

The National Bank of Economic and Social Development on the Brazilian Development Strategies: From Internal Articulation to Expansion to Latin America*

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Recibido: 08-02-13

Aceptado: 05-08-13

ABSTRACT

This paper traces the role of the National Bank of Economic and Social Development —BNDES— at two distinct moments in Brazil’s economic development trajectory. The first corresponds to the implementing of economic policies based on developmental ideals, when the Bank establishes itself as a funding institution and long-term credit offerer, thus becoming the main financer of State-coordinated infrastructure and industrial sectors of the Brazilian economy. The second one, when the Bank, following liberal inspired economic policy strategies which guide governmental actions, redirects its efforts towards establishing itself as the coordinator and financer of the Brazilian asset restructure by means of mergers and acquisitions promoted by privatizations. The ownership change, more than just a change in control from state-owned to private capital, also leads to a productive diversification of industrial groups, thus, empowering the produc-

* This article is a partial result of the research “Cooperação Sul-Sul: a study about the dynamics of social economics, politics, science, culture and environment in South America based on the Brazil case”, developed with the support of the Research Support Foundation of the state of Bahia —FAPESB— and the National Council of Scientific and Technologic Development —CNPQ—.

tion of commodities and the civil construction sector. In such scenario, the Bank redefines its relationships with national and foreign private capital, and its presence within South America as a financier of Brazilian exports.

Key words: National Bank of Economic and Social Development; development; funding; Brazil; South America.

El Banco Nacional de Desarrollo Económico y Social en las estrategias de desarrollo de Brasil: de la articulación interna a la expansión en América Latina

RESUMEN

Este artículo analiza la función del Banco Nacional de Desarrollo Económico y Social —BNDES— en dos etapas distintas de la trayectoria de desarrollo económico de Brasil: primer corresponde a la política económica de la ideología desarrollista —cuando BNDES se estableció como una institución de desarrollo convirtiéndose en el principal proveedor de crédito a largo plazo, y entonces se convierte en el financiador más importante de la infraestructura y los sectores industriales estructurantes de la economía brasileña, bajo la coordinación del Estado—; y en segundo lugar, con Brasil ya adoptado estrategias de la política económica de inspiración liberal, cuando el BNDES se vio obligado a volver a sus actividades hacia consolidarse como financiador y coordinador de la reestructuración del patrimonio neto de Brasil por medio de fusiones y adquisiciones promovidas durante el proceso de privatización. El cambio de propiedad, más que un cambio de control de la capital del estado a lo privado, también significó la diversificación productiva de los grupos industriales con el fortalecimiento de la producción de mercancías y la industria de la construcción. En este nuevo contexto BNDES redefine su relación con el capital privado nacional y extranjero, así como su presencia en América del Sur actuando como financiador de las exportaciones brasileñas.

Palabras clave: Banco Nacional de Desarrollo Económico y Social; desarrollo; fomento; Brasil; América del Sur.

O Banco Nacional de Desenvolvimento Econômico e Social nas estratégias brasileiras de desenvolvimento: da articulação interna à expansão para América Latina

RESUMO

Este artigo recupera o papel do Banco Nacional de Desenvolvimento Econômico e Social —BNDES— em dois momentos distintos da trajetória de desenvolvimento econômico brasileira: primeiro o que corresponde à condução da política econômica a partir do ideário desenvolvimentista, quando o BNDES constituiu-se como uma instituição de fomento se tornando principal ofertante de crédito de longo prazo, e então torna-se o mais importante financiador da montagem da infraestrutura e de setores industriais estruturantes da economia brasileira sob a coordenação do Estado; e segundo, tendo o Brasil já adotado estratégias de política econômica de inspiração liberal, quando o Banco tem sua atuação reorientada na direção de constituir-se como coordenador e financiador da reestruturação patrimonial brasileira por meio de fusões e aquisições promovidas pelas privatizações. A mudança patrimonial mais que uma mudança do controle do capital estatal para o privado, também significou a diversificação produtiva de grupos industriais com fortalecimento da produção de commodities e do setor da construção civil. Nessa nova conjuntura o Banco redefine a sua articulação com os capitais privados nacional e estrangeiro e a sua presença na América do Sul como financiador de exportações brasileiras.

Palavras-chave: Banco Nacional de Desenvolvimento Econômico e Social; desenvolvimento; fomento; Brasil; América do Sul.

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Kraychete, Elsa Sousa, y Cristaldo, Rômulo Carvalho (2013) “The National Bank of Economic and Social Development on the Brazilian Development Strategies: From Internal Articulation to the Expansion to Latin America”. *Geopolítica(s). Revista de estudios sobre espacio y poder*, vol. 4, núm. 1, 63-86.

SUMMARY: Introduction. 1. Credit, Space and Capital. 2. The Conduct of the BNDES as a Developmental Agent on Brazil. 3. The Conduct of the BNDES towards the Privatization Program and Infra-structure Establishment in South America. 3.1. Priorities Articulated based on the National Plan of State-ownership Detachment. 3.2. External Openness and the Financing of Exports to South America. Conclusions. References. Annex 1. Funding Sources of BNDES

Introduction

In Brazil, the accumulation and expansion of capital rely on the National Bank of Economic and Social Development —BNDES¹—. It is the most important long-term funding institution and is responsible for the financing of economic infrastructure and the establishment of strategic sectors in Brazilian industry. On analysis of BNDES’ trajectory, it is possible to see that its performance is associated to the developmental strategies implemented by the Brazilian government, and to macroeconomic policies. In recent times, it also monitors the strategies for inserting the Brazilian economy in the international scenario.

The creation of the BNDES fulfilled inherent needs given the complexity the Brazilian industry achieved throughout the 1950s. That was when a new phase began with the intention of import substituting industrialization, for which long-term financing was therefore required. It was impossible to achieve that through (a) inter-sectorial transfers, (b) or by the capture of external savings —which exposes the Balance of payment to recurring deficits—, or even (c) from the historically insufficient internal savings. Of course, those restrictions indicated the need to establish a new an adequate financing structure.

The attempts to create a long-term financing system based on private capital did not prevail. The most daring experiment, during the Castelo Branco administration, between 1964 and 1967, which aimed to establish a capital market that also offered long-term investment credit, was unsuccessful. The plan to create a funding system

¹ Created in 1952 as the National Bank of Economic Development, only in 1982 it has Social added to its original name.

based on private capital, resembling that followed by the United States, did not prosper in a peripheral economy such as the Brazilian.

The frail nature of the financial market dictated that the financing standards to sustain Brazil's industrial development should be established upon the mobilization of state-owned capital, national private capital and foreign capital. In this context, the BNDES consolidates itself as the main state-owned financing institution that offers credit for long-term investment.

Since the foundation of the BNDES until the present day, it has been possible to observe that the internal dynamics of the Brazilian economy and the position of the international economy have affected the posture of the Bank. Two distinct periods can be identified, each with its own characteristics: the first, between 1952 and 1979, corresponds to the period marked by a strong governmental presence, in which economic plans focused on the development of economic infrastructure and the expansion of the Brazil's industrial matrix, with coherence among its sectors; the second, characterized by economic slowdown, macroeconomic reorientation, focused on internal and external adjustments, and the restructuring of state-owned assets. While in the first phase, the economic coordination primarily focused on the dynamics of industrial development and of the internal market, in the second one, the developmental strategies gave way to microeconomic adjustment policies and structural reforms. In this last phase, marked by the liberalization of the market, the Brazilian government defines new geopolitical strategies, which will result in important redirections regarding the institution's action plans.

This paper addresses some aspects of Brazilian geopolitics, using the BNDES' trajectory as a guideline. The text is divided into five parts, including this introduction and a conclusion. The first one presents theoretical references about credit, space and capital, which provide a framework to explain how the supply of credit is important for capitalist development, which is exactly the role of the BNDES on Brazil. The second and third parts retrace the trajectory of the BNDES during the developmental period, and during the period of structural reform and market openness. In the third section, the analysis is grounded on two aspects that guided the BNDES within the period: the ownership change of Brazilian state-owned assets by means of the process of privatization and the openness to foreign commerce, with regard to exports and the implementation of infrastructure projects in South America.

1. Credit, Space and Capital

The process of capital accumulation and expansion depends on institutional apparatus to articulate and develop itself. Mészáros (2002) explains that the capital articulates with the state to exploit the socio-technical labour divisions to assure the best environment for its growth, thus creating and increasing surplus value. This

author defines such tripartite articulation between the state, labour and capital as the “social metabolic order of capital” (Mészáros, 2002: 94, in a free translation).

To understand such idea, it is necessary to know how institutions and specific social processes interact, i.e. how credit is related to development banks.

According to Karl Marx (1991), the credit system of the capitalist mode of production is founded on the idea that capitalists require cash advances to make productive investment, which creates a monetary trade system that underlies the process of production and realization of surplus value. The credit system internally performs activities that promote the expansion of capitalism, especially on facilitating monetary exchange, productive investment, the store of value and the process of return on capital. Thus contributes to the emergence of big business.

A credit system that is properly articulated to the capitalist accumulation allows: (1) mediating the equalization of profit ratings of various capitalist markets, thus, diminishing the contradictions created by the disparities in the formation and acquisition of capital gains by different production processes; (2) diminishing circulation costs by (i) making less use of commodity money, (ii) accelerating replication processes and (iii) decreasing the need for reserve fund maintenance by capitalist hands; (3) aiding the formation of anonymous societies, which, in turn, can produce in a larger scale with professionalized and specialized management; (4) externalizing the risks of investment, which are shared among credit institutions investors, the state itself, and consequently, the society as a whole (Harvey, 1982).

In the words of Karl Marx, “The credit system accelerates the material development of the productive forces and the establishment of the world-market. It is the historical mission of the capitalist system of production to raise these material foundations of the new mode of production to a certain degree of perfection.” (Marx, 1991, v.3: 304).

The process of capital accumulation and value increase, as discussed by Marx (1991), puts an end to structural contradictions that permanently demand the expansion of its range of action. Such expansion is carried out by disseminating the capitalist *modus operandi* over various dimensions of social relations and also over many diverse spatial contexts, as explained by Fernand Braudel, incorporating these aspects into what this author calls “capitalist world-economy” (Braudel, 1998, v.3: 12): a space that is intersubjectively articulated, contradictory and hierarchic (through influence and authority), which transcends physical barriers and cultural limits.² The notion of a capitalist world-economy implies: international labour

² István Mészáros points out that such integration depends on the element of domination articulated by the State, which sustains a control apparatus that acts upon work, thus, allowing the social construction of (capitalist) space.

division and a integration among regional spaces, based on the numerous functions carried out by each individual space within that labour division.

By observing the specificity of the space, it is possible to state that it configures itself as a dynamic process that is socially built as a result of collective interaction, concretely objectified by means of the work relations that are orchestrated by individuals in pursuit of material replication —therefore, it is necessarily linked to the development of productive social forces—, these are, in turn, related to the conditions or contradictions of the social division of labour (Lefebvre, 1991). It is possible to say that capitalism as a mode of production characterized by a particular social division of labour, is consequently, the articulator of the social productive force development at a particular stage—at the same time in which a singular production is established within its spaces, it is contradictory and hierarchal (Harvey, 2005).

According to Oliveira (2004), tension exists within the capitalist mode of production from the point of view of historical production of the accumulation spaces. Chronologically, the first European countries that were comprised of spaces dedicated to providing better conditions for the accumulation of capital —the intersubjective reproduction spaces— were, then, able to adopt a dominant and or hegemonic position in the global articulation of the capitalist world-economy. Hence, the nations that were formed at a later point in time, or that were incorporated by direct imperialist domination, start to be seen as spaces in need of incorporating the system's general logic —an integration that is inevitably subordinated and controlled.

The notion of development itself —which arises from CEPAL's analysis, concerned with Latin American Integration, as shown by Raul Prebisch, Celso Furtado and others— has been linked to the experience of pioneering capitalist countries, either by reproducing its own logic in a linear manner, still bound to the notion of economic growth, or by denying it through the search of some autonomy and dynamism, making efforts to rethink the integration terms of underdeveloped countries to the capitalist world-economy (Oliveira, 2004).

The credit system that was created represents an essential basis for the social metabolic sedimentation of capital, because it supplies important functions to the articulation of distinct institutional instances, thus, allowing division of the risks involved in the productive process. In other words, the credit system is one of the dynamic foundations upon which the capitalist space is built, being the guiding element in the development of regional spaces based on the notion of integration, relevant to the international division of labour.

2. The Conduct of the BNDES as a Developmental Agent on Brazil

The advances of industrialization, in the early 1950s, set as a priority the expansion of economic infrastructure and the availability of long-term financing credit in

Brazilian economy. The fund shortage of internal private savings led the Brazilian government to act on two different fronts: the search of international resources and the mobilization of public funds. The new sectorial hegemony being established in Brazilian economy —the predominance of the industrial over the agricultural sector— and the international conjuncture —characterized, at the time, by the displacement of capital, mostly, to industrial sectors in search of expansion spaces in peripheral regions— define the demand for new institutions. The proposal of creating the National Bank of Economic Development, as an organization responsible for providing the Brazilian economy with a funding source for long-term investment, was based on the intention of making the State become present in directing the course of Brazilian economy. It is achieved by gathering foreign resources to complement the internal savings and of seizing international insertion opportunities.

The attempt to gather foreign resources alongside the American Eximbank and the International Bank of Reconstruction and Development failed. The expectations of Latin American governments that the United States would provide the Southern part of the continent an aid program similar to the Marshall Plan were mostly frustrating.³ The gathering of resources for the projects, a result of the Brazil-United States mixed commission, which demanded a total of US\$ 387 million, was not entirely successful. Only US\$ 186 million were financed, of which US\$ 60 million were destined to the Canadian company called Traction Light & Power Company Ltd⁴ (Vianna, 1992: 133). The election of Dwight David Eisenhower, during the Cold War, influenced American foreign policies in a manner which strengthened the World Bank's authority over the Eximbank. For example, in regard to the long-term loans to Latin America, the American Bank would only perform this type of transaction if the World Bank did not wish to or did not have the means to do so. Still according to Vianna, the posture of the American Government, which favoured the World Bank, is related to the role that the BNDES was destined to perform in the monitoring of the economic policies of Latin American governments. The BNDES demanded macroeconomic discipline from Brazil; it even decided that the mobilization of resources for long-term financing should not have its origins in monetary emissions, which was common practice in Brazil at the time.

³ Given the direct participation in the Second World War, the Brazilian government expected, in that sense, special attention on behalf of the United States.

⁴ The Brazilian government's decision not to finance foreign companies with internal resources leads Light to become a mixed capital company, having the BNDES as a shareholder. The regulations that would prohibit the financing of foreign companies by public banks only came to be in 1962, with the law 4.131 (Araújo *et al.*, 2011: 117).

The external restrictions regarding the acquisition of resources and its availability for the industrialization of national and regional spaces⁵ are factors that define the institution that would take over development financing in the long run.⁶ The profile of the National Bank of Economic and Social Development is established within this context. The mobilization of resources to establish and execute the BNDES' action guidelines occurs, for decades, through the constitution of a set of mechanisms defined by the federal government that centralized resources, under the BNDES' management, constituted one of its main sources of funds. In the time between the founding of the BNDES and the beginning of the 1980s, which corresponds to a period when developmental ideas regarding the conduct of economic policies were predominant, funds oriented towards specific activities were issued, allowing the BNDES to become the main long-term financing agent.

Most of the resources the BNDES had at the beginning originated from a 15% increase in income tax for individuals and legal entities whose revenues exceeded Cr\$10,000. Most part of the funds created throughout the 1950s was destined to strengthen the economic infrastructure, to expand the electric grid and to improve waterway and railway systems. This availability of resources would lead the BNDES to decide that, between 1952 and 1955, the first three years of operation, 77.0% of funding provided by the BNDES would be distributed between the energy sector, 55.0%, and the renewal of the railway system⁷, with the remaining 22.0% (Araújo *et al.*, 2011: 123). It is possible to observe that, at that time, the expenditures made by the bank are designed to unlog the bottle-necks that prevent the development of Brazilian economy. The impact of the BNDES as a financier is, however, rather modest due to difficulties encountered in the process of mobilizing financial resources.

The BNDES' action plan changed during the period between 1956 and 1960, corresponding with the timing when the *Plano de Metas* (Goal Plan) was carried out, during President Juscelino Kubitschek's administration. At that moment, BNDES increased its importance, not only as a funder, but as a Government planning agency as well. In addition, BNDES possessed a technical staff that was synchronized with the management and planning of developmental programs. Its concatenated action with the development council, directly related to the executive office of the

⁵ In this case, the largest reference is the Economic Commission for Latin America —CEPAL—, which sought to unveil the nature of the delay of the region's industrialization and its integration to international dynamics.

⁶ The creation of development banks in national spaces, corresponds to the need for capital accumulation and value increase in peripheral spaces during the establishment of economic infrastructure aimed towards industrialization. This results in the appearance of institutions of this nature within Latin America, in countries such as Argentina, Chile, Colombia and Mexico.

⁷ It is recorded that the investments made to the railway sector are also related to an excess in material offers, for this sector, on behalf of American government during this period (Araújo *et al.*, 2011:123).

president and responsible for the coordination and execution of government plans, placed the BNDES among one of the development promotion institutions. The decision to speed up the processes of the additional income tax revenue for quick availability in the BNDES safes was an effective measure, despite the persistent problems related to the BNDES' own funding sources. The arrival of foreign capital from the World Bank and the Eximbank, along with resources from the Wheat Agreement⁸, reinforced the BNDES' capital. The institutional strengthening and the resource increase induced the presence of the BNDES during the establishment of the *Plano de Metas* to become associated with the financial encouragement, as well as the developmental planning.

In the period between 1956 and 1960, the expenditure profile of the BNDES changes. The acquittal rates for the industrial sector, which were, between 1953 and 1955, 17.0%, became 60.0%, with the base industry greatly contributing to this statistical increase. The establishment of infrastructure is another noteworthy sector, responsible for 38.0% of expenditures (Curralero, 1998: 18).

Amidst the reorientations suggested by the government's *Plano de Ação* (Plan of Action) —1964 to 1967— a reform of the financial system took place because, at the time, its conditions were inadequate to meet the requirements of an economy that was going through a fast industrialization process. As previously mentioned, the main goal of the reform, which consisted of creating a long-term financing system supported by private capital, was not achieved, leading the government to create mechanisms of compulsory savings that ended up strengthening the BNDES. The time period is marked by the creation of fresh funds, aiming to meet the developmental demands of the time.

Among the new structural modes offered by BNDES, the most distinguished ones were:

(a) Industrial Machines and Equipment Financing Funds —FINAME⁹—, designed for the acquisition of machines and equipment for the national production;

(b) The Studies, Projects and Programs Financing Funds —FINEP—, oriented towards feasibility studies and specific projects;

(c) The Technical-Scientific Development Financing Funds —FUNTEC—, designated towards higher education scientific training and towards research, aimed at boosting the rate of incorporation of new technologies;

⁸ It is about a financing agreement between the Brazilian government and the United States government, in which the American government financed the purchase of exceeding agricultural production in the United States.

⁹ In 1971, the FINAME, given its importance on capitalizing companies, was transformed into a subsidiary company of the BNDES.

(d) The Small and Medium Company Financing Program —FIPEMA— was also created during that time. It was built upon loans from the Interamerican Development Bank and the Bank of German Reconstruction (Annex 1, frame 1).

This marks a transition period for the BNDES. Since its creation, operating towards financing the public sector (infrastructure), it starts to finance the industrial sector more heavily. Between 1964 and 1967, 82.6% of all approved operations were destined to the industry (Araújo *et al.*, 2011:144).

In the mid 1960s, the economic infrastructure and the base industry had reached a higher level of satisfaction. Thus, there was no need of immediate investments. The governmental actions directed towards the new connections of the industrial matrix, such as the establishment of capital goods sectors and the increase in production of consumer goods. Aware of such governmental orientations, the BNDES, in the middle of the decade, starts to direct credit concessions to the private sector, which is destined, especially, to acquire fixed capital and working capital. The *Primeiro Plano Nacional de Desenvolvimento* (First National Development Plan) —1st PND, on 1972 to 1974— focused on the importance of strengthening the industrial sectors. On those guidelines “[...] *el BNDE tendría el rol de propulsar y capacitar la empresa brasileña para que se convirtiera en ‘la gran empresa’, protegiendo a sectores prioritarios, favoreciendo la asociación de capitales y promoviendo la concentración, la innovación y las economías de escala.*” (Araújo *et al.*, 2011: 147).

Its reflections appears in the distribution of expenditures, made by the BNDES, between the private and public sectors. In 1968, the expenditures made by the BNDES are 54.0% destined to private companies. Within the following ten years, the portion of expenditures made to the private sector increases continuously until it reaches 87.0% of the total in 1978 (Carralero, 1999: 78). This approach also reflects upon the role of the BNDES, which begins to cease being a planning agency and program developer, to perform the role of being a financial entity.

Always in tune with Brazilian governmental guidelines, during the second half of the 1970s, with the *Segundo Plano Nacional de Desenvolvimento* (Second National Development Plan) —2nd PND— already under effect between 1975 and 1979, the BNDES intensifies its financing activities with private segments of the industrial sector. At that time, the public sector, which once again began to make major investments in infrastructure, attended to its credit demands through the international market, which was in a moment of international liquidity.

Synchronized with the governmental guidelines meant to consolidate the relations between the public and private sectors, the BNDES undergoes an institutional reform with the creation of subsidiaries to attend to the capitalization of basic raw materials and capital goods companies: *Mecânica Brasileira S.A* —EMBRAMEC—; *Insumos Básicos S.A* —FIBASE—; *Financiamento Participações e Investimentos Brasileiros S. A.* —IBRASA—. The subsidiaries participat-

ed, in a minor manner, in the transfer of public funds to the private sector, in attempt to face the crisis in the external sector of Brazilian economy.

During this period, the bank received significant resource subsidy, only comparable to the amounts received throughout Kubitschek's *Plano de Metas*. That demonstrates that the government attributed a new strategic role to the organization. Between 1974 and 1979, the increased rates of resources delivered to the BNDES reached the value of 21.0% (Araújo *et al.*, 2011: 157). This increase was due, especially, to the mobilization of resources from the Social Integration Program —PIS—, composed of the collection of a percentage of the gross revenue of companies which is deducted from the income tax, along with resources from the Public Server's Asset Formation Program —PASEB—, provided by public funds. One other funding source, which had a substantial contribution to its resource growth, was the acquirement of foreign capital assets. During this period external fundraising increased by 559.0%, according to Currello (1998: 35).

3. The Conduct of the BNDES towards the Privatization Program and Infrastructure Establishment in South America

3.1. Priorities Articulated based on the National Plan of State-ownership Detachment

Since the 1980s, Latin America has been a stage for experimental liberal-oriented economic policies, known as *structural reforms*. The Brazilian Government lingered on incorporate these liberal policies as guidelines to its Administration strategies until the beginning of the 1990s. Advocated by international multilateral organizations, such as the World Bank and the International Monetary Fund, these plans resulted in structural reforms of the State, including asset restructuring as verified in the cycle of privatization of state-owned companies, and the openness of regional economies. Specifically, the deregulation and opening of a financial market was recommended, there was even questioning about the existence of national banks that focused on promoting development¹⁰ (Hermann, 2010: 194).

Throughout the decades that separate the 1980s and the present day, the Brazilian government's orientations regarding macroeconomic and developmental policies

¹⁰ Fernando Collor de Mello's government plan (1990 to 1992) included the establishment of a BNDES for External Commerce, oriented towards exports with partial long-cycle production support policies. Due to its short duration, the Collor de Mello administration did not carry out the creation of such BNDES. It was even speculated that there was a possibility that the BNDES would become a bank of this nature, under command of private initiative.

affected the conduct of the BNDES in several distinct aspects. According to Curralero (1998: 49), in the 1980s BNDES was oriented in the following directions:

(a) Completing the projects of the 2nd PND, responsible for important expenditures in the industrial sector, especially the state-owned ones, still with a large portion of total expenditures made between 1981 and 1983 — among 71.0%;

(b) Credit concession to export sectors, in an effort to generate commercial surplus;

(c) Sanitizing public and private companies affected by the adjustment policies due to external and fiscal crises —the values of sanitization expenditures increases represented, between 1982 and 1986, an average of 25.4%.

Still according to Curralero (1998), the BNDES' characteristics as a funding institution start to fade, leaving behind sectorial priorities to act as a supporting base for projects.

Besides, the BNDES undergoes two important institutional reforms: (i) started to managing the resources of the social investment funds —Finsocial—, including in its agenda for the *social development*¹¹ theme (when the BNDES has the word *Social* added to its name, as previously mentioned); and (ii) merged three of its subsidiaries —IBRASA, IBRAMEC and FIBASE— into BNDES Participations, BNDESPAR. The objective of this new subsidiary was manage the participation of the BNDES on Private Companies, however as a minor shareholder without voting rights. The BNDESPAR intended to function as mechanism to transfer public resources for the sanitization of companies in deficit (Curralero, 1998).

For the BNDES, the 1980s culminated in a transition of position, from a developmental strategies agent to one that unfolds itself between becoming one of the Brazilian State's assets change agent, through the privatization of state-owned companies, and providing support to production strategies focused on exportation. This last aspect defined the BNDES' main form of presence in the South American continent.

The participation of the BNDES as a state-owned companies privatization agent dates back to 1986, a moment in which privatization can be verified by the total control of the union or the opening of social capital of companies deemed unfeasible. In this phase, many of the companies previously controlled in the State's operation of saving private companies in bankruptcy by BNDESPAR were privatized. The BNDES, at that moment, provided support to the inter-ministerial commission, which was responsible for directing privatization and selecting the consulting firm that would perform financial evaluation of the companies that would be privatized.

¹¹ In regard to this guideline, a decrease in the participation of social areas in the entirety of expenditures is observed through the data presented and organized by Curralero (1998: 50): 1982 (5.0%); 1983 (15.0%); 1984 (15.0%); 1985 (8.0%); 1986 (1.0%); 1987 (1.0%); 1988 (3.0%), and 1989 (1.0%).

BNDES financed up to 70.0% of the sale value of the company to be privatized (Diniz, 2004: 56). Besides the financing provided by BNDES, the investors were allowed to utilize public government bonds, although accepted for their nominal value, they were commercialized in a secondary market with some depreciation.

That was the BNDES' first cycle of actions in the privatization of Brazilian state-owned companies, which intensified throughout the 1990s. Prado (1993) claims that in the 1990s the public sector's assets privatization went even deeper. In this new phase, the privatizations directed toward the State-owned most competitive companies, constituting a source of attraction for foreign capital. The *Programa Nacional de Desestatização* (National State-ownership Detachment Program), announced in 1990, intended:

- (a) To reduce public debt;
- (b) Recover companies' investment capabilities, as they taken over by private initiative, nurturing a new cycle of investment and growth;
- (c) And, following that, modernize the industrial park, which would lead to foreign competitiveness, creating space for, what is called, international competitive integration.

In the beginning of the 1990s, the BNDES' privatization program was launched, and thus the institution assumed the position of privatization manager —responsible for financial and administrative resources—, alongside the Federal State-ownership Detachment Council. It acted as one of the capital suppliers of the financial sanitization of companies in their pre-privatization phase, as well as in the new ownership phase (Prado, 1993: 80).

Throughout the 1990s, the BNDES' actions, in a generalized manner, were mainly focused on the implementation of the *Programa Nacional de Desestatização*. In the first years, the privatizations were mainly focused on the industrial sector, especially, the metalworking, petrochemical and fertilizer industries. Starting in 1995 the privatization process gains momentum with the advancement of the plan to privatize public services and financial institutions.

Privatizations became an important mean of restructuring the assets of productive and service sectors in Brazil. Not only because of the transfer of large industrial and service segments from public to private control, but also because of the opportunities that were created for the establishment of conglomerates, which were founded upon the association of the large national capital with foreign companies and banks.

The opportunities that came from the privatization process allowed the expansion and growth of business groups, through the diversification on new business areas. For instance, the civil construction companies advanced to sectors such as petrochemical, infrastructure services (ports, railways, energy) and metal works. These new conglomerates were, for their most part, specialized in commodity producing sectors (industrial, mineral extractions or agro-industrial).

Through the privatizations, the Private Banks also found room to diversify and increase the value of their assets. Initially, the Banks joined partnerships that acquired industrial companies, and afterwards, in acquisitions on the bank sector itself. Large foreign groups also increased their presence in Brazilian economy, seizing the opportunities created by legislation changes. The participation of foreign capital in the privatizations between 1991 and 1999 represents 43.9% of the total. The United States was the largest contributor with 15.4%, followed by Spain with 11.3%, and Portugal with 6.8% (Diniz, 2004: 116). According to CEPAL data presented by Diniz, the privatization revenues between 1988 and 1997 reached 5.0% of the Brazilian GDP (2004: 70). The Public Companies' Employee Pension Funds also start to participate in the privatized companies' network of proprietors.

According to Miranda and Tavares (1999), the privatizations constituted a moment in time, in which, the Brazilian government articulated "from the inside" the association between national large capital and foreign companies and banks. During the conformation of conglomerates, the BNDES, by means of auctioning privatizations, worked "[...] as an arbitrator of this new process of choosing winners." (Miranda; Tavares, 1999: 339).

The new conglomerates were formed by industrial groups, which used the opportunity for productive diversification. Still according to Miranda and Tavares (1999: 341), "out of the 30 largest Brazilian groups, in 1998, 13 of them had their main core-business within commodities." Groups such as Mariani, Odebrecht, Vicunha, Ultra, Ipiranga, among others, expanded to commodity production sectors. By controlling commodity production sectors, many groups played a prominent role in Brazilian exports during the following period, when Brazil started meeting the external commerce's increasing demand for products of this kind.

In terms of its operation, the 1990s was a decade were the BNDES focused on maintaining stable funding, mainly due to the management of 40.0% of the Workers' Aid Funds —FAT—, which constitutes the permanent basis for its operations. The BNDES conceived new programs aiming to attend productive sectors that had been affected by stabilization and opening policies, for example: textile, auto parts, leather and footwear sectors. However, it failed to present programs directed towards anti-cyclic policies and to create favourable conditions for productive restructuring with productivity gains and investment expansion.

3.2. External Openness and the Financing of Exports to South America

The comprehension of BNDES' function in South America need to be linked to the commercial openness initiatives that started on Brazil since the adoption of liberal policies.

Throughout the 1990s, the BNDES conceives programs and financing lines aiming to support the export activities of Brazilian companies. As early as 1990, the Machinery and Equipment Export Financing Program —FINANEX— (pre-shipment¹², and linked to FINAME) was created. In the following year, as a complement to FINAMEX, a post-shipment¹³ financing line was created, which initially focused on the export of capital goods to Latin America. Aiming to facilitate the process of credit acquisition, the line of payments and reciprocal credit —CCR— was created in 1993. This being the case, an endorsement of a Brazilian financial agent is not required. The Central Bank of Brazil assumes the risk, in the case of credit designated to exports.

A great step towards defining the bank's financing mechanisms occurs in 1997, when FINAMEX becomes extinct and BNDES-Axim was created. This new line has a broader scope of financeable goods, extending beyond capital goods, and reaching out to intermediate products and immediate consumption goods. Engineering services began to be sought after and take over prominent positions in the BNDES' expenditures ranks due to the infrastructure projects Brazilian construction companies began to execute in many other countries. The credits could be acquired in the pre-shipment or post-shipment forms. In essence, the BNDES-Axim translated the BNDES accumulated experience throughout the decade, by supplying credit to exports, and extends financing possibilities to practically every service and good production sector.

Such programs and financing lines are only feasible due to contacts with organizations that are external to the BNDES' structure, for example, the articulations with the Brazilian credit insurer of the export guarantee fund, which was created to insure coverage of the Federal Government risks. Also as an example, the partnerships that aim to transfer the BNDES' resources to external commerce financing activities. The pursuit of external guarantees for loans through associations with regional level entities (CCR-Aladi) as credit insurance of Brazilian exports for the countries involved the creation of the Exports Guarantee Fund, in 1999, linked to the Ministry of Finances and managed by the BNDES, which composes the framework of insurance and guarantees, and with which the BNDES operates its lines of

¹² The pre-shipment line is directed to the finance the production of the goods to be exported. The working capital is financed up to 100% of the production value of the goods or services that are destined to the foreign market. In this mode, the operations are accomplished by other financing agents that assume the operation risks.

¹³ The post-shipment line aims to finance the commercialization of goods and services abroad. Such financing can occur in two modes: (1) destined to the vendor, the BNDES refinances the exporter without limits in value, through export credit title discounts; (2) offering the credit to the buyer, by means of a financing contract with mediation of the exporter, the BNDES directly finances the importer demanding that the products or services be Brazilian. There are not, however, foreign expenditures. In Brazil, the payments are made to the exporter in the destination country's currency.

credit. Also worth mentioning, it is the adhesion of the Knaepen Package model, of the OCDE, for risk evaluation (Alves, 2008: 72-73).

Starting in 2002, a set of initiatives, a new statute and new decrees legally configured the BNDES towards the direction of internationalization. The second article of the statute established that foreign action would be conducted by means of newly created subsidiaries. In 2009, the BNDES opened an office in Montevideo that, despite not being authorized to carry out operations, until nowadays serves as a support point for the BNDES' activities in Latin America. The statute asserted that the BNDES is allowed to:

(a) Finance investments and asset acquisitions in foreign territory, as long as such actions are performed by national capital-based companies;

(b) Hire and provide technical and financial services —including non-refundable ones— that aim at national development and Latin American integration;

(c) Gather resources externally to finance investments abroad, as long as the company's major stock holder resides in Brazil;

(d) Acquire these companies' shares.

Only in 2011, was the BNDES granted the possibility to manage financing operations with origin and application of, exclusively, foreign resources. The 7.635/2011 Decree authorized BNDES to gather resources abroad in order to finance projects abroad, as long as they would be performed by Brazilian companies or nationally controlled foreign companies. Also, it authorized the acquisition of these companies' shares, allowing risk sharing between BNDES and company.

In the context of external openness, the BNDES began to act as a founding agent promoting the internalization of important sectors of the Brazilian productive structure. According to BNDES data, organized by Niko (2011: 85-86), between 2001 and 2010, the accumulation of expenditures made to South America, through the BNDES-Exim post-shipment line of financing, added up to more than US\$ 3.6 billion. Of this total amount, 69.0% were destined to Argentina (49.2%) and Venezuela (19.8%). Such data reflect the position of these two economies, respectively, ranked as the first and second largest South American economies after Brazil. Between 2005 and 2010, these countries ranked as the first and second most common destination of Brazilian exports (Niko, 2011:87-88).

Categorized by nation, the expenditures made by the BNDES oriented towards infrastructure exports, between 2000 and 2012, have as a main destination Argentina and Venezuela, which make up 79.0% of the total amount expended in the region, percentages being, respectively, 50.89% and 27.85% (Table 1). Ecuador, ranking third place with 11.7% of the total along the decade, has its trajectory interrupted in 2009. The crisis led Petrobrás and the construction company, Odebrecht, to leave the country and explains this discontinuity.

Table 1. BNDES' expenditures in support of Brazilian exports destined for infrastructure projects of South American countries, 2000 to 2012 (US\$ millions)

	<i>Argentina</i>	<i>Ecuador</i>	<i>Paraguay</i>	<i>Peru</i>	<i>Uruguay</i>	<i>Venezuela</i>	<i>Total</i>
<i>20.00</i>	-	89.8	-	-	7.3	-	97.1
<i>2001</i>	-	33.3	13.8	-	9.5	16.1	72.7
<i>2002</i>	-	3.3	16.3	-	-	18	37.6
<i>2003</i>	-	-	24.8	-	-	25.4	50.2
<i>2004</i>	-	112.3	17.2	-	-	44	173.5
<i>2005</i>	150.5	57	8	-	-	3.9	219.4
<i>2006</i>	-	55.8	-	-	2.6	10.4	68.8
<i>2007</i>	308.9	17.4	-	-	3.1	39.5	368.9
<i>2008</i>	260.1	0.5	-	-	2.4	6.8	269.8
<i>2009</i>	325.4	-	-	-	1.7	25	352.1
<i>2010</i>	172.5	-	-	129.9	-	315.2	617.6
<i>2011</i>	361.1	-	-	96.7	-	392.9	850.7
<i>2012*</i>	103.1	-	-	-	-	23.2	126.3
<i>Total</i>	1,681.60	369.3	80.2	226.6	26.6	920.4	3,304.70
<i>%</i>	50.89	11.17	2.43	6.86	0.80	27.85	-

SOURCE: BNDES

*Until September

The BNDES' expenditures on services, engineering and construction companies reveal the importance of the infrastructure sector to South America. Between 2001 and 2010, the expenditures of this nature summed up to US\$2,235.9 billion (Niko, 2011: 90).

According to Niko's information (2011: 92), the infrastructure projects implemented by Brazilian companies, between 2001 and 2010, were not a part of the project portfolio of the South American Regional Infrastructure Integration Initiative —*IIRSA*—. They were labeled as axes of integration. This is what defined the projects of prioritized execution until 2010, ten years after the initiative became public and five after the agenda of consented implementation were created. The entirety of BNDES-Exim's expenditures on infrastructure projects, during this period, was destined to the construction of each country's internal infrastructure. The destination of the exports between 2001 and 2010 indicates that the Argentinian projects were oriented towards the construction of gas pipeline in the Buenos Aires and, in Venezuela, towards the construction of urban mobility units and a hydroelectric plant, to mention some examples.

Conclusions

The BNDES is an integral part of the institutions that sustain Brazilian economic development, being the main long-term credit supplier. Along its trajectory, BNDES constituted upon distinct articulations that take place with public and private organizations. At the instances of the State itself, receiving and managing funds created for specific purposes, which became its main funding sources, ensuring its operation in a continuous manner. BNDES participates, in some moments, in the core of its own strategic planning, at a time in which economic growth was directed by developmental ideals. Internally, it undergoes many restructures that adapt it to ensemble governmental guidelines in different circumstances, such as acting within the standards of developmental planning, articulating other governmental sectors, structuring its subsidiaries in order to broaden their scope of action, and in other moments, acting according to credit concession criteria that resemble the *modus operandi* of private institutions.

The credit concession, during the developmental period, was a consequence of the election of prioritized investment sectors. Always in tune with governmental movements that conducted the economic policies, along its trajectory, the BNDES developed the appropriate characteristics of a credit agent. The first signs of this change occur in during the second half of the 1960s, when the bank was designated the function of supplying credit to private industrial sectors, which consolidated themselves as national conglomerates. That way, they spared of more ample associations with foreign capital.

From the 1990s onwards, already in the context of commercial openness, the BNDES positioned as an articulator of the groups that composed the consortiums and as an arbitrator in choosing the best group to command the agglomerations. In these circumstances, different from the previous, the association with foreign capital, especially for the sectors of public services that would be privatized, was already encouraged. Through loans, BNDES participated in the sanitization process of companies, aiming to make them competitive. It also contributed with credit expenditures, in the stage prior to the privatizations.

Was upon on credit concessions to the industrial and construction sectors more competitive companies, heavily strengthened by the privatizations, that the BNDES established its presence in South America. During the 2000s, the BNDES-Exim's expenditures increased, being destined to the construction of domestic infrastructure of South American countries. Expenditures of this nature were directed to the region's two solidest economies (after Brazil), Argentina and Venezuela, with which Brazil maintains stronger commercial relations, evidencing that the BNDES' actions follow the commercial fluxes between the country and its regional partners. As the provided credit fails to reach the financing of companies that exploited complementary productivity, BNDES does not act as a promoter of regional economic integration. By supporting the Brazilian companies' expansion through the

exporting of goods, services and domestic infrastructure projects, it might be reinforcing the hierarchy of the social-economic characteristics of the region. This way, it acts according to characteristics that resemble the Eximbank, the credit system established upon the articulations between companies and the Brazilian government may be promoting an essentially subordinate articulation.

The analysis of BNDES' trajectory exposes the articulations between the Brazilian government and segments of capital that ensure an articulate credit system in order to favor the articulation of productive chains and the establishment of economic infrastructure necessary for the production and circulation of merchandize. The presence of the State as a credit offer externalizes investment risks, which are shared by the credit institution, the investors and the state itself.

The Brazilian government's choice to supply credit to bigger companies that were capable of exporting serves the purpose of increasing the circulation space of goods produced by Brazilian companies, but it does not promote productive linking and establishment of infrastructure capable of endorsing economic integration of this part of South America.

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Annex 1. Funding Sources of BNDES

<i>Period and Event</i>	<i>Characteristics</i>	<i>Source Funding</i>
<i>1951</i>		
Act No. 1.474 – 26/06/1951	<i>Compulsory Funds</i> Fundraising requirements, when necessary, other institutions resources to be returned in the 6th year, interest at a rate of 5% annually through Bonds Economic Reconstruction.	Up to 4% of the total deposits of federal savings banks, 15% of the technical reserves of insurance companies and capitalization constitute each year, up to 3% of annual revenue from social security institutions.
<i>1952</i>		
Act No. 1.628 – 20/6/1952	<i>Additional fund of Income Tax for the constitution of the BNDE</i>	15% additional income tax for individuals and corporations which paid up more than \$ 10.00,00 Cr.
<i>1954</i>		
Act No. 2.308 – 31/08/1954	<i>Federal Fund for Electrification</i> 40% of the collection of the single tax on electricity consumption, and 10% of the rate of customs clearance and additional 4% tax on the consumption of electricity.	“Linked Resources” from charges established by law in the source and destination for stimulating specific industries.
<i>1955</i>		
Edict 2.689 – 02/08/1955	<i>Fund for Renewal and Improvement of Railways and Asset Renewal Fund</i>	The additional tariffs of railway activity became managed by BNDE.
Act No. 2.698 – 22/12/1955	<i>Flooring Fund and Fund for the Replacement of Rail Extensions</i>	Deposit of 30% of revenue from the difference between the price of fuel and lubricating oil products manufactured in Brazil and the price of these items imported from overseas.
<i>1956</i>		
Act No. 2.973 – 26/11/1956	<i>Extension of additional income tax for 10 years</i>	More than \$ 10,000.00 Cr.
<i>1958</i>		
Act No. 3.381 – 24/04/1958	<i>The Merchant Navy Fund</i>	5% of the loads of exits and 15% of the loads of entries in Brazilian ports, 32% of the revenues coming from

		the collection of customs clearance.
Act No. 3.421 – 10/07/1958	<i>National Port Fund</i>	Fees ranging between 0.2 and 1% <i>ad valorem</i> and levied on goods passing through ports.
Exim Bank loans – US	<i>North American Exim Bank loan</i> This feature was of fundamental importance since one third of investments provided by Target Plan needed imports of goods and services.	Exim Bank loans (276 million dollars).
	<i>Wheat Agreement</i>	Funding of the United States government to purchase surplus of North-American agricultural production.
<i>1963</i>		
	<i>National Investment Fund</i>	Additional of 10% more over income tax (abolished in 1965).
<i>1964</i>		
Act No. 4.596 – 30/11/1964	<i>In 1965 extinction of the additional over the income tax, and setting aside up 20% of the collection of this tax to BNDE</i>	20% of the collection of income tax.
	<i>Development Fund for Scientific and Technical – FUNTEC</i> Contribute to technical and scientific training on undergraduate and post-graduate level, and promoting research to accelerate the uptake of new technologies.	Created with BNDES own funds from operating balances and part of the gains from additional income tax.
	<i>Fund for Financing Industrial Machinery and Equipment – FINAME</i> Finance the acquisition of machinery and industrial equipment from domestic production. Mainly focused on the deployment of new small scale industries and subsidiary finance the expansion of existing ones.	Loans and grants from international organizations, foreign and domestic. Resources placed at the disposal by the Bank of Brazil and other financial agencies of the Union and the states. Resources mobilized by BNDE on internal and external capital markets.
	<i>From 1965, creates a sub-general account for Agriculture</i>	Income from operations of the Fund.

	<i>and Industry – FUNAGRI</i> In 1966 becomes mixed capital company under the control of BNDE.	
	<i>Agroindustrial Fund of Reconversion – Funar</i>	10% of the National Agrarian Reform Fund and loans from abroad; internal and external loans; resources from BNDE itself; resources transferred to the Fund by other government entities.
<i>1965</i>		
	<i>Financing Program for Small and Medium Sized Business – FIPEME</i> Investment financing for fixed installation or expansion of small and medium sized. Acquisition of domestic or foreign manufacturing equipment, civil construction projects, as well as equipment assembly and technical services costs.	Loans from the Inter-American Development Bank and the Germany Reconstruction Bank.
	<i>Financial Fund for Studies on Projects and Programs – FINEP</i> Funding to conduct feasibility studies for specific projects, and creation of a sub-account of FUNAGRI	Loans and grants from national and foreign entities; resources from budgetary appropriations; income derived from its operations.
<i>1966</i>		
	<i>Financial Transactions Tax – IOF</i>	Taxation of loans and insurance. The resources of the IOF were intended to compose currency reserves of the Central Bank of Brazil, but could be made available for BNDE, by decision of the National Monetary Council.
	<i>Productivity Financing Fund – Fundepro</i> Promoting research to allow the increase of industrial productivity, including the agricultural sector.	Created with BNDE own resources.

1969		
BNDE resolution No.9 – 07/01/1969	<i>Special Fund for the Financing of the Working Capital - FUNGIRO</i>	Created with BNDE own resources plus resources from other national or foreign sources.
1970		
Federal Complementary Act No. 7 – 07/09/1970	<i>Social Integration Program – PIS</i>	Resource to taxation of legal entities and designed for employees of private companies.
Federal Complementary Act No. 8 – 03/12/1970	<i>Program to Increment of the Patrimony of Government Workers - PASEP</i>	Resource also formed from taxation of legal entities.
Edict No. 67.323 – 02/10/1970	<i>Fund for Modernization and Industrial Restructuring – FMRI (replaced Fundepro)</i> Expansion of the modernization of the industrial sector.	Union resources; BNDE own resources; loans made internally and externally, among others.
1982		
Decree-Law 1.940 – 25/05/1982	<i>Social Investment Fund – FINSOCIAL</i>	Composed from 0.5% of gross income from public and private companies, including financial and insurance companies.
1990		
Act No. 7.998 – 11/01/1990 – amended by Act 8.019 of 11/04/1990	<i>Workers Support Fund – FAT</i> Unemployment insurance program and salary bonuses (defined in the 1988 Brazilian Constitution) replacing the PIS / PASEB that continued to exist only as a balance to be administered.	Administration of 40% of the flow of the Worker Support Fund, which would be paid by the BNDES with TR (Official Benchmark Interest Rate) plus an interest rate of 6% per year.