

## The financing of Brazilian development: historical analysis of the National Bank of Economic and Social Development's (BNDES) role and performance

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### **Abstract**

The National Bank of Economic and Social Development (BNDES) exists for more than half of a century and has already played different roles in Brazilian economy. This project's goal is to study the concepts behind the BNDES's creation (development, bank of development) and to comprehend the close relation between the Bank and Brazilian development and how it has influenced the several "cycles" of the country's growth. The study has been done based in academic articles and books from Brazilian history experts and from CEPAL authors (from the United Nations Economic Commission for Latin America), and in the analysis of the Bank's statistics. Throughout the time of research, it was stated that the Bank genesis is directly linked to CEPAL's theoretical work and Brazilian developmentalism policies. Looking close to BNDES's performance, the 1980's are a watershed: since its founding (1952) until this time the institution was the main agent for Brazilian development; however, in the end of the 1980's the Bank rises as the manager of Brazilian privatization process, heading the National Program of Privatization (PND). With the beginning of XXI century the study of its performance is still in the open, as well as the discussion of which role-direction the Bank must take: "back to its origins", with a structuring function, or to be a private profitability portfolio.

*Key words: BNDES, development, financing*

### **Introduction**

The BNDES was created in 1952 in order to be the public institution responsible for formulating and implementing a national policy for economic development. As the economic parameters changed during the decades, there was great uncertainty about which development model to follow, causing an "identity crisis" in the beginning of the 1990's and another one in the end of the privatization process. Regardless of the new approaches established by the Bank, the fact is that it reached such a high degree of importance over the years, becoming essential to the functioning of Brazilian economy.

### **Results and Discussion**

To overcome underdevelopment is to spread technical progress throughout the economy, transforming its production bases, and this transformation is inseparable from the process of industrialization. The development bank is a government tool to stimulate investment and industrialization of the country, to supplement and / or encourage the private financial sector in the segments where it is reluctant to act.

From 1952 to 1979 the Bank acted as an agent of development, first encouraging the public sector, and in the 1970s focused on domestic business. The 1980s were marked by a shift in the role of the institution ("identity crisis"), and in the

90's its main job function was to conduct the National Privatization Program (PND).

At the end of the privatization process, the BNDES found himself without a defined direction, halfway between investment bank and development bank, a discussion that continues nowadays.

### **Conclusions**

Since the end of the "economic miracle" (1968-1973) Brazil does not have exceptional rates of GDP growth, and so the challenge of its leaders has been to rise up the country's growth and job creation. The constant fear of the inflation phantom in this new century makes it hard to lower the basic interest rate, putting the BNDES once again as an indispensable source of credit, working with subsidized interest rates to stimulate investment.

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