

# China-Brazil Cooperation Fund for Expansion of Production Capacity



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**The Fund is better understood as part of a set of  
Memoranda of Understanding and Cooperation  
signed by SEAIN/MP**

# Memoranda of Understanding and of Cooperation

Since 2015 SEAIN has been celebrating formal agreements, as a way of strenghtening the relationship of the Ministry of Planning (MP) with some key countries interested in the development of infrastructure in Brazil:

- Memorandum of Cooperation (MoC) with the USA
- Memorandum of Cooperation (MoC) with Japan
- Memorandum of Understanding (MoU) with France
- Memorandum of Understanding (MoU) with Italy
- Framework Agreement (FA) Brazil-China

# Memoranda of Understanding and of Cooperation

- The MoC Brazil-USA resulted in the formation of working groups on investment in infrastructure. The first major annual meeting took place in December, 2016, with focus on transportation infrastructure. It has now led to a training activity of public servants in charge of public procurement
- The MoC Brazil-Japan, signed in October 2016, aims also at strengthening the promotion of investment in infrastructure. The first meeting of the working group took place on the 31<sup>st</sup> August, 2017, attended by the Japanese vice-minister of Foreign Affairs, Japanese businessmen and several representatives of strategic areas of the Brazilian government

# Memoranda of Understanding and of Cooperation

- The MoU Brazil-France was signed on the 31<sup>st</sup> March, 2017. Apart from the focus on infrastructure, it also aims to develop cooperation in funding studies for projects of relevance to the signatories. The first meeting of the working group will be held on the 3<sup>rd</sup> October, 2017
- The MoU signed with Italy has generated very important synergies between the two countries, with sectorial meetings being held periodically. A big seminar was held in November, 2016, with the participation of the Italian vice-minister for economic development and several Italian businessmen and businesswomen

# Memorandum of Understanding and of Cooperation

- These agreements resulted in the expansion of technical, economic and commercial exchanges with key countries for the development of infrastructure in Brazil
- In the case of China this has led to a more concrete initiative: the Brazil-China bilateral Cooperation Fund



# The China-Brazil Cooperation Fund for the Expansion of Production Capacity

**Important dimension:**

**the Fund is considered by both countries not only as a relevant source of resources**

**but also**

**as a mechanism to foster the bilateral approximation**



# China-Brazil Cooperation Fund for the Expansion of Production Capacity

- Mechanism established by the Ministry of Planning and the China-LAC Industrial Cooperation Investment Fund Co., Ltd. (CLAIFUND) through a Memorandum of Understanding
- It is a combination of sources of funding to be allocated per project, according to the characteristics of each one (Project based)
- It covers various sectors of the economy, such as infrastructure, logistics, agribusiness, agricultural storage, and increase in production capacity

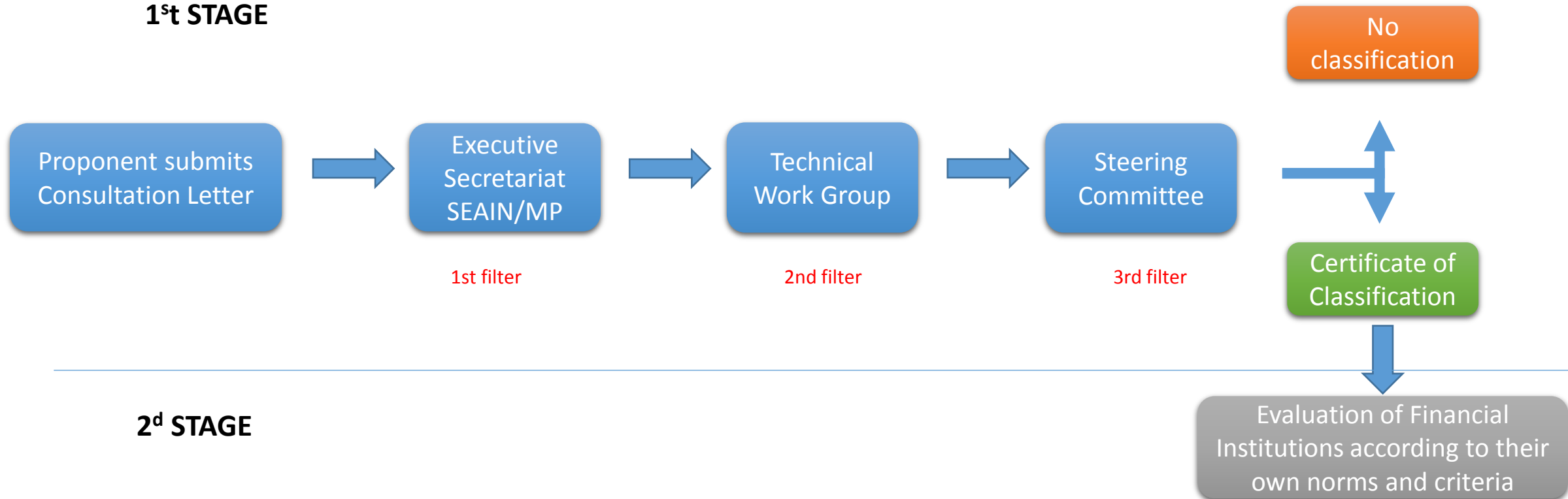
# China-Brazil Cooperation Fund for Expansion of Production Capacity

- The portfolio of projects to be classified may receive a contribution of up to US \$ 20 billion:
- US\$15 billion from Chinese Financiers and US\$5 billion from Brazilian Financiers
- **The 3:1 ratio is an average of all projects approved in a given period of time; not necessarily for each individual project**
- The decision process is on a parity basis: the Technical Group as well as the Steering Committee are both composed by three Brazilians and three Chinese

# China-Brazil Cooperation Fund for Expansion of Production Capacity

## ➤ Operation of the Fund:

### 1<sup>st</sup> STAGE



### 2<sup>d</sup> STAGE

# China-Brazil Cooperation Fund for Expansion of Production Capacity

## ➤ Procedures:

The interested party - which can be a company, consortium, group, financial institution or others - fills up the request form at the Ministry of Planning website:

<http://www.planejamento.gov.br/assuntos/internacionais/china-brasil-fund>

The interested party applies for a password that will give access to the Consultation Letter form

The next step is to submit a Consultation Letter with basic data of the project

The Consultation Letter will be evaluated by a Technical Group and a Steering Committee

Once the project is considered a priority by the Steering Committee, it will receive a Project Classification Certificate, to be considered in the negotiation with the Potential Financiers

# China-Brazil Cooperation Fund for Expansion of Production Capacity

As of 15<sup>th</sup> September, the Fund has received 21 access requests for the completion of Consultation Letters, comprising as diversified sectors as: railroads, digital project, metallurgy, energy, cosmetics, sanitation, port infrastructure, telecom, services, industry, mining and others

3 projects have already formally submitted Consultation Letters

It is explicitly established in the MOU that led to the creation of the Fund that there is no compulsory requirement of participation of Chinese suppliers



# China-Brazil Cooperation Fund for Expansion of Production Capacity

As per the project financing:

.one possibility is that the project requires equity capital. In this case, if approved, the Claifund has established a ceiling of 40% at most

.other two possibilities are

a - the project already has a pre-commitment from a Brazilian Financier, and looks for complementary resources from the Claifund

or

b – the interested party has not identified yet the Brazilian source of funds. In this case the recommendation is to start looking for support from the so-called 'Preferential Financiers', the BNDES and CEF

# China-Brazil Cooperation Fund for Expansion of Production Capacity

- The contribution from the Claifund can be made in Reais, pending on bilateral negotiation between the responsible for the project and the Claifund
- The projects classified by the Steering Committee of the Fund will be analyzed by the Potential Brazilian Financiers and the Potential Chinese Financiers as to their economic and financial feasibility, and they will decide on the financing or investment
- The financing conditions (time length, cost, level of participation, currency, etc) will be determined by the financiers, project by project, following the norms and procedures of each institution