



Message from the President

Among the priorities in the year of 2011, President Dilma Rousseff's first year in office, was the aim to maintain economic growth and the generation of jobs, as registered during President Lula's administration, as the foundation for Brazil to sustain its development process towards the eradication of poverty. To do so, the Federal Government demonstrated its capacity to react in a creative and sophisticated manner to the distinct stimulus and restrictions imposed by the domestic and foreign economic panorama, indicating the path for the country to blend monetary stability with lower and more compatible interest rates with international standards.

For us at the BNDES, after two years of record disbursements and intense participation in the Federal Government's countercyclical efforts, the year of 2011 was marked by the stabilized level of allocated resources. The total disbursement of R\$ 139.7 billion – below the R\$ 168.4 billion (R\$ 143.4 billion, if the R\$ 25 billion for Petrobras' special capitalization operation is deducted) recorded in 2010 and a little higher than the R\$ 137.4 billion in 2009 – is compatible with the efforts to increase the investment rate of the Brazilian economy and to expand participation of the private initiative in long-term financing.

The BNDES' performance is evidently broader than the total value of its disbursements. The Bank has improved its operations to offer greater efficiency in its policies and to foster more balance in its economic, financial, social and environmental objectives.

The 2011 Annual Report seeks to follow the tendency that public entities and companies publish not only their economic-financial results, but also their performance within social and environmental aspects.

This new document is called the Integrated Report because it lists elements, such as the BNDES' governance structure – collegiate bodies, loan concession flows, evaluation methodologies, socio-environmental guidelines, financial and risk management, among other aspects –, corporate planning, international operations, transparency and people management policies. It also includes the BNDES' participation in public policies, besides financial indicators and the results of their sectorial and transversal operations in innovation, regional development and the environment.

The Integrated Report is based on the concept of "sustainability", which I believe is a re-analysis that is more appropriate for contemporary concerns, on the concept of development, associating economic growth with innovation, competitiveness, social well-being, environmental quality and preservation and the responsible use of natural resources. The BNDES, which is the development bank, is also the sustainability bank.

With this, the Bank's performance in 2011 was marked by such activities as: support for 43 wind parks, which will generate over 1,000 MW of potential energy, for which financing of R\$ 3.4 billion was approved (investments of R\$ 5.3 billion), an amount almost three times higher than in 2010; innovation projects for sustainability; operations in the surrounding areas of projects, which aim at promoting development opportunities that may be catalyzed by investments, enhancing the local appropriation of benefits from such projects; and disbursements associated to the green economy, which were of R\$ 18.5 billion, a value near those recorded in 2010 and 2009, and a significant leap regarding the average recorded during the previous three year period. There is also the BNDES' performance as the manager of the Amazon Fund, whose resources originating from national and international donations are invested in efforts to prevent, monitor and combat deforestation in the region, as well as in fostering the conservation and sustainable use of the Amazon Biome.

The BNDES has provided increasing support to the micro and small companies (MSEs) and individuals, with disbursements in 2011 reaching R\$ 35.8 billion, higher than the record amounts registered in 2010 and 2009. The BNDES Card once again presented vigorous growth, reaching disbursements of R\$ 7.6 billion last year (76% higher than 2010), with a total of more than 540,000 operations (69% up on the previous year). In 2011, some 130,845 cards were issued, making the total number 493,024 cards.

The Investment Guarantee Fund (FGI), a complementary instrument for guarantees that, much like the BNDES Card, will be decisive in expanding the Bank's scope regarding MSEs. Since its creation, in May 2010, up to the end of 2011, more than 10,000 operations were carried out, with R\$ 1.8 billion in approved investments and R\$ 1.3 billion in guaranteed values. Over 92% of the value of these operations was carried out with micro-companies and individuals, of which approximately 53% of beneficiaries obtained credit from the BNDES for the first time.

The BNDES once again played a crucial role in strengthening business and investment confidence in 2011. Investments leveraged by the Bank's financing represented approximately 21% of the country's Gross Formation of Fixed Capital (GFFC). By implementing these investments, some 4.8 million jobs were directly or indirectly created or maintained.

To do so, the BNDES' institutional partnerships also contributed, with emphasis on joint efforts together with various government bodies, especially the Ministry of Development, Industry and Foreign Trade

(MDIC). Perhaps the main example is the BNDES' participation in creating and carrying out the new Brazilian industrial policy, the Brasil Maior Plan (PBM), a broad initiative that involves articulating with various ministries and public agencies under the MDIC's leadership. Another noteworthy example is the Bank's participation in financing projects in the Growth Acceleration Program (PAC), which is coordinated by the Ministry of Planning. Besides this, continuing the Investment Maintenance Program (PSI), whose interest rates are equalized by the National Treasury, allows for lower financial costs for lines, such as the acquisition of capital goods and innovation. Together with the Civil Aviation Agency, the BNDES has helped model and finance the airport concessions.

I believe that BNDES' performance, in terms of the goals stipulated by corporate planning for 2011, was quite positive. Standing apart are the disbursements that exceeded expectations: R\$ 56.1 billion for infrastructure, R\$ 81.6 billion to expand production capacity, especially in the industrial sector; R\$ 19.8 billion for PAC works and R\$ 2.6 billion for innovation, the latter exceeding the goal by 60%. Disbursements correlated to regional development (R\$ 29.6 billion) were approximately what was expected. Disbursements for socio-environmental development (R\$ 2 billion) as well as for foreign trade and internationalization (R\$ 11.4 billion) reached approximately 70% of expectations.

The schedule for 2012 continues to look challenging. As a public bank focused on the long term, the BNDES' mission is to continually support investments that are priorities for the Brazilian economy. Certain themes have been present for several decades, such as the expansion of investments and the financing of infrastructure projects. There are new objectives that have been incorporated into the Bank's priority schedule over the last few years, such as fostering innovation, socio-environmental sustainability, providing support to modernize public administration, encouraging local development, production inclusion, and expanding access to credit.

Certain topics, which will be especially relevant in 2012, must be emphasized. One is the support for foreign sales of engineering-intensive goods and services in order to diversify exports. Another is the reinforcement of the competitiveness of part and component suppliers in the transformation industry, especially the gas and oil sector. New projects linked to industries such as pharmaceutical as well as information and communications technologies (ICTs) will also be relevant. There is also the promotion of long-term private financing, an effort that is constantly pursued by BNDES and which should receive a new and decisive boost from the adjustment of internal interest rates to the international standard.

To take on this schedule, the BNDES, over the last few years, has invested in assimilating the best practices in resource and people management, besides its efforts to implement integrated systems, the AGIR project. This year, the BNDES will once again concentrate on strengthening executive and technical competences. To do so, the Bank will continue with the efforts developed in 2011, which has been defined as the “year of management excellence”.

In 2012, the BNDES celebrates its 60th anniversary, which will also be marked by the Rio+20, an event that will reinforce global concerns for the future and focus on the long term. The BNDES will persist in its historical mission to help Brazil tackle the major challenges on the path to sustainable development.

Luciano Coutinho

President of the BNDES