

BNDES Florestal – BNDES's New Line Financing

Forestry-related activities are capital and time intensive, and as such they require long-term funding. Hence, agencies that provide those schemes should be in place to grant economically viable funding for that sector.

In the early second quarter of 2009, Brazilian BNDES, which is a Federal Government agency, announced a program called "BNDES FLORESTAL", that will grant subsidies for two credit lines. Legal companies headquartered and operating in Brazil, businesses, associations and foundations are entitled to apply for those credit lines. One credit line is intended to subsidize forest species for energy purposes that can alleviate the pressure posed on native forests, and the second for reforestation schemes on degraded or converted areas and the sustainable use of native areas under forest management. Within the context of both credit lines, the following items are eligible for the granting of funds: research, development and technology; geotechnology services; forest management; infrastructure; forest activities; environmental alignment and acquisition of Brazilian equipment and implements duly accredited by BNDES.

BNDS provides two type of funding schemes for the applicants, e.g. direct and indirect non-compulsory. The direct scheme is entered directly with BNDES, and is governed by the following credit rates: LTIR (Long-Term Interest Rate), BNDS fee and credit risk rate. The indirect non-compulsory is entered with an accredited financial institution: LTIR plus BNDS fee, financial intermediation fee and accredited financial institution fee. Operations for micro, small and middle-size companies are exempt of paying the financial intermediation fee. Variables and fees/rates applied to financing calculations are presented in Table 1.

Table 1. BNDES Forest Financing Fees

	Rates
TJLP	6%
BNDES (Operations Direct and Indirect)	0,9% per year
Rate of Credit Risk	until 3,57% per year (as the risk of the beneficiary)
Remuneration Accredited Financial Institution	Negotiated between the accredited financial institution and the Customer
Financial Intermediation Rate	0,5% per year

Forest management projects have a 15-year grace period to for repayment with 100% support. Reforestation projects for energy purposes have an 11-year grace period to for repayment, where BNDS support may vary from 80% to 100%, depending on requirements, i.e. region, income generated by the municipality and other variables.

Financing mechanisms granted by BNDES will foster the creation and conservation of forests within Brazil to benefit small, medium and large-size forest producers.

It should be noted that there are there are forest credit lines, such as: PROPFLORA, for rural producers to plant commercial, industrial and energy forests, and to recover/maintain preservation and legal forest reserve areas; PRONAF FLORESTAL, for family farms classified under PRONAF's groups "B", "C" and "D" for forestry, agroforestry and sustainable extractive exploitation projects; and FNO FLORESTA, FCO PRONATUREZA and FNE VERDE financing funds for rural producers and sustainable forest management purposes: energy and timber reforestation purposes, agroforestry systems, the recovery of degraded areas, the acquisition of machinery and equipment, integrated projects – rural and industrial, and marketing. Table 2 shows basic requirements for the granting of those credit lines.

Table2. Requirements for the Granting of Credit Lines

Mechanism	Annual Rate	Deadline (years)	Grace Period (years)	Value (MR\$)
Propflora	6,8%	≤ 12	≤ 8	≤ 0,2
Pronaf	1% - 4%	≤ 16	8	≤ 0,012
FNO Floresta				0,08 a 4,2
FCO Pronatureza	6% a 10,8%	16 a 20	5 a 10	4,8 a 10
FNE Verde				

With the exception of Propflora, all mechanisms award punctual repayment in around 20-25%.

In sum, given the diversity of credit lines, each company is responsible for defining the most adequate resource for their business in order to expand and increase the processes for the development of forest activities.

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