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Bacellar: the concept of *Open Innovation* offers a win-win situation, making investments in innovation more efficient and creating solutions more rapidly

## BNDES BETS ON INNOVATION SUPPORT INSTRUMENTS TO STRENGTHEN COMPETITIVENESS OF BRAZIL'S INDUSTRY

As its name already suggests, the National Bank of Economic and Social Development (BNDES) is a financial institution that contributes to the country's development, participating in a large number of projects carried out in the country. The bank's participation through funding extends to all sorts of segments, including infrastructure, trade and services, and industry.

Referring specifically to the support offered to the pulp and paper industry, it is estimated that of the total R\$36.2 billion invested by companies between 2002 and the first semester of 2013, the bank participated with R\$19.3 billion. This amount indicates that more than 50% of investments carried out in the sector counted on the BNDES' support with long-term lines of credit. "This is quite an expressive support and is broken down into: market pulp with roughly 47% of total disbursement, paper with 29%, and forest with 24%," informs Rodrigo Bacellar, superintendent of the institution's basic materials area.

Bacellar reveals that, more recently, the bank has dedicated particular attention to innovation, offering lines of support not only to large companies but also small and medium enterprises. In this month's Interview to *O Papel* magazine, he provides details about

the different forms for obtaining financial support from the bank and addresses the importance of supporting innovative projects in order to strengthen the country's industry.

***O Papel*** – What reasons led the BNDES to increase support towards innovation these last few years? Does the bank believe that investments in this area will open new paths for Brazil's industry?

**Rodrigo Bacellar** – Innovation is truly a very noble theme for the BNDES. We have worked a lot on developing this area in order to support companies that wish to invest in innovation not only to maintain, but also expand the competitive advantages they have. Proof of this are the competitive conditions we offer, with affordable rates, extended terms and levels of support that reach up to 90%. BNDES' innovation support policy aims to develop and support operations associated to developing enablers and innovative environments, with the objective of generating economic or social value and improving the competitive position of companies, contributing to the creation of better quality jobs, increasing productive efficiency, environmental sustainability and sustainable growth for the country.

**O Papel** – What types of support does the BNDES offer companies interested in obtaining funding to invest in innovation?

**Bacellar** – We have different support instruments that aim to increase competitiveness through investments in innovation that are part of the business strategy of companies, contemplating continuous or structured innovation actions in products, processes and/or marketing, as well as perfecting technical competencies and knowledge. Examples include the *BNDES Inovação*, *Proengenharia* and *Inova Agro* lines. It is important to point out that companies can obtain funding from the bank in two ways: the first is to close a contract directly with the BNDES, which generally applies to projects amounting to more than R\$10 million in financing and, in the case of innovation, projects totaling more than R\$1 million; the second is the indirect possibility, through financial institutions approved by the BNDES.

**O Papel** – Would you say that the interest of domestic players to invest in innovation projects can already be considered a consolidated practice, or does it still need to mature?

**Bacellar** – BNDES' disbursements for innovation, comprising all its modalities, totaled R\$10.8 billion since 2008, having posted an average annual growth rate of approximately 37.7%. Even though these figures are concrete, innovation investments are difficult to measure because, when a company decides to modernize a process or purchase a new more efficient piece of equipment, it is also innovating towards gaining efficiency. The fact is that these investments end up not being captured as innovation investments per se. What we capture as innovation is that what truly allows a company to reach a new competitive level. This makes the amounts involved towards innovation to not be all that great as those earmarked, for example, for building new facilities.

**O Papel** – But is the current posture of Brazil's industrial segments in relation to innovation investments different from that of previous decades? Is the perception regarding the need to pursue advancement through innovation more apparent?

**Bacellar** – Historically, companies invest very little in innovation – and that applies not only to the pulp and paper industry but also Brazil's industry as a whole. Little by little, however, companies are seeing that such investments are fundamental, but also riskier, for large competitive leaps to take place and be expanded in the long-term. Many times, the investment in setting up a research and development center with professionals dedicated to innovation is not that big and proves crucial for allowing a company to advance. What I see is that we started out with a small investment base, with the bank increasing its funding for innovation, which reflects in an increase of investments on the part of companies in innovation. The BNDES seeks to develop this movement, more and more, providing better support conditions and always looking to talk with companies, be it as investor or creditor, in order to understand what this will add in terms of new to business plans.

**O Papel** – Where does the pulp and paper industry stand in relation to other industrial segments when talking about innovative posture? Do you consider the sector as a highly engaged industry in this truly important aspect of global competitiveness?

**Bacellar** – Brazil's pulp industry, in particular, was very innovative in the forestry area over the last decades. The R&D centers that focused on forestry themes created significant gains in relation to productivity, development of higher performing clones and many other aspects. On the industrial side, however, innovation investments are still incipient. Innovation related to the productive chain and industrial processes is still quite small. In terms of product development innovation, I believe that companies recently woke up to this interest. Some companies got a head start, but there exists collective consensus thinking about *Open Innovation*, involving the entire chain, including suppliers and clients. It is something new that this industry is trying to pursue and I see many opportunities. Within this context, I can't say that this is an industry that invests little in innovation. I would say that there exists a next stage to be fulfilled: the development of new products stemming from different forestry applications and also from industrial waste. Initiatives involving alternative uses of biomass, development of new fibers, fibers customized for each end use, new packaging and strengthening of biorefinery concepts are just a few examples in this ample field of opportunities.

**O Papel** – Could the fact that key players woke up to the need of investing in innovation also leverage this movement among smaller size companies? Will this innovation-oriented posture become a trend among all players that make up the sector?

**Bacellar** – First of all, it is necessary to keep in mind that, in order to innovate, it is not necessary to be big. There are many cases of small and medium-sized biotechnology enterprises that started from scratch and achieved enormous success with innovative projects. Obviously, the fact that a company is big allows for more investment in innovation, but in no way should this posture be limited only to big players. This is why the BNDES is increasing its support to small and medium-size enterprises, offering better programs for their specific needs. Our objective is not to substitute the funds that today are earmarked for large companies, but rather, increase the level of investment in all modalities. If it is to help with additional funds towards innovation, we certainly wish to support this movement in a comprehensive manner. Startup companies that are still in their preliminary phase can also help in the pursuit of competitive leaps – as long as, of course, innovation presents itself in an open manner. The concept of *Open Innovation* that I mentioned previously, offers a win-win situation, making investments in innovation more efficient and creating solutions more rapidly. The BNDES strongly believes in this. ■