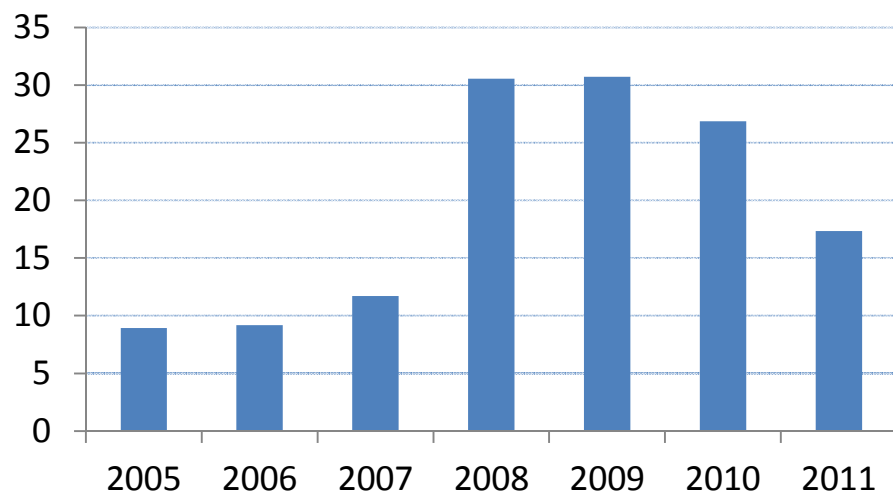
“Once a financial crisis hits, it is too late for governments to create institutional capacity to provide fall-back credit support. The institutions must already exist, with a clear operate mandate, experienced professional staff, and the financial capacity to respond to the financial needs and ramp-up 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)

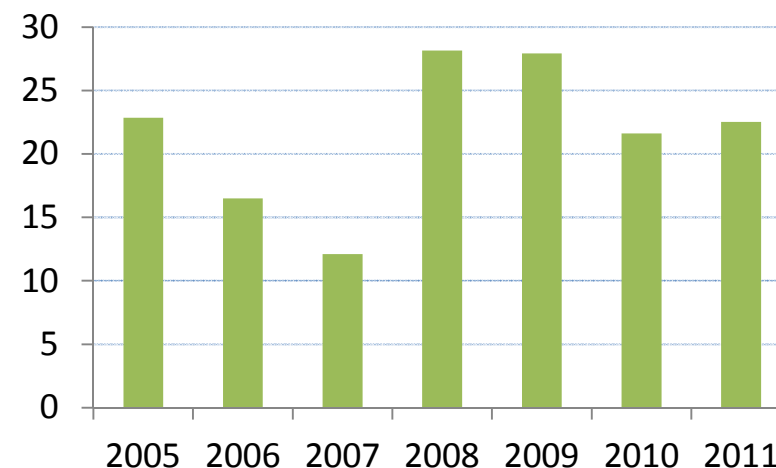
Current crisis show: a strategic role for development banks

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

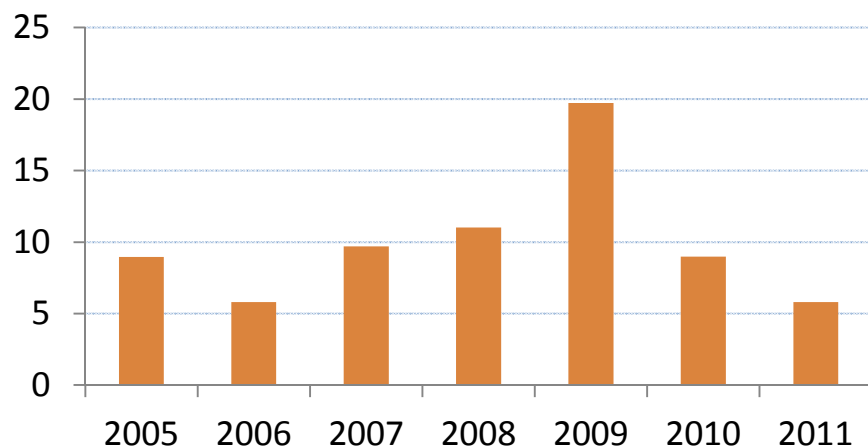
BNDES - Brazil



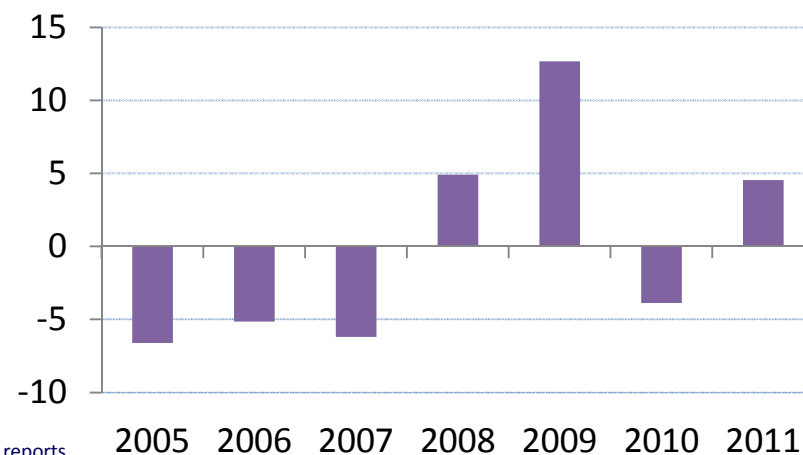
CDB - China



BDC - Canada



DBJ - Japan



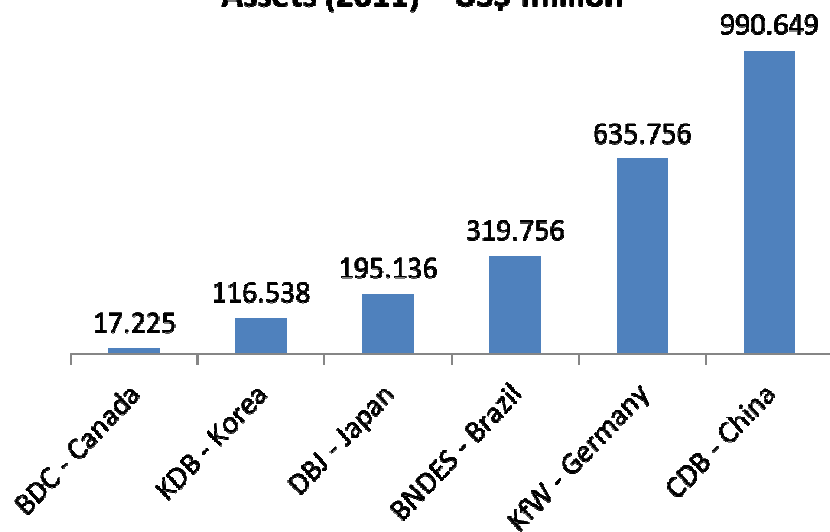
Source: Annual reports.

A comparative perspective: significant and adequate economic and financial performance

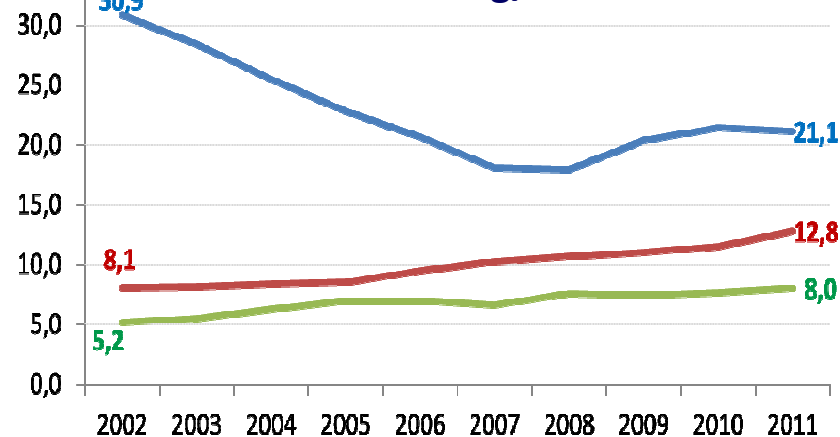


Comparative performance – 2011 data-

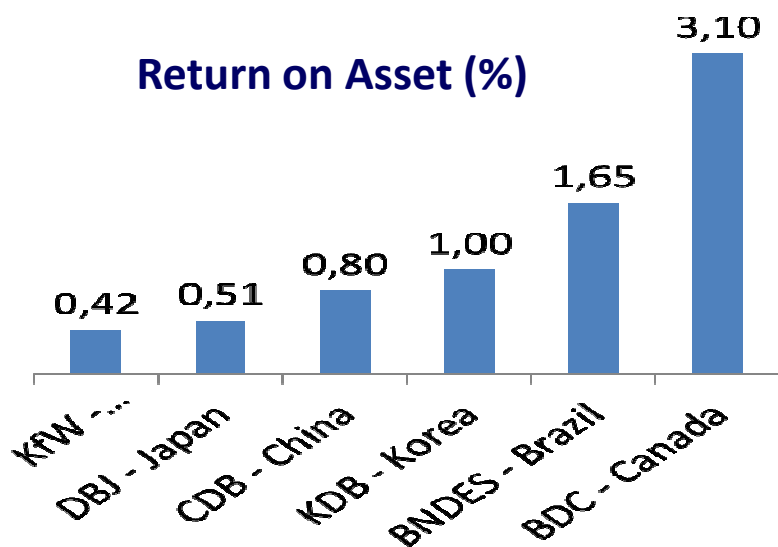
Assets (2011) – US\$ million



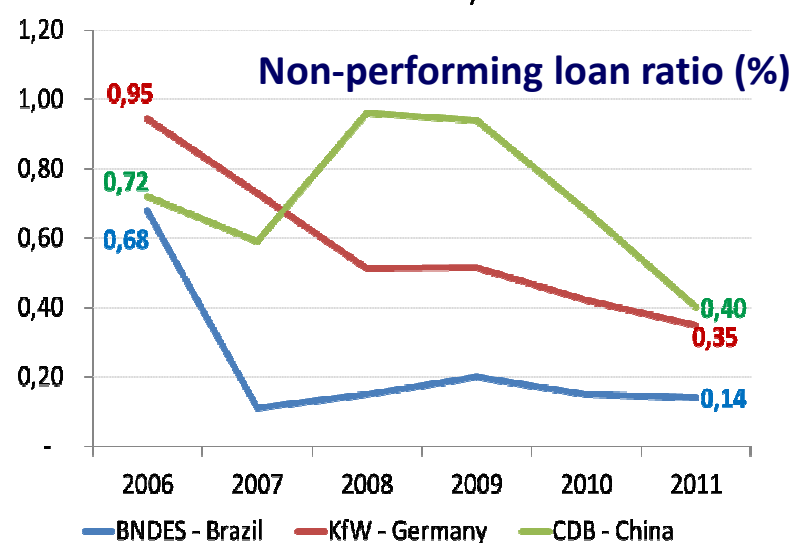
Loans Outstanding/Total Credit Stock (%)



Return on Asset (%)

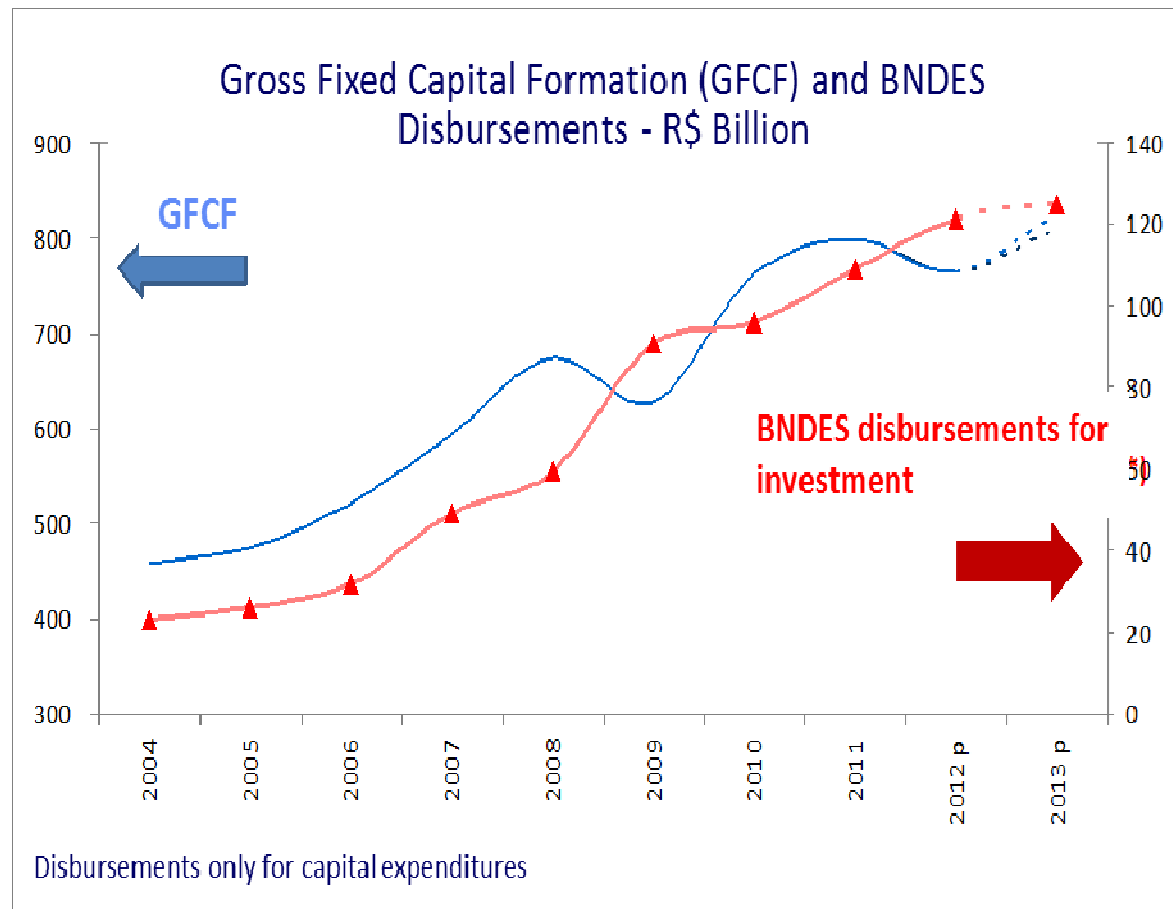


Non-performing loan ratio (%)



- ✓ 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**

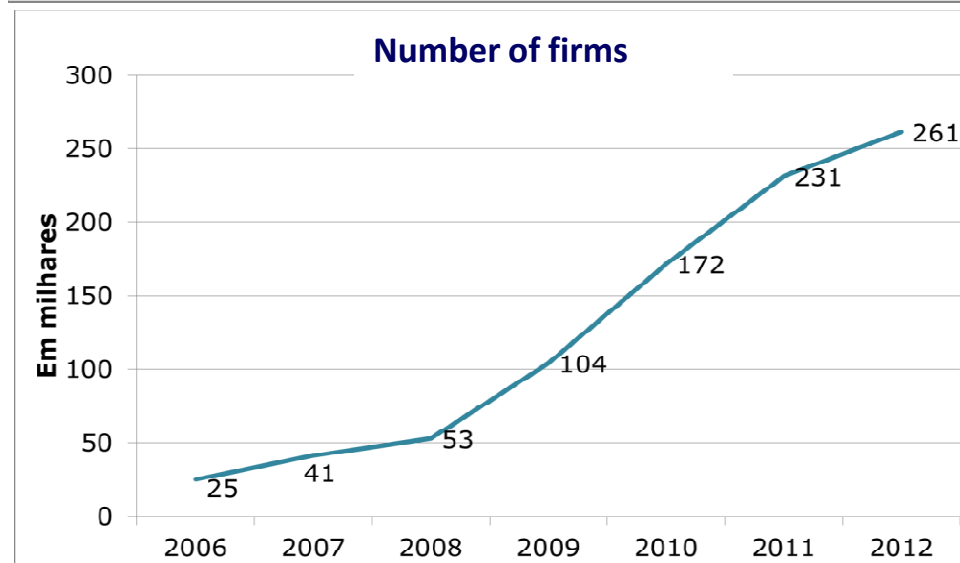
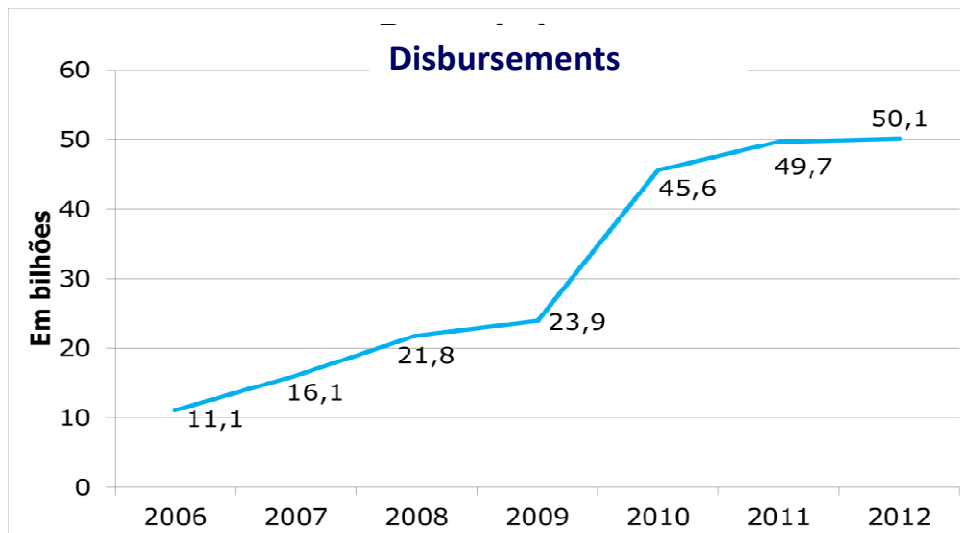


Source BNDES

BNDES efforts towards inclusion and sustainability

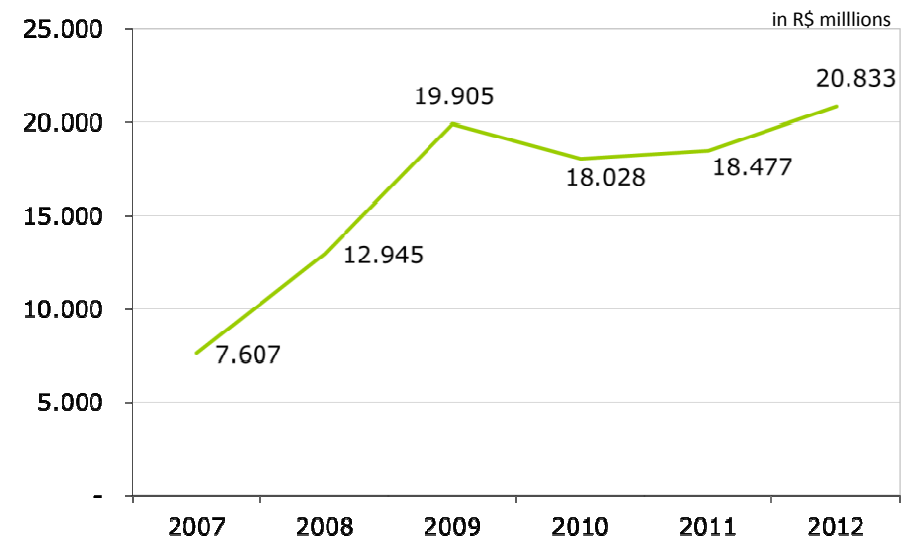


Loans for MSME



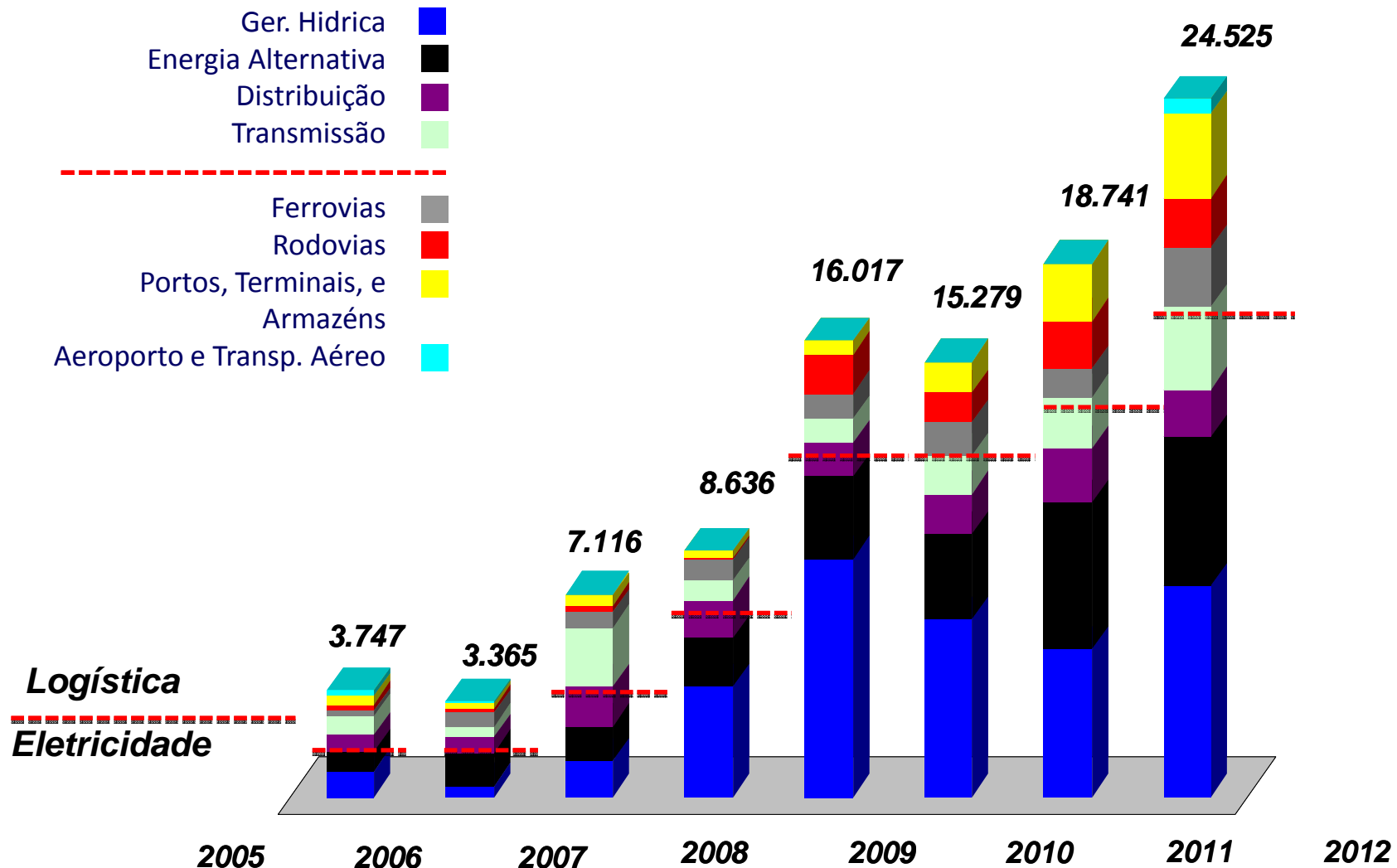
**Disbursements 2012:
US 75 billion; + 12% vs 2011**

Sustainability and green economy



Support for “economic infrastructure”

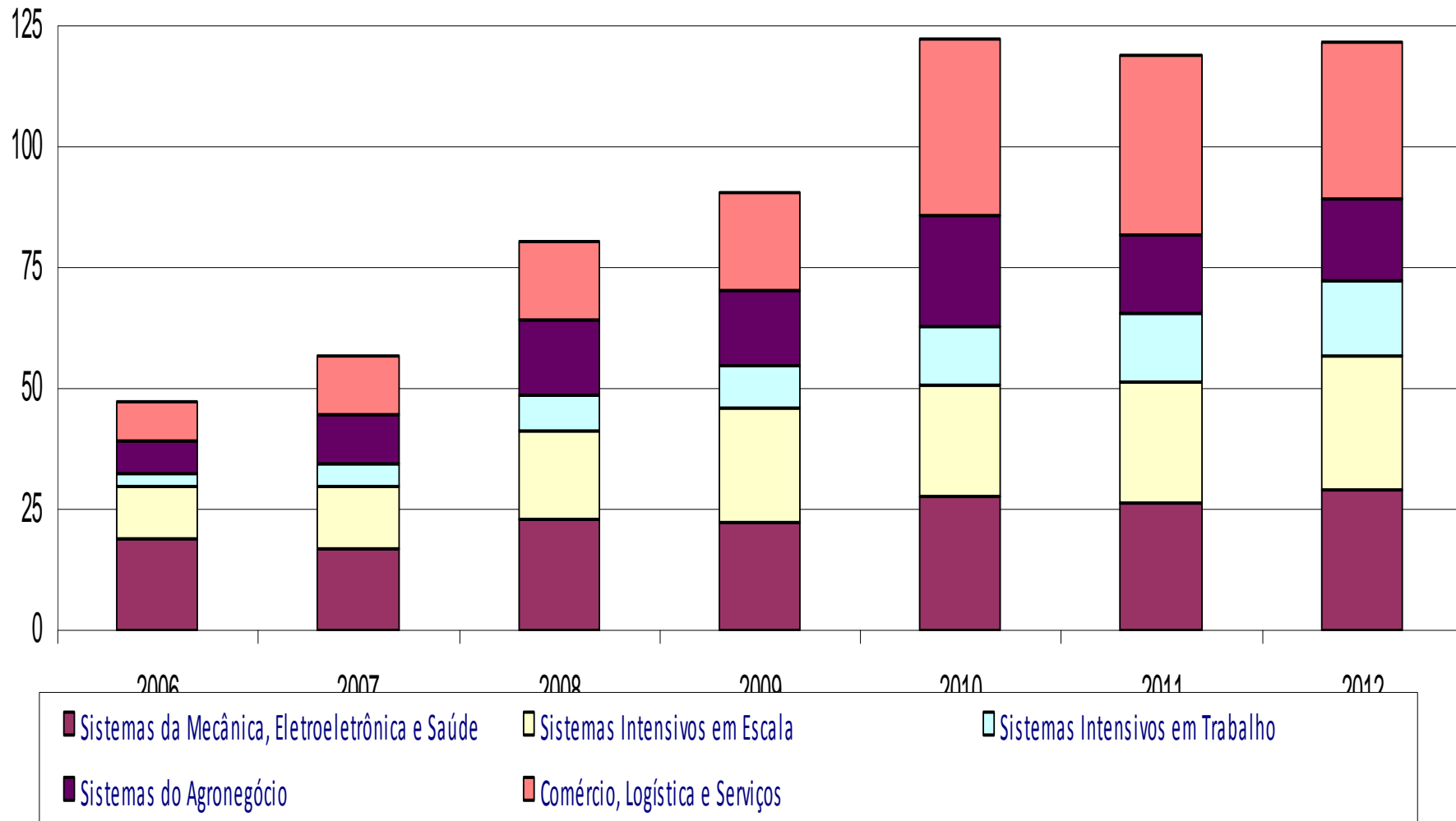
R\$ millions



Support for industrial investment and competitiveness

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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