

# LOCAL CONTENT BNDES policies to the O&G Supply Chain

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Director at BNDES

29th, August - 2011



# Agenda

**1.The Brazilian Development Bank - BNDES**

**2.BNDES and the O&G Industry**

**3.The O&G Supply Chain**

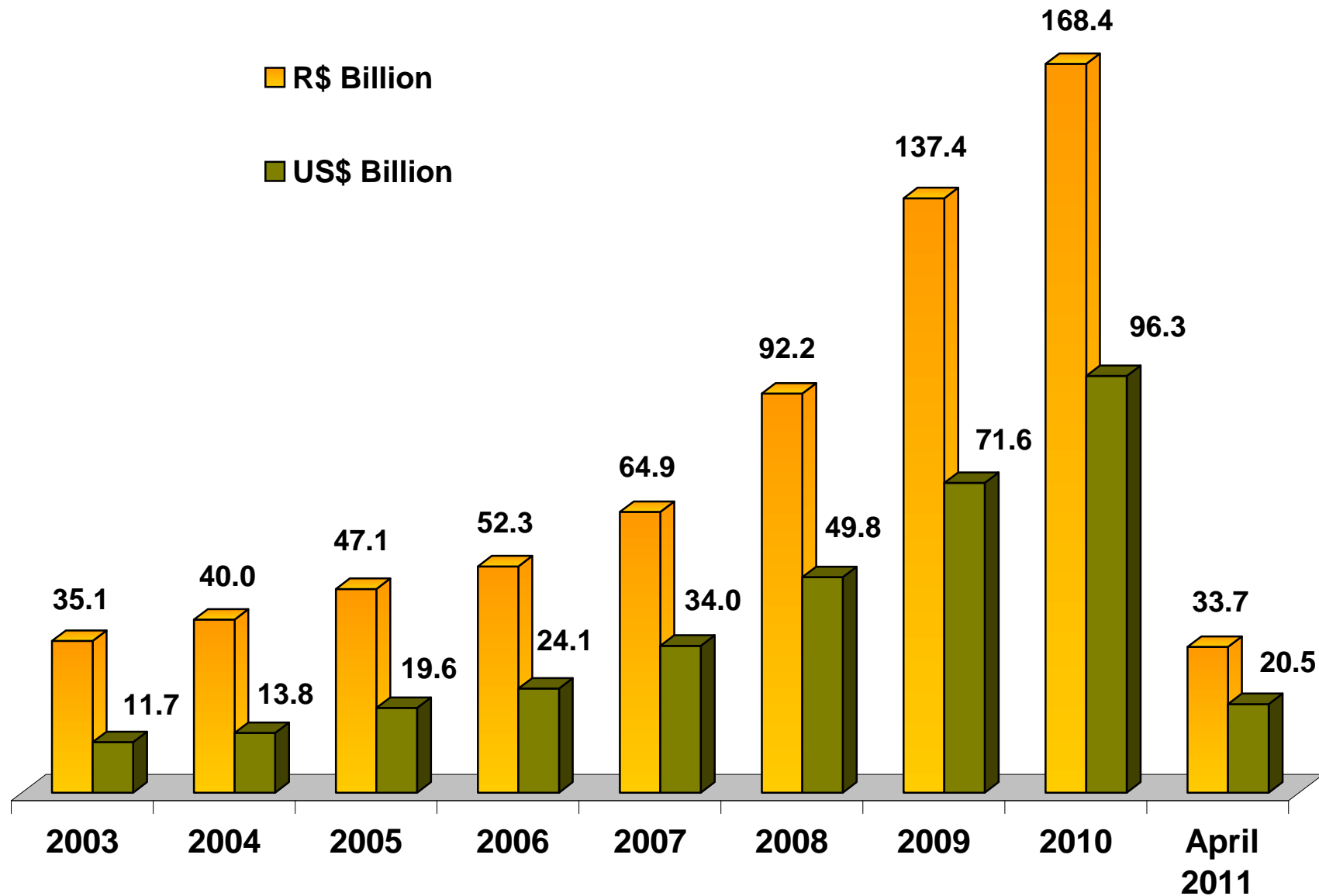
**4.BNDES Financing Program: “*BNDES P&G*”**

# The Brazilian Development Bank

# BNDES Highlights

- Founded on June 20th, 1952
- 100% state-owned company under private law
- Key instrument for implementation of Federal Government's industrial and infrastructure policies
- Main provider of long-term financing in Brazil
- Emphasis on financing investment projects
- Support to micro, small and medium-sized companies
- Brazilian Export Bank

# Annual Disbursements



Converted to US dollar on the disbursement dates

# Scale and scope matters

- ✓ **Main provider of long-term financing in Brazil**
- ✓ **100% state-owned company under private law**
- ✓ **Institutional funding**
- ✓ **2,757 employees**
- ✓ **Instruments**
  - Direct operations
  - Indirect operations
  - MSME (financing & guarantee)
  - Exim
  - Project finance
  - Equity investments
  - Grants

Development Banks				US\$ billion
	Assets	Equity	Disbursement	ROE
<b>BNDES</b>	<b>329.5</b>	<b>39.6</b>	<b>96.3</b>	<b>21.2%</b>
World Bank	282.8	37.4	28.9	-2.3%
IADB	87.2	21	10.3	1.6%
CAF	18.6	5.8	4.6	3.7%
China DB	665.2	55.5	93	8.8%

Sources: BNDES (Dec 31. 2010), IADB (Dec 31. 2010), WB (Jun 30. 2010), CAF (Dec 31. 2010) e CDB (Dec 31. 2010)

# BNDES - Headquarters & Offices



## Brazilian Offices:

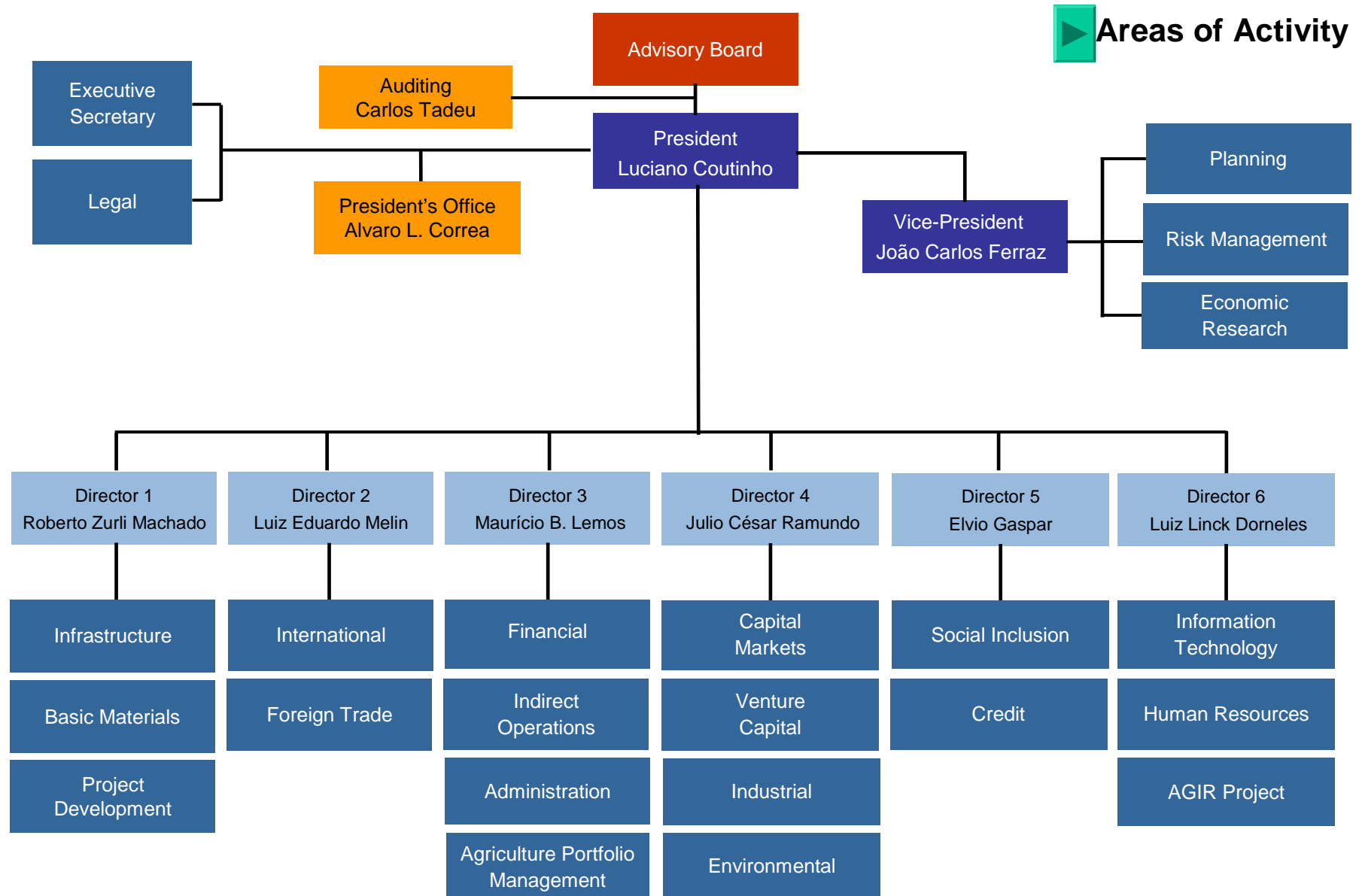


2,757 employees  
(July 4th, 2011)

## Subsidiaries:

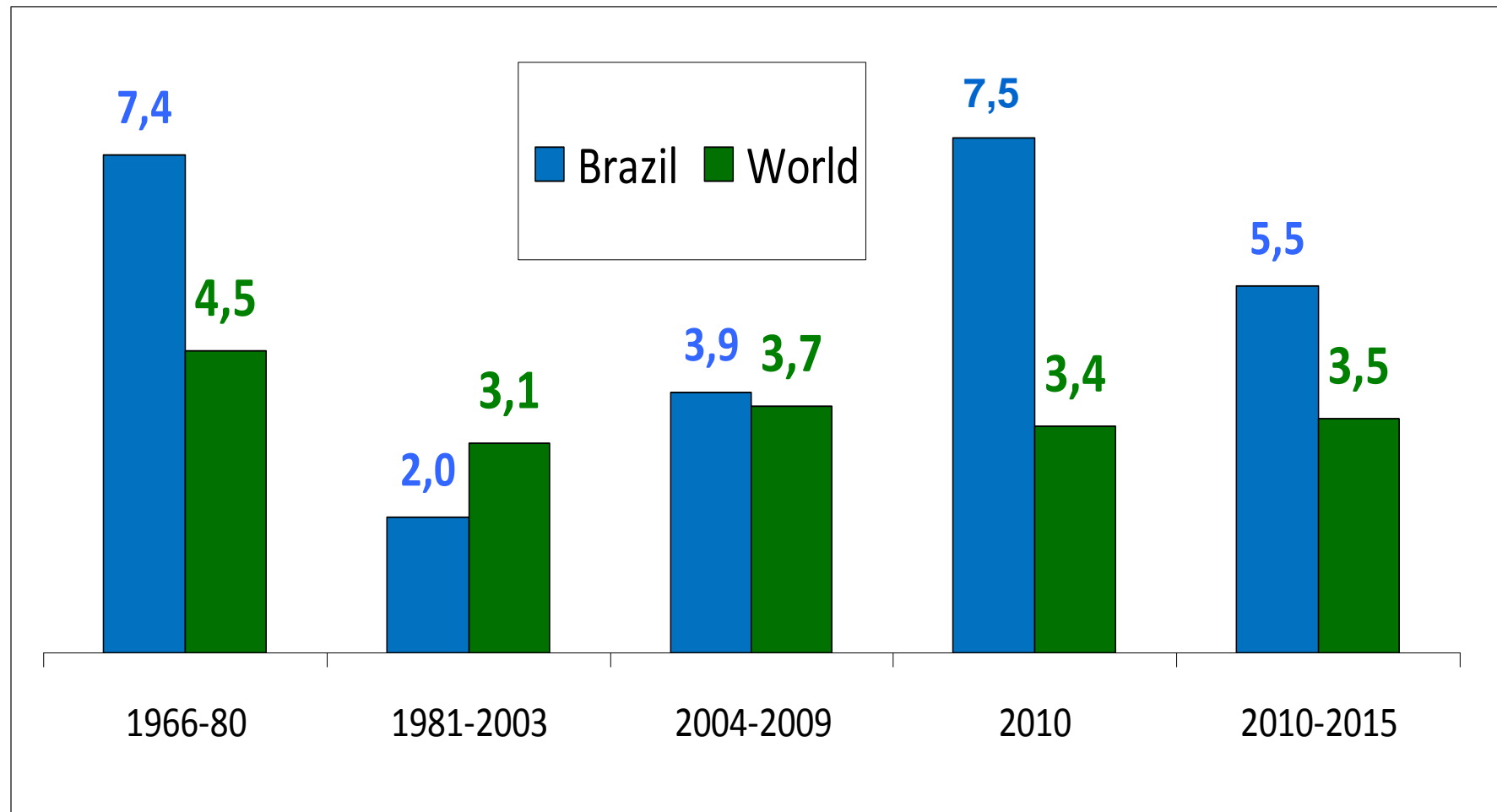


# Organizational Chart



# Brazil will grow ahead of world average in the years to come

Brazil and the world: GDP growth rates ( % )

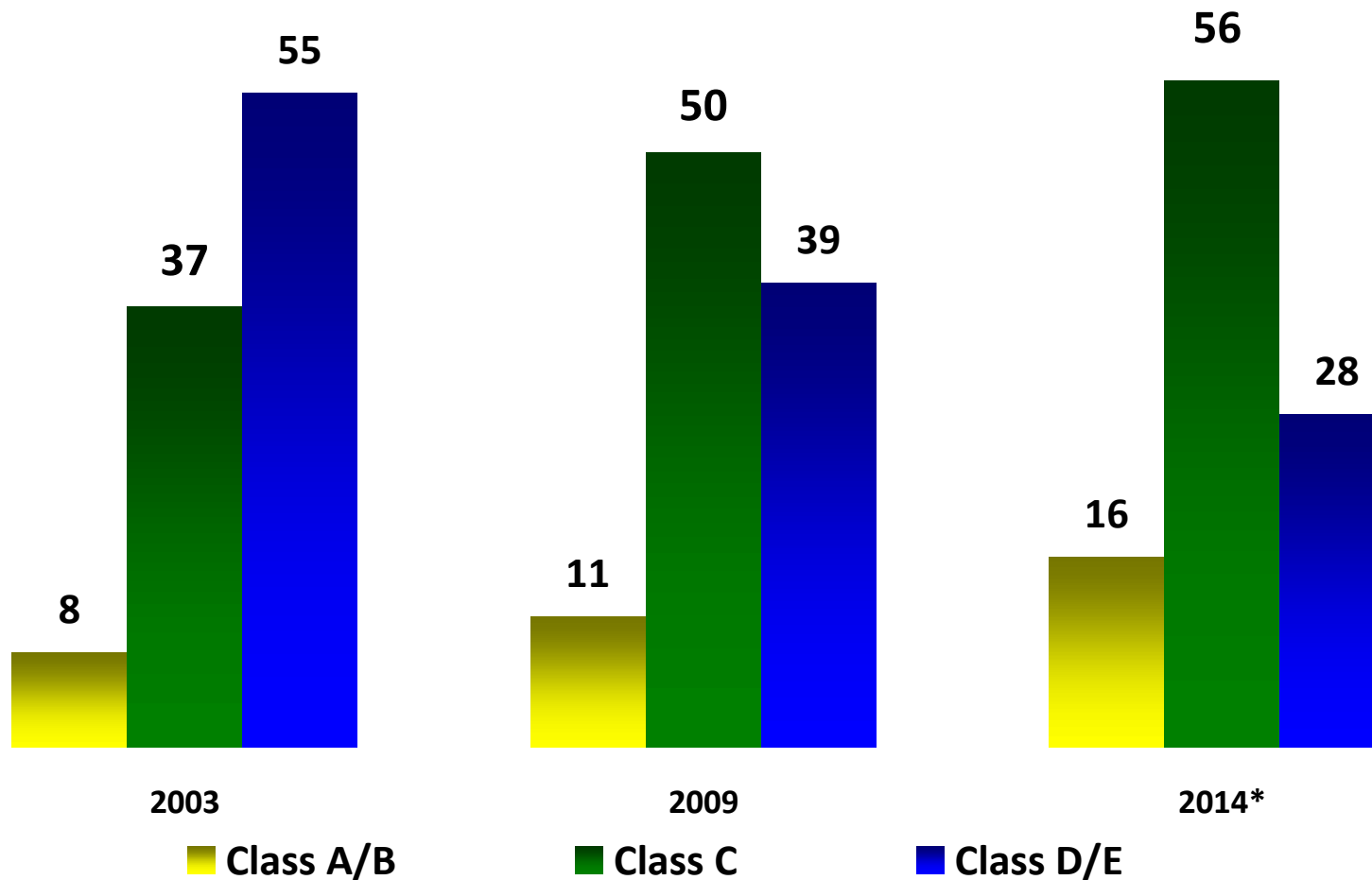


Source: Ipeadata and IBGE. Elaborated by BNDES

(\*) Forecasts based on IIF

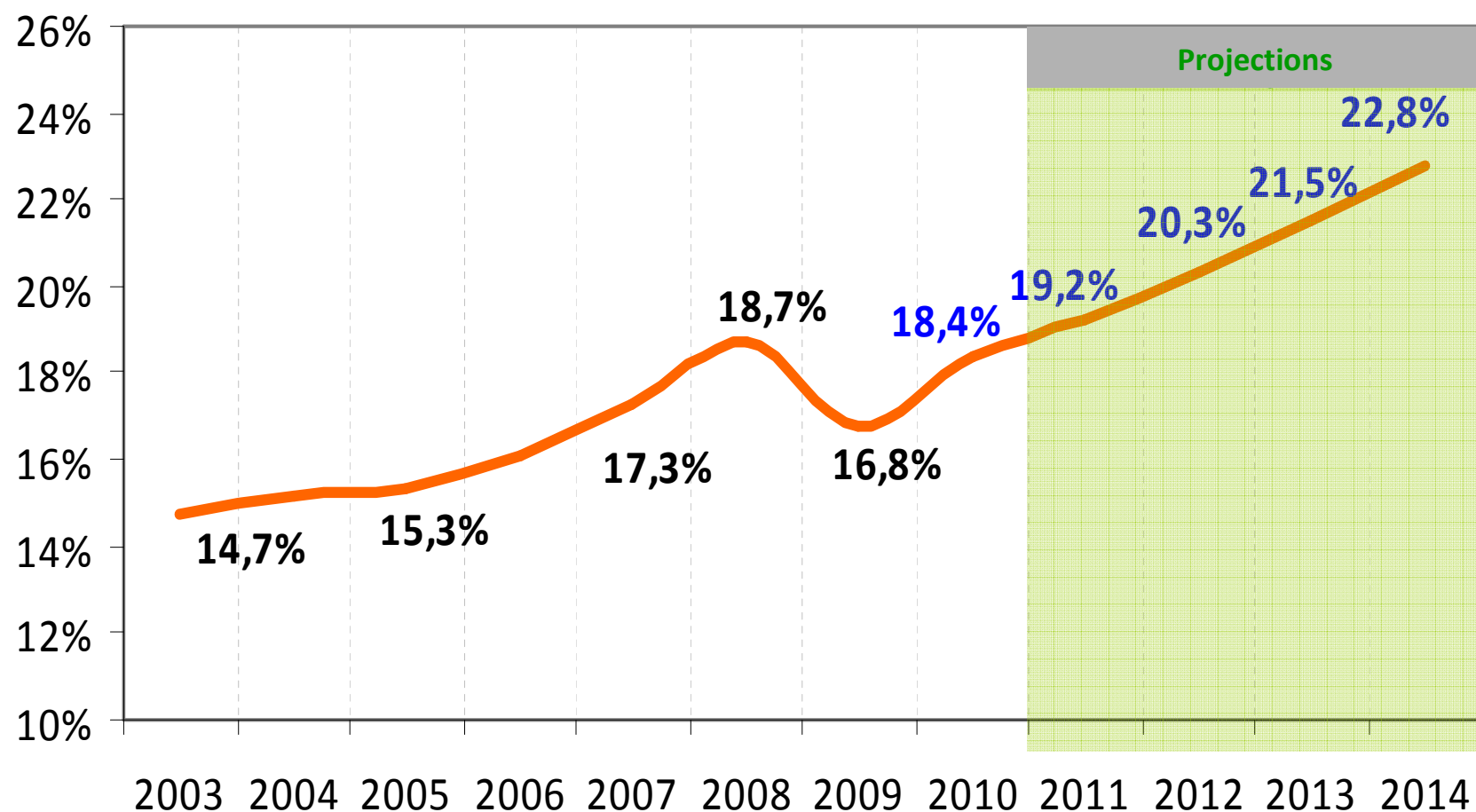
# A process of economic inclusion & social change is on the making

Share of social groups in total national income %



# And investment perspectives are positive...

Evolution and projections of investment rate (% of GDP)



# ...thanks to firm investment plans in all sectors, especially oil & gas and infrastructure

## Investment trends \*

Sectors	US\$ billion		Growth	
	2006-2009	2011-2014	%	% year
<b>Industry</b>	<b>221</b>	<b>351</b>	<b>58.7</b>	<b>9.7</b>
Oil & Gas	117	216	84.3	13.0
Mining	34	35	3.3	0.7
Steel	16	19	16.8	3.2
Petrochemical	13	23	81.2	12.6
Vehicles	14	19	31.4	5.6
Electronics	11	17	46.0	7.9
Pulp & Paper	10	16	51.6	8.7
Textile and Apparel	5	7	39.1	6.8
<b>Infrastructure</b>	<b>141</b>	<b>217</b>	<b>53.8</b>	<b>9.0</b>
Electric Power	59	79	34.0	6.0
Telecoms	35	41	15.0	2.8
Sanitation	15	23	56.9	9.4
Railroads	11	34	202.1	24.7
Roads	17	29	71.4	11.4
Ports	3	10	225.1	26.6
<b>Construction Associated Investment</b>	<b>202</b>	<b>347</b>	<b>72.0</b>	<b>11.5</b>
<b>TOTAL</b>	<b>564</b>	<b>915</b>	<b>62.2</b>	<b>10.2</b>

Source: BNDES

US\$/R\$ = 1.75

\* Based on corporate plans representing 45% of total investment

# BNDES and the O&G Industry

# Goals

- A. Develop the Brazilian Oil & Gas Industry:
  - Contribute to the O&G sustainable development;
  - Support companies in their investments to enhance up, mid and downstream production capacity;
  
- B. Provide long-term competitive financing.
  
- C. Support and coordinate institutional framework (PBM\*, PROMINP\*\*, etc).

\* PBM – Brazilian Industrial Policy

\*\* PROMINP – National Oil and Gas Industry Mobilization Program

# Goals

- D. Contribute to the increase of national content, through:
  - Domestic competencies build-up;
  - Progressive increase of national content of high value-added goods and services, including typically imported packages;
  - Strengthening of Brazilian engineering.
  
- E. Develop the Oil & Gas Supply Chain industry in Brazil:
  - Strengthen Domestic Supply Chain (goods and services) on a competitive and sustainable basis, targeting global insertion;
  - Boost investments in R&D.

# Most Recent Financed Projects



➤ **2 Gas Platforms**

Mexilhão and Manati



➤ **1 Refinery**

REFAP

# Most Recent Financed Projects



## ➤ **2 Gas Transport Pipelines**

Urucu-Manaus and Gasene



## ➤ **9 Gas Distribution Pipelines**

CEG, Comgás, Gasmig and GNSP-Sul



## ➤ **1 LPG Distribution Pipeline**

Liquigás

# Recent Financed Projects



**Transpetro - Promef I (2007)**  
**23 Vessels** - 10 Suezmax, 5 Aframax,  
4 Panamax and 4 Product Ships

**Transpetro - Promef II (2010)**  
**7 Vessels** - 4 Suezmax and 3 Aframax

## **Atlântico Sul Shipyard**

- Processing capacity of 160,000 tons per year of steel
- Designed for the construction of large vessels, platforms, and floating structures





# **The way ahead**

## Brazilian prospects

Recent performance and future prospects are positive. In a world of low growth, to well explore opportunities and face challenges, **Brazil must:**

### **Consolidate:**

- ✓ Growth with economic inclusion
- ✓ An economic policy based on stability, resilience and confidence-building

### **Foster:**

- ✓ **Oil & Gas Supply Chain** Industry in Brazil
- ✓ A long-term development strategy based on:
  - Investments in expansion and innovation
  - Domestic savings and a strong financing industry

## Markets for sustained development

- ✓ Foreign markets: through trade and investments, provide food, energy and resource security to partner nations
  
- ✓ Domestic market:
  - Consumption: emerging middle class
  - Investment drivers: **oil & gas**, renewables, agribusinesses, logistics, large-scale events (World Cup, Olympic Games), housing
  - Solutions – technology, goods and services - for agribusiness, energies and infrastructure

# The O&G Supply Chain

# The O&G Supply Chain

- ✓ Robust upstream, midstream and downstream investments in the next years.

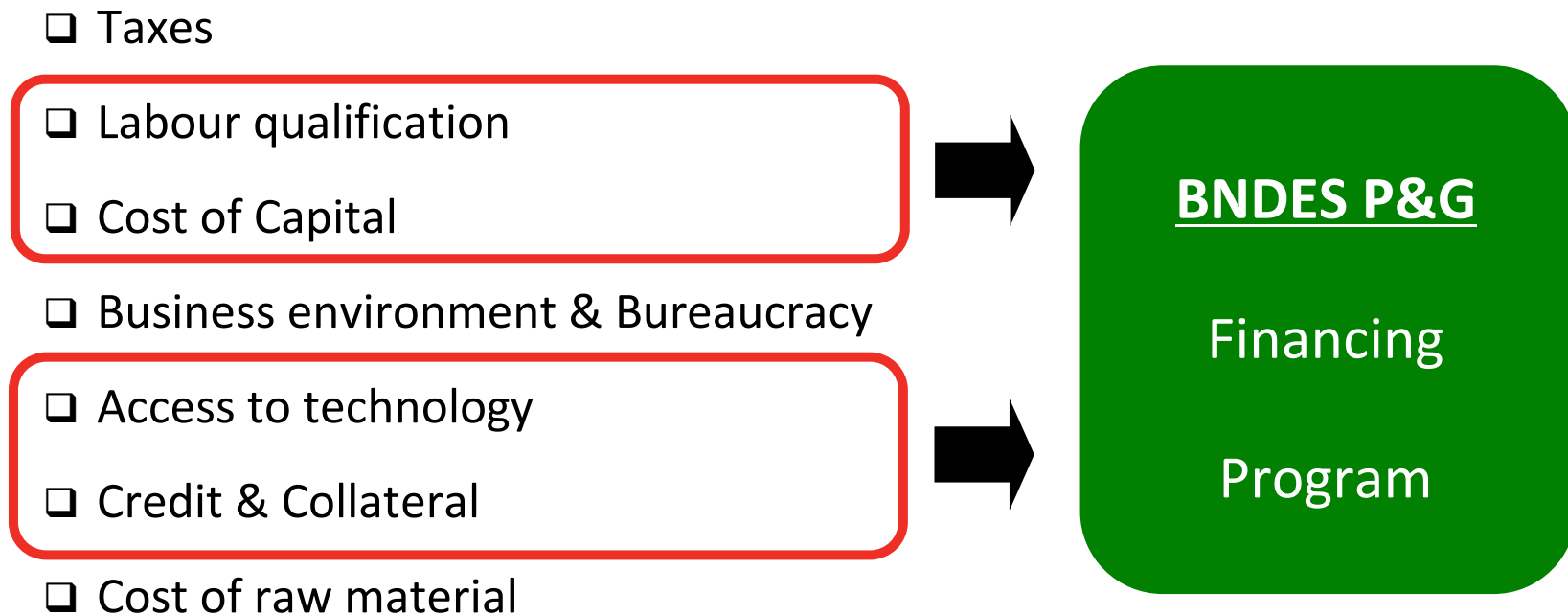
Petrobras Business Plan (2011-15): US\$ 224,7 billions

Domestic demand forecast of Goods and Services for  
the E&P Offshore (2010-20): US\$ 400 billions<sup>1</sup>

- ✓ 85% of the companies in the Brazilian supply chain have gross income lower than US\$ 60 millions.
- ✓ 76% focus only on the domestic market.

# Structural challenges

Some structural challenges are mentioned by Brazilian suppliers and need to be addressed for continued growth:



**BNDES P&G is the Financing Program to the Oil & Gas Supply Chain.**

# The BNDES P&G Financing Program

[www.bndes.gov.br/apoio/bndes\\_pg.html](http://www.bndes.gov.br/apoio/bndes_pg.html)

# Focus

## 1. Productive Structure

- To increase industry and services production capacity
- Financial Cost (R\$) from 6.96%pa to 9.84%pa, up to 10 years

## 2. M&A and Internationalization of Brazilian Owned Companies

- Debt Financing and Equity
- Financial Cost (R\$) from 7.36%pa to 9.84%pa, up to 10 years

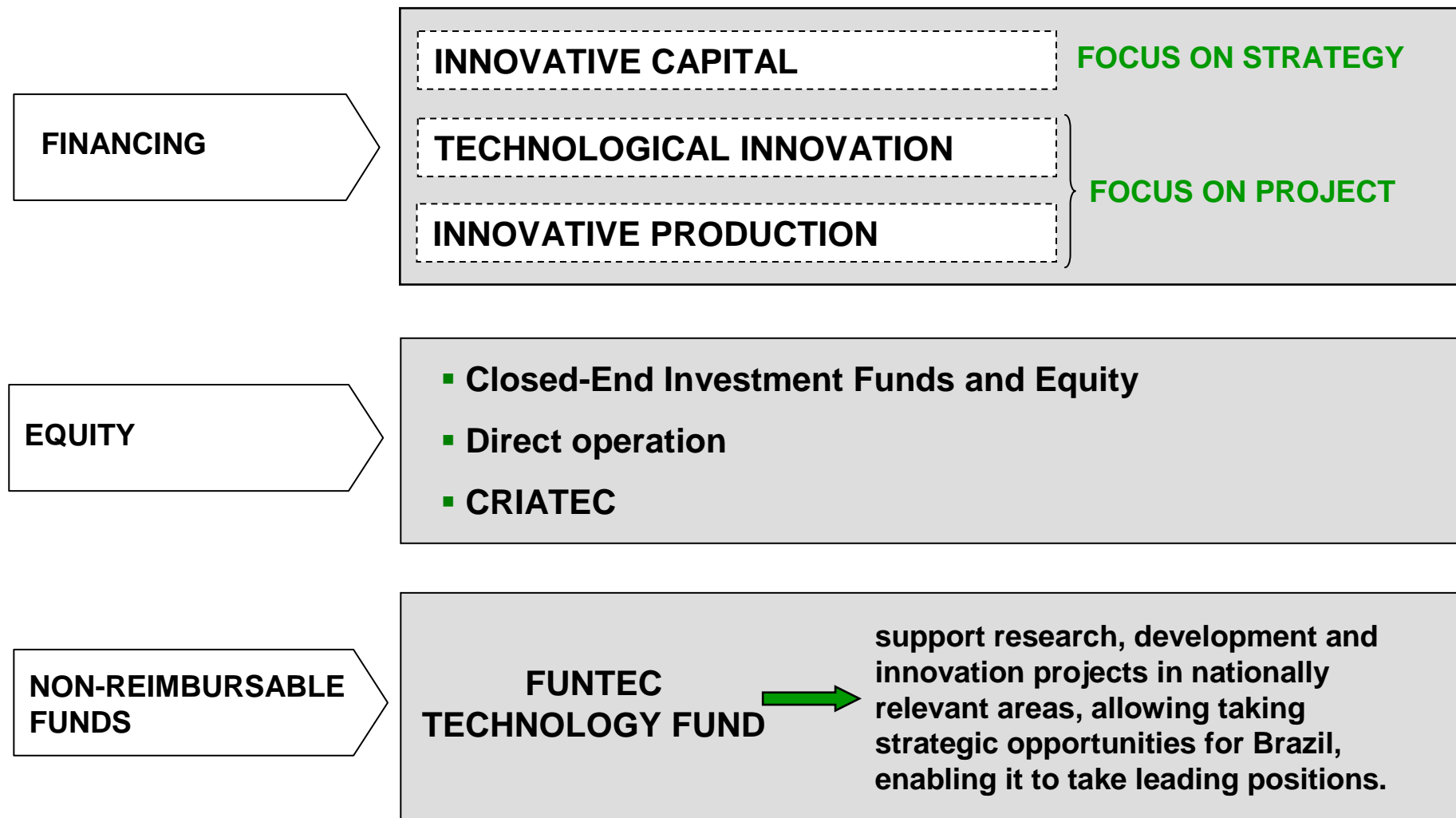
## 3. Working Capital to Production of Goods and Services

- Financing Cash Flow of Suppliers
- Contracts as collateral
- Financial Cost (R\$) from 8.46%pa to 11.04%pa, up to 5 years

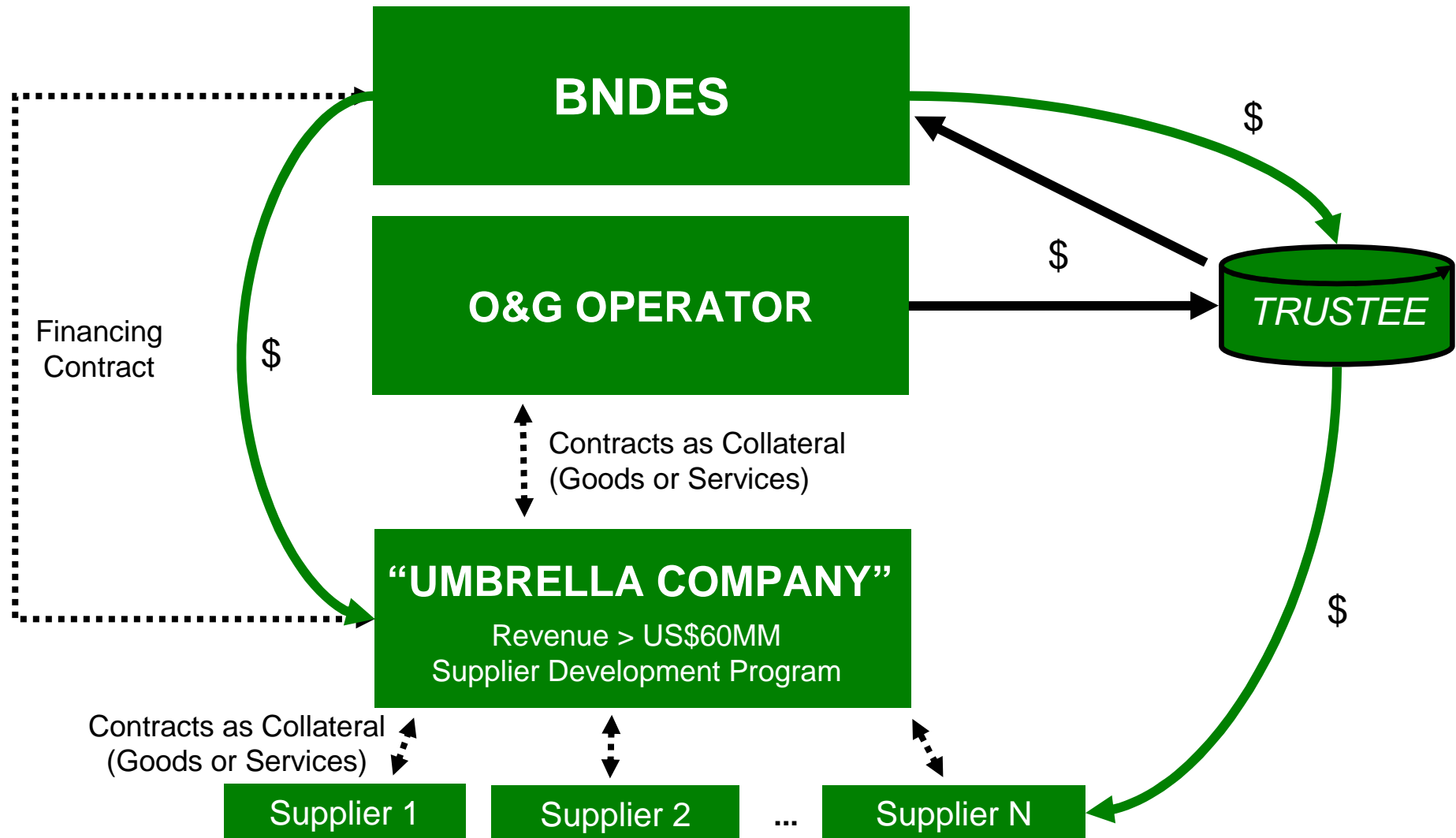
## 4. Innovation and Technology

- Financial Cost (R\$) from 4,5%pa to 7%pa, up to 14 years

# New Innovation Policy of BNDES



# Reaching Large, Medium and Small Companies



# BNDES Participações – BNDESPAR (Equity)

- ✓ Stimulate **entrepreneurship** and innovative companies
- ✓ Disseminate good **corporate governance** practices
- ✓ Expand the venture capital culture in Brazilian corporations, specially in SMEs
- ✓ **Main instruments**: Equity, Debentures, Private Equity Funds, and Venture Capital Funds.

# FINAL MESSAGE

- ✓ O&G investments prospects in Brazil remain increasingly favourable.
- ✓ The local content development policy will be continued and enhanced.
- ✓ Financial support in local currency is available, with focus on R&D&I.
- ✓ BNDES P&G is a financing program designed to provide access to long term and working capital credit to small and medium sized companies of O&G supply chain.
- ✓ Foreign direct investment and joint venture with local companies are wellcome, especially with contribution of high end technology.

# Thank you

[www.bndes.gov.br/apoio/bndes\\_pg.html](http://www.bndes.gov.br/apoio/bndes_pg.html)

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Director at BNDES



# APPENDIX

# Areas of Activity



## **Innovation**

To support investments promoting technological innovation and competitiveness.

## **Infrastructure**

Access to electric energy, telecommunications, urban transport, water supply and sanitation, increasing the offer of services ahead of demand to avoid harm to economic growth.

## **Productive structure**

To increase industry production capacity. To make industry and service sectors more effective. To prioritize small and medium-sized companies. To support international business of Brazilian companies.

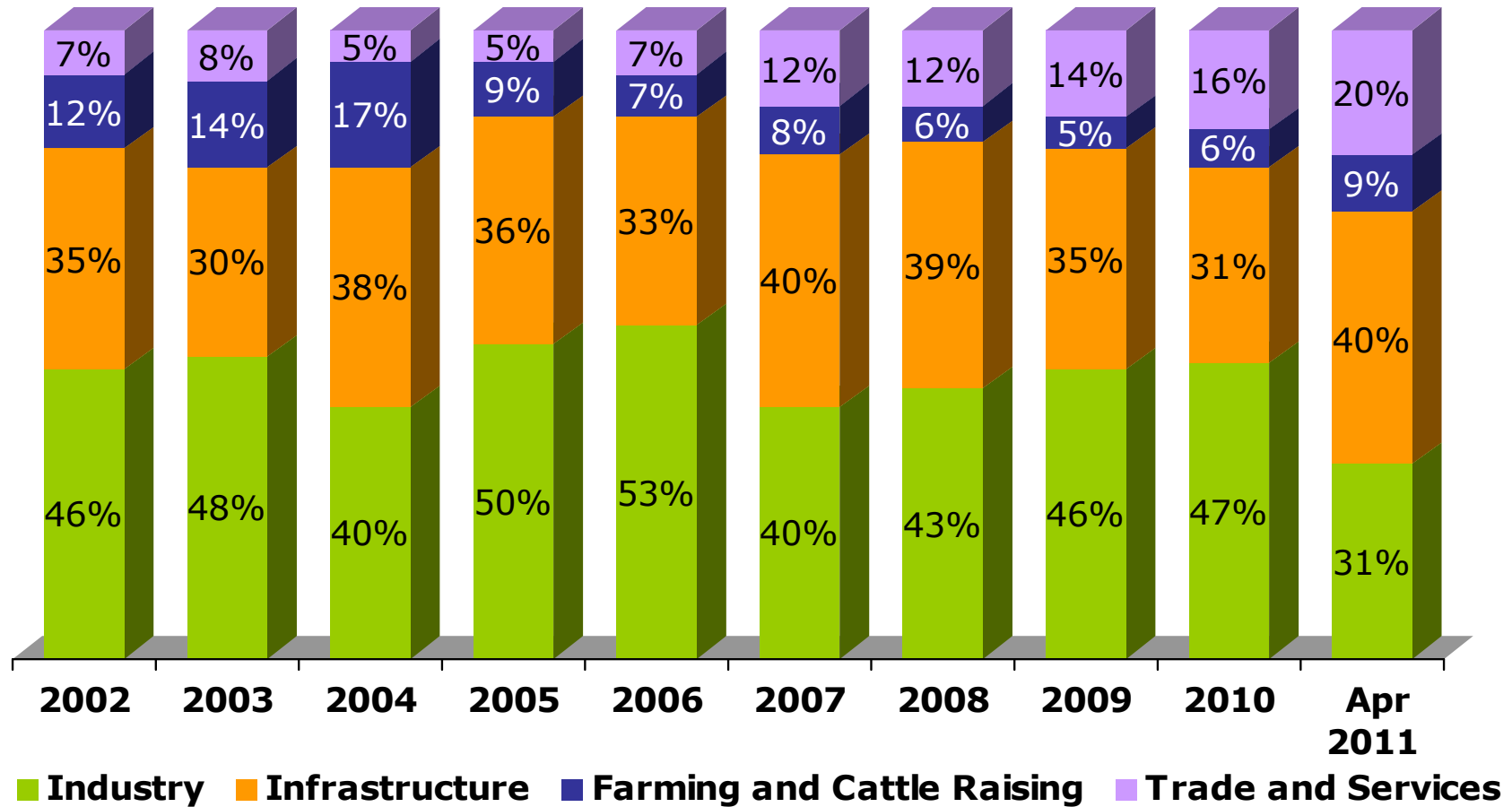
## **Exports**

To promote external sales and reduce imports. Technological investments to increase content value of consumer goods. Preferential trade relations with Mercosur and other South-American neighbors.

## **Social inclusion**

Conditions and stimuli to intensify social benefits are established for the concession of BNDES credit.

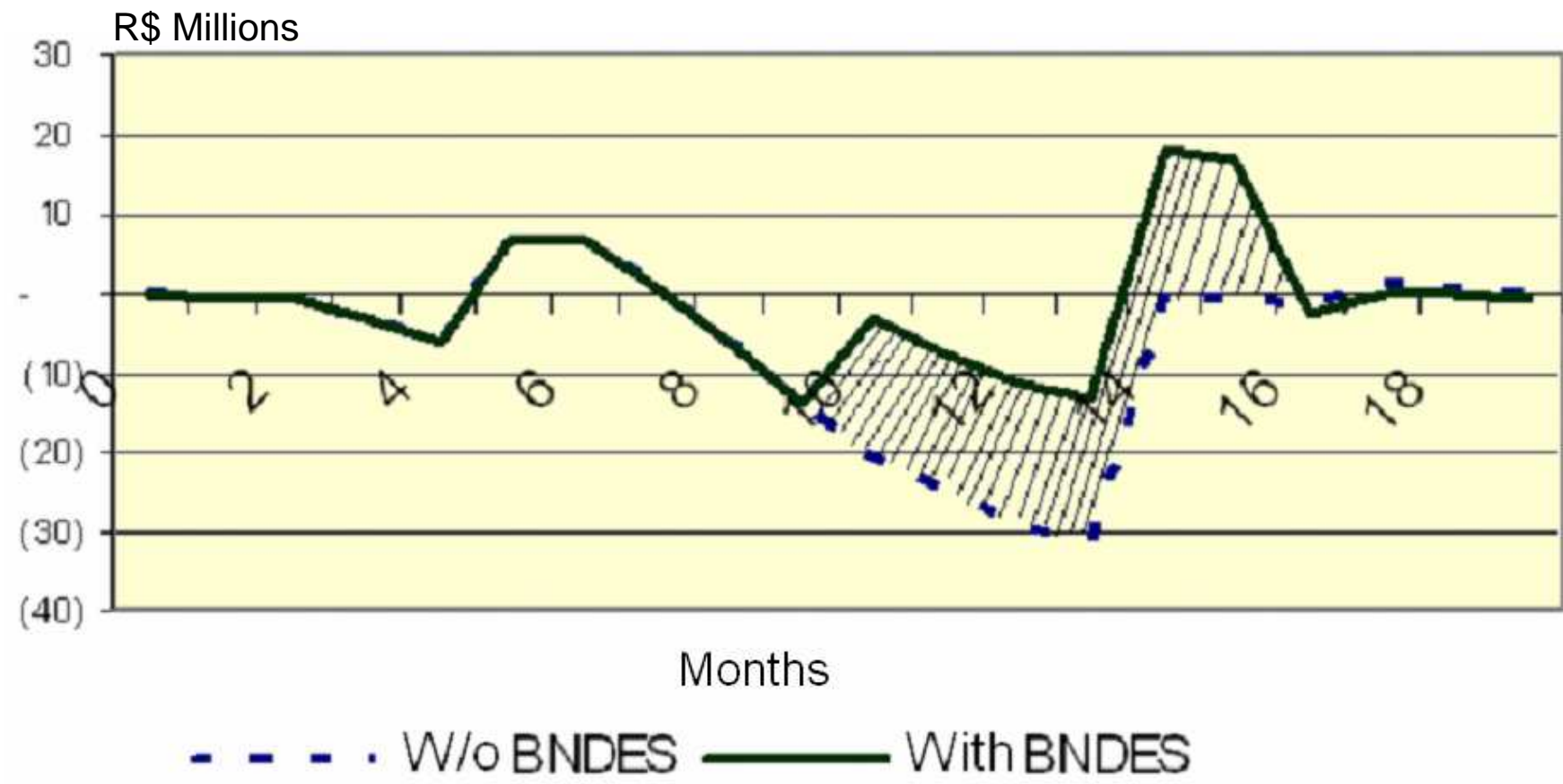
# Disbursements by Business Sector



# Real Case



## Company Cash Flow



# “Umbrella Company” Operation – General Aspects

- ❑ Umbrella Company: Companies with Gross Income higher than US\$ 60 millions.
- ❑ Advantages: Better Financing Cost and Conditions, Financing Access to Medium and Small Companies, Umbrella Company grows with its suppliers.
- ❑ Part of the financing resources goes to suppliers:
  - Part of the total financing amount has to be directed to the suppliers.
  - The resources goes through a financial engineering including an Escrow Account, which is managed by an financial institution, the Trustee.
- ❑ Collateral and Risks
  - Contracts as collateral.
  - Credit Risk is based on the Umbrella Corporate Credit Risk Rating.
- ❑ “Suppliers Development Program” defined by the Umbrella Company together with its suppliers:
  - List of suppliers.
  - Total Financing amount and portion to be directed to the suppliers.
  - Other important information: contracts, chronological planning of disbursements to suppliers, bank account information.

# Innovation

- ❑ **Capital:** for projects aimed at developing the capacity to systematically undertake innovative activities, aligned with the strategy and outlined in companies' Innovation Investment Plans, involving investments in tangible capital, including physical infrastructure, and in intangible capital.
- ❑ **Technology:** for innovation projects of technological nature aimed at developing new or significantly improved products or processes (at least for the Brazilian market) and which involve technological risk and market opportunity; and
- ❑ **Production:** to support investment projects aimed at implementing, expanding and modernizing the production capacity needed to absorb the results of research and development, as well as innovation, and research and development projects, as well as innovation that offer proven market opportunities, including the development of incremental innovation for products and/or processes.

See conditions and details at [www.bndes.gov.br/inovacao](http://www.bndes.gov.br/inovacao)

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**Micro, Pequena e Média  
Empresa e Pessoa Física**

**Grande  
Empresa**

**Administração  
Pública**

**Instituição Financeira  
Credenciada**

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A<sup>+</sup> A<sup>-</sup>

## Programa BNDES de Apoio ao Desenvolvimento da Cadeia de Fornecedores de Bens e Serviços relacionados ao setor de Petróleo e Gás Natural - BNDES P&G

### Objetivo

Contribuir para o desenvolvimento da Cadeia de Fornecedores de Bens e Serviços relacionados ao setor de Petróleo e Gás Natural (P&G), de forma a:

- criar e ampliar a capacidade produtiva das empresas;
- apoiar a incorporação, a aquisição e a fusão de empresas, visando ao aumento de porte e capacidade de competição no mercado doméstico e internacional;
- apoiar projetos de investimentos no exterior que visem à ampliação da capacidade produtiva, implantação, recuperação, modernização e otimização de unidades industriais, bem como a busca de tecnologias no exterior;
- aperfeiçoar instrumentos que capacitem as empresas, ampliando sua participação no mercado;



### Últimas Notícias

25/07/2011

#### Financiamentos utilizando garantia do BNDES FGI atingem R\$ 1,2 bilhão

Menos de um ano após sua entrada efetiva em operação, o Fundo Garantidor para Investimentos (BNDES FGI) atingiu a marca R\$ 1,2 bilhão de financiamentos com garantias. Ao todo, foram feitas 6.773 operações, das quais cerca de 92% com microempresas e pessoas físicas. A maior parte dos contratantes, 53%, nunca tinha acessado o crédito do BNDES.

To apply for the financing support, click the link “roteiro de informações” →

## Garantias

- **Operações diretas:** definidas na análise da operação, observadas as normas do BNDES pertinentes.
- **Operações indiretas:** as garantias serão negociadas entre a instituição financeira credenciada e o cliente. Não é admitida a constituição de penhor de direitos creditórios decorrentes de aplicação financeira.

[Saiba mais sobre as garantias](#) das operações com recursos do BNDES.

## Encaminhamento

As solicitações de apoio são encaminhadas ao BNDES pela empresa interessada ou por intermédio da **instituição financeira credenciada**, através de Consulta Prévia preenchida segundo as orientações do **roteiro de informações**, e enviada ao:

Banco Nacional de Desenvolvimento Econômico e Social - BNDES  
Área de Planejamento - AP  
Departamento de Prioridades - DEPRI  
Av. República do Chile, 100 - Protocolo - Térreo  
20031-917 - Rio de Janeiro - RJ



**BNDES**

*Brazilian  
development bank*

<http://www.bndes.gov.br>

[www.bndes.gov.br/apoio/bndes\\_pg.html](http://www.bndes.gov.br/apoio/bndes_pg.html)