



Aeronautics and Defense

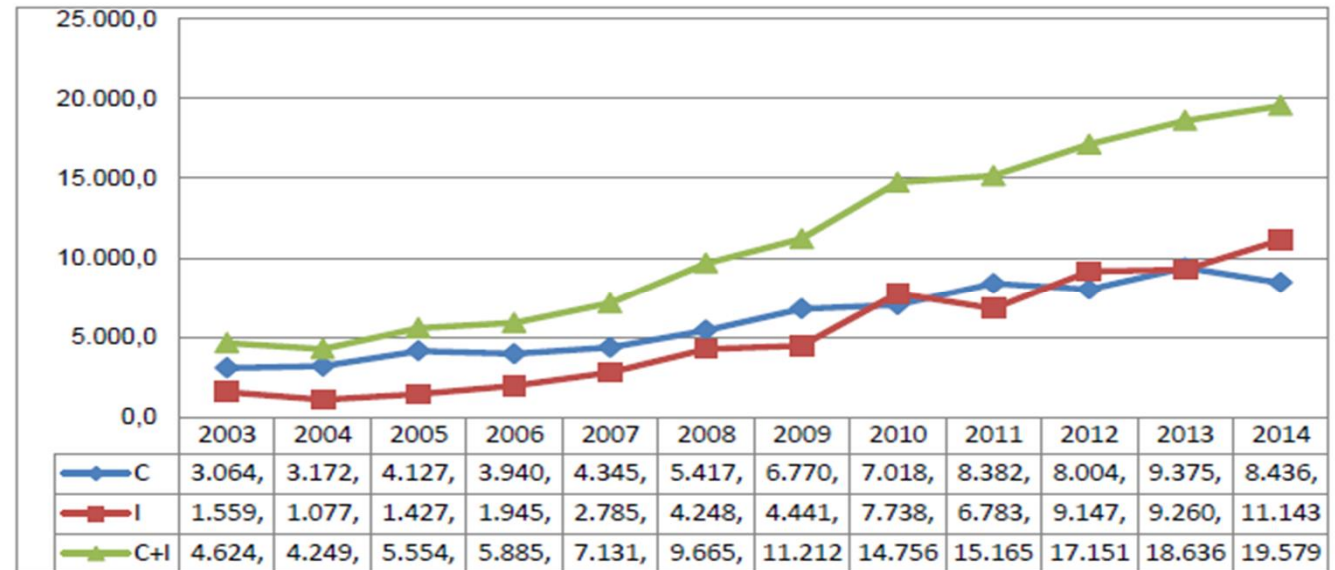
The Finep Actions

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ITA – 2014/nov/13



The Market Context

Evolution of Costing (C) and investment (I) governmental budgets



Strategic Projects and PAED



New firms and consolidation

ODEBRECHT
Defesa e Tecnologia

Mectron
Organização Odebrecht

EMBRAER
Defesa & Segurança

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VISIONA
Tecnologia Espacial

BRADAR
EMBRAER DEFESA & SEGURANÇA

Recent changes in Defense Public Policies

These changes promote structural modifications in Defense Sector:

- ✓ Reorganization of three forces
- ✓ Industrial Defense Productive Basis
- ✓ National Technological Development



Launching of Inova Aerodefesa Program by FINEP
(17/05/2013)

Date	Instrument	Subject
30/06/2005	Decreet 5.484	National Policy of Defense (PND)
18/12/2008	Decreet 6.703	National Strategy of Defense (END)
25/08/2010	LC 136	Creation of <i>Estado-Maior Conjunto das Forças Armadas</i> (EMCFA) e da SEPROD (<i>Secretaria de Produtos de Defesa</i>)
11/02/2011	Decreet 7.438	Guidelines of “Livro Branco De Defesa Nacional – LBDN ”
21/03/2012	Law 12.598	Policies of purchase, hiring and development of defense products. Definition of Strategic Enterprise of Defense (EED) and Strategic Product of Defense (PED)
28/03/2013	Decreet 7.970	Creation of the Industrial Commission of Defense (CMID) and Term of Especial Public Licitacion (TLE)
16/10/2013	Decreet 8.122	Special Regime Tributary for Defense Industry (RETID)

Challenges in the next years

1

Consolidation: Instruments to support the industrial defense - RETID, TLE, Financing, EEDs and PED

2

Public Purchase: Predictability and frequency
PAED (Articulation Plan and Defense Equipment)
public prioritization year after year

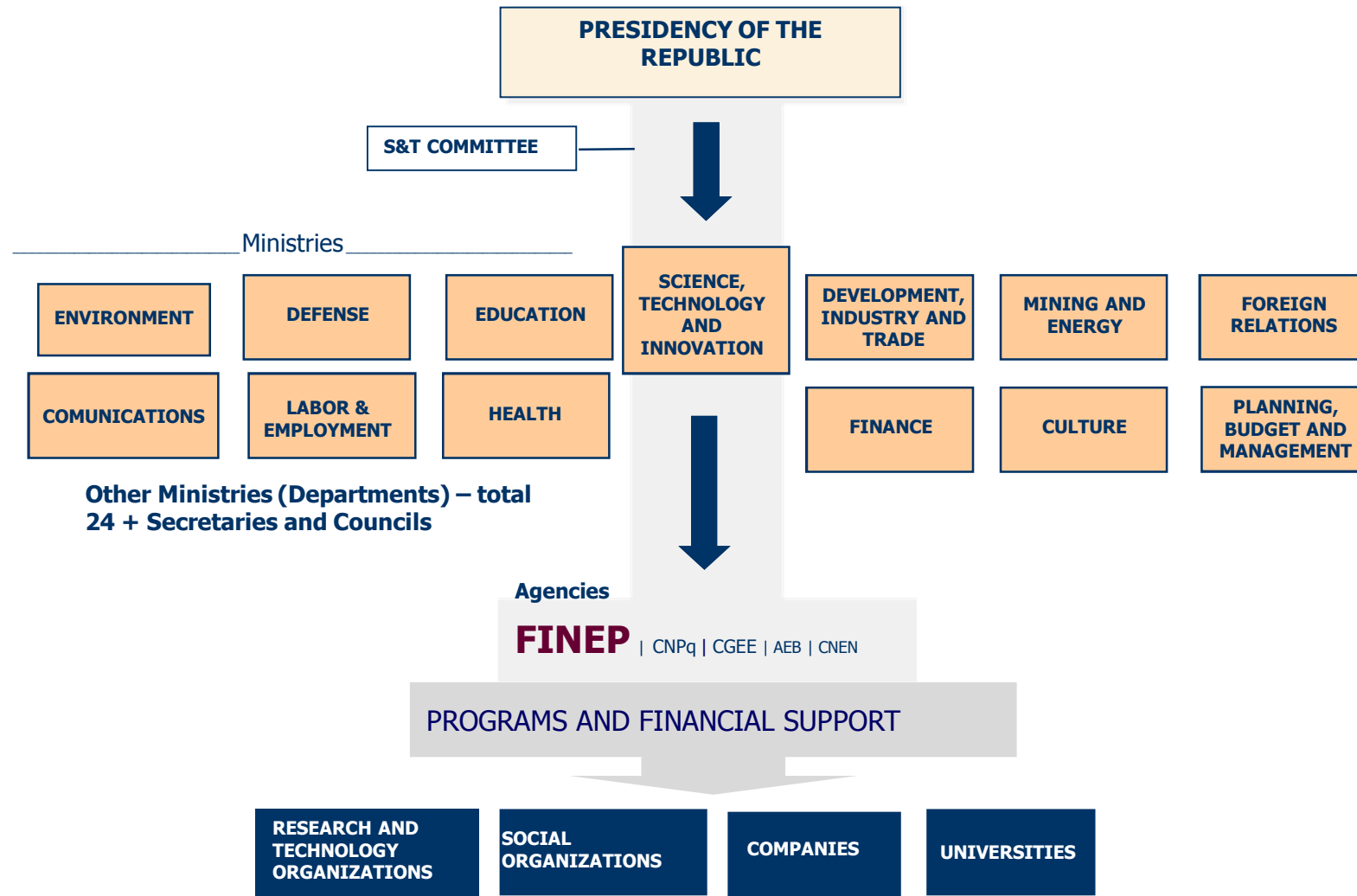
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Loan Guarantees: Use of contracts as a guarantee because they are one cheaper way for enterprises

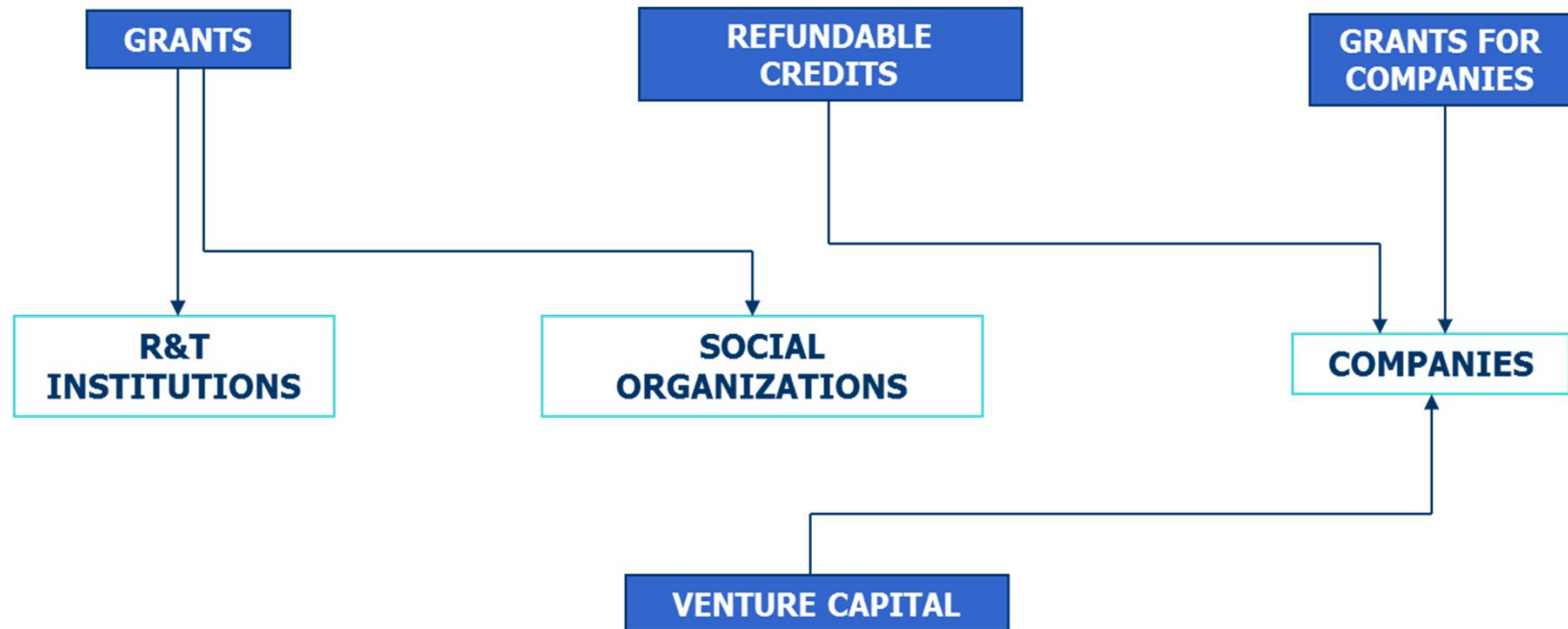
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More Grants and Private Equity to Firms and Universities: these instruments are more appropriated to support high technological risk

The Brazilian Innovation System

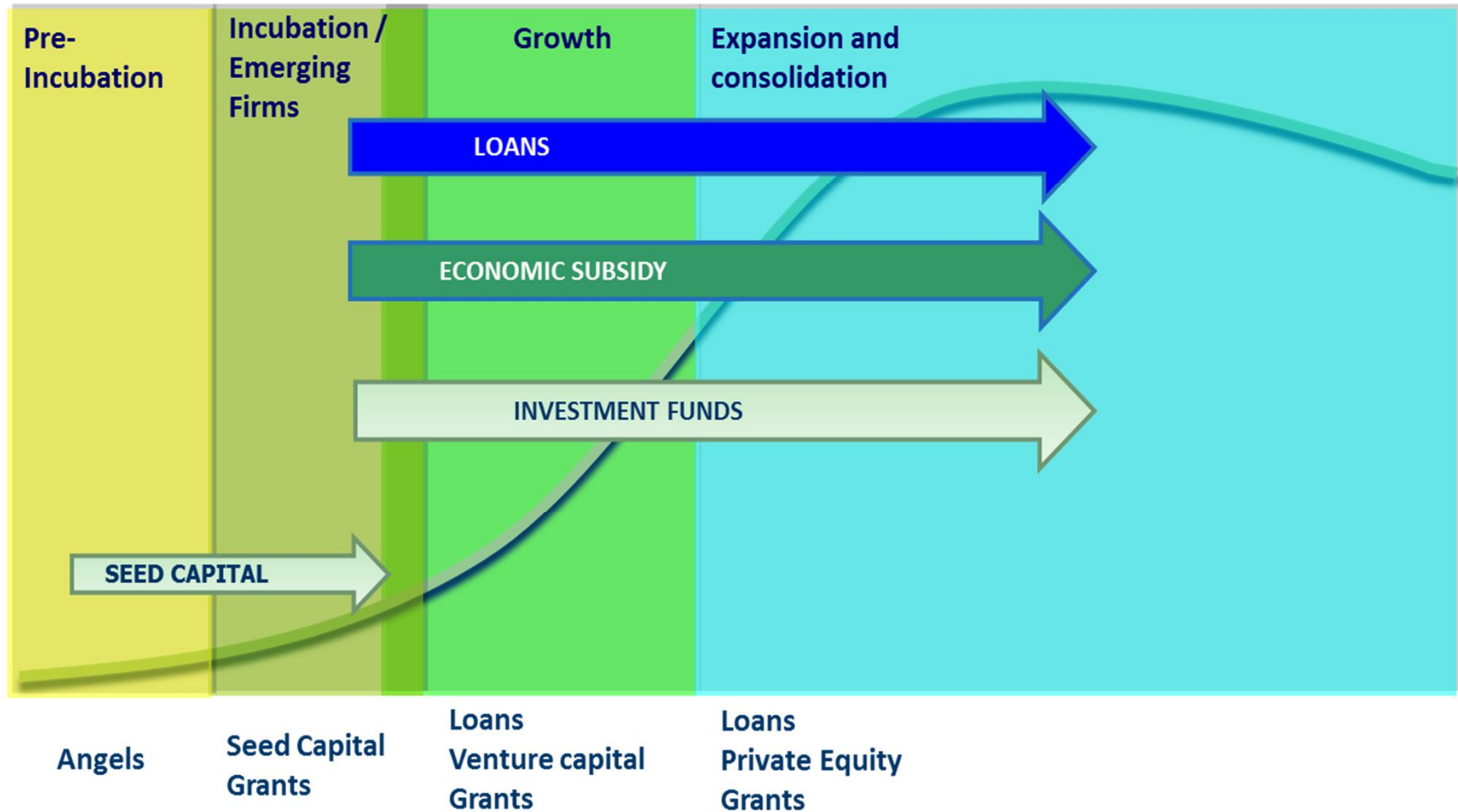


FINEP's Operational Tools



Programs: integration of these tools

FINEP's special support to company development



Recent changes in FINEP to support Defense

Period	Main Actions	Results
Until 2012	Innovation on demand always present: Technological innovation procurement by the Military Forces to Universities and Institutes executed by FINEP	Example of projects supported: Unmanned Aerial Vehicle (UAV), Program of Defense Radars, Misseles (A-Darter), systems of guiding, optronics, etc.
2013 February	Creation of the Department of Aeroespacial, Defense and Security Industries	All projects from the Defense Sector are gathered in one Department at FINEP: more expertise of the staff and more capability to articulate (Ex: Inova Aerodefesa, Corporate Venture Capital and PAEIA)
2013 May	<i>Inova Aerodefesa</i> (Plano Inova Empresa)	Public call attracts R\$ 8,7 billions of qualified demand from more than on hundred firms and Universities
2014 May	Corporate Venture Capital (FIP Aeroespacial)	Partnership among Finep, Embraer, BNDES e Desenvolve SP – R\$ 130 millions
2014 August	PAEIA/FINEP Support Plan to Strategic Defense Firms	First initiative to create one differentiation to EEDs in the operational policy of FINEP Credit.



INOVAERODEFESA



➤ São José dos Campos, 17/05/13

➤ More than 500 participants in workshop, 27/08/13



Project approved by instruments: Inova Aerodefesa

Credit

- 64 firms
- 315 projects
- R\$ 8,4 billions

Grants

- 22 firms
- 34 projects
- R\$ 150 millions

Cooperation

- 13 Universities
- 15 projects
- R\$ 41 millions

FUNTEC (BNDES)

- 10 firms
- 14 projects
- R\$ 100 millions

Inova Aerodefesa – First Evaluation

Strong Points

- ” Integration of Public Agents in the Federal Government
- ” Increased interaction among universities, research institutes and firms
- ” Mapping of defense sector in Brazil in large scale
- ” Great demand for funding to support projects

Warning Points

- ” Difficulties to contract credit - essential to integrate instruments focused on different technological risk
- ” Reinforce a broader integration of public purchase in long run with the Program
- ” The international link with others actors was weak

FINEP was the first agency to created special condition to provide credit and venture capital for firms that have good projects: **PAEIA and FIP**


FINEP/PAEIA – Legal Basis in Public Policies

Law 12.598, Art. 6º

Decree 7970, CAP V, Art 17º and 18º

The EED would have access to a special tax regime and **financing** for programs, projects and action related to good and services of national defense.

The **financing** would prioritize and would support the National Defense Strategic Guidelines and the projects that involve technological capability, development and production of local contents.



PAEIA Conditions to support EEDs in Inova Aerodefesa


BENEFITS:

- “ Increase of one level of the credit rating for EEDs project approved by FINEP that offers as guarantee contract to provide goods and services in national territory;
- “ Grace period until 18 months after the contract execution time;
- “ Prospective credit analysis using the final condition of financing;

CONDITION FOR PARTICIPATION:

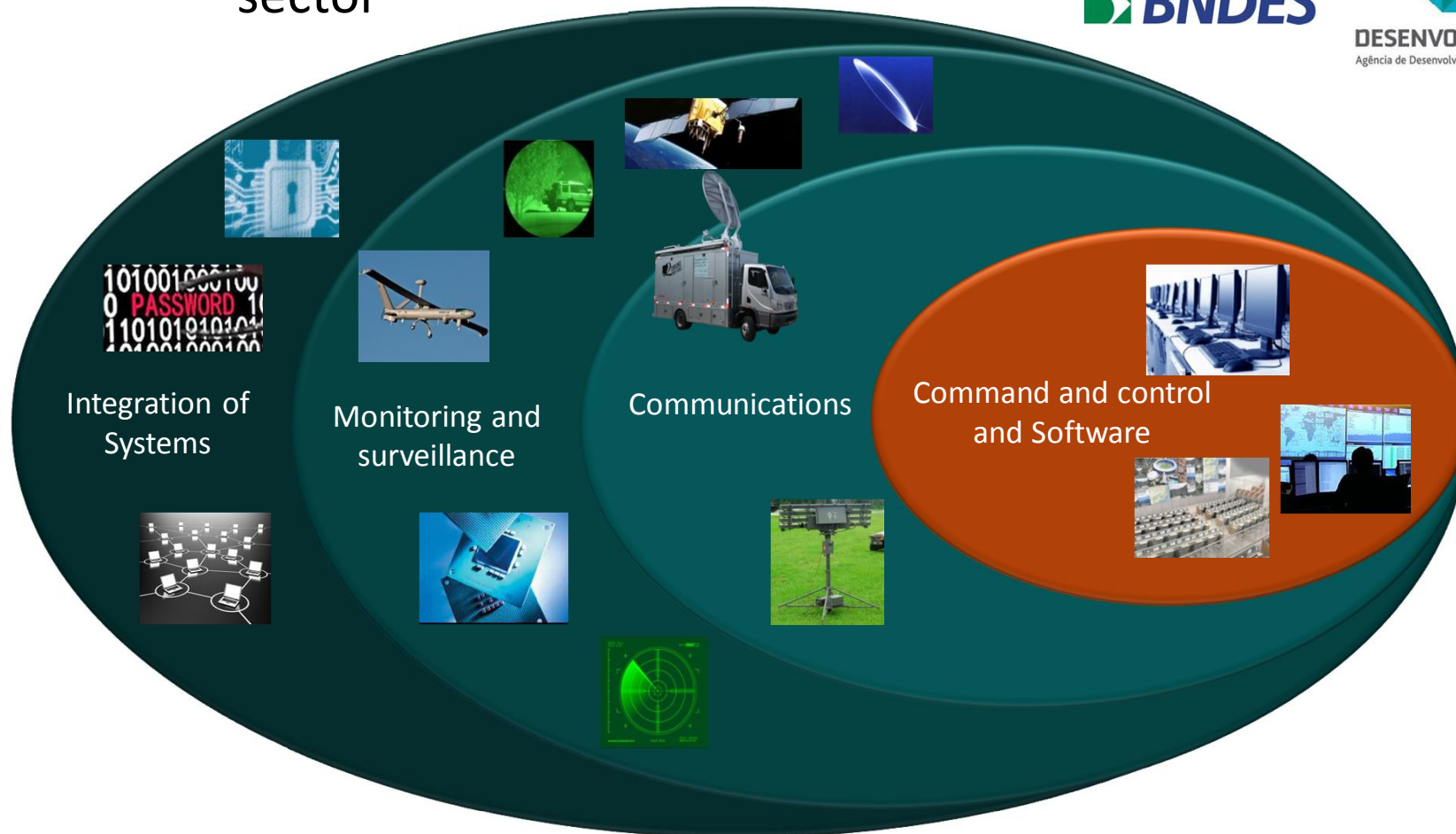
- “ Project until R\$ 300 millions with the total of the R\$ 60 million for each firm or economic group;
- “ Innovation Rating A or B in the “FINEP 30 day” analysis;
- “ Critical innovation or pioneer innovation in the operational policies

CONDITIONS TO USE THE CONTRACTS AS A GUARANTEE

- “ The value of contracts should overcome 170% of the value of project;
 - “ The contracts should last the minimum of 3 years;
 - “ The firms should also provide personal guarantee;
- 

FIP Aeroespacial - Corporate venture capital

Investments focused in the supply chain of target sector



FIP Aeroespacial – Strategy of investment

Dualities

Provide for the civil and military sectors, besides a great potential of technological spin-offs



Product

High added value, with large scale production

Strategy

Based on technological innovations
Agregation value



Export

of high technology products

Education and retention

of qualified labor force



FIP Aeroespacial – Selection of firms

Pipeline
44 firms

Search for
information and
preliminary
analyses
14 firms

Report of
investment
4 firms

Due Diligence
Proposal of
Acquisition

Investment
committee



FINEP strategy to grow defense sector

1

Extension of PAEIA

The Program will be open for supporting all EEDs not only firms that were approved in Inova Aerodefesa

2

Creation of guarantee Fund

Guarantees are the main restriction factor for firms in the sector

3

Public purchase and technological learning

The focus of FINEP is support projects with commercial perspective and technological learning

4

What's New: National Knowledge Platforms Program

High technological intensity of Defense Sector could motivate technological innovation procurement, by Presidential order, in aeronautics subject, cyber security, spatial program, etc...

National Knowledge Platforms Program

Platforms are public-private partnerships that articulate research institutes and enterprises in a cutting edge STI infrastructure.

Platforms are problem solving oriented and driven by the country's STI strategic demands.

Platforms should generate knowledge, scientific advancements, products and processes that have high impact on STI and, consequently, on people's lives.

Legal Basis: Presidential Decree N° 8.269)

“Art 2. Knowledge Platform is defined as...

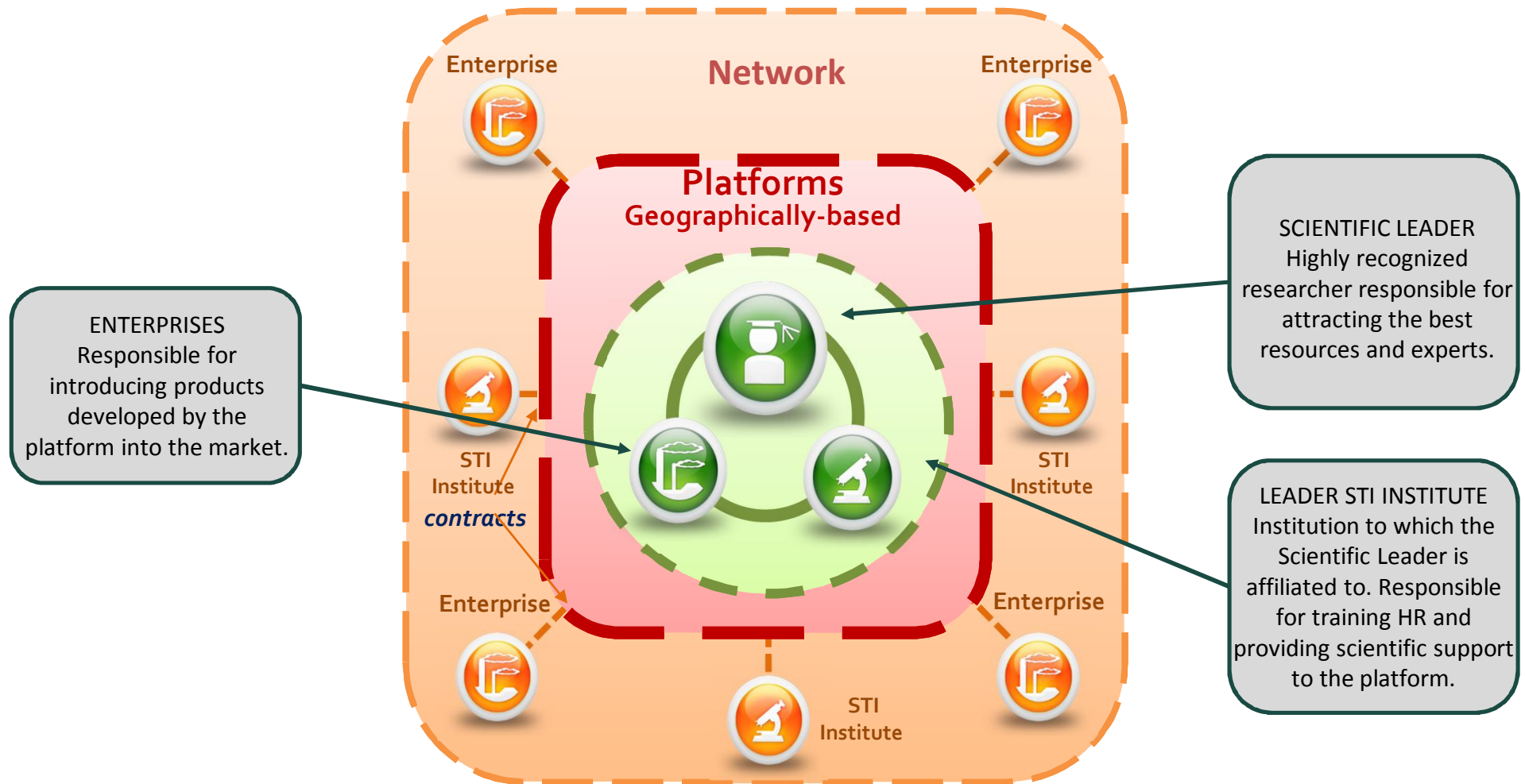
...the enterprise, consortium or private nonprofit organization that represents a public-private partnership...

Institutional-legal
arrangement

...oriented to the provision of solution for a specific technical problem or to the development of innovative products or processes of high technological risk.”

“Innovation
Procurement”
(Art. 20 - Innovation
Law)

National Knowledge Platforms Program



Fostering and funding institutions: CNPq, CAPES, BNDES, FINEP

FX-2 Program

Swedish – Brazilian partnership in the FX-2 Program

Brazil:

- ✓ New job positions in Brazil will be created (1800 is the estimative);
- ✓ Embraer can improve industrial knowledge;
- ✓ The technology transfer program (Saab offer)

Sweden:

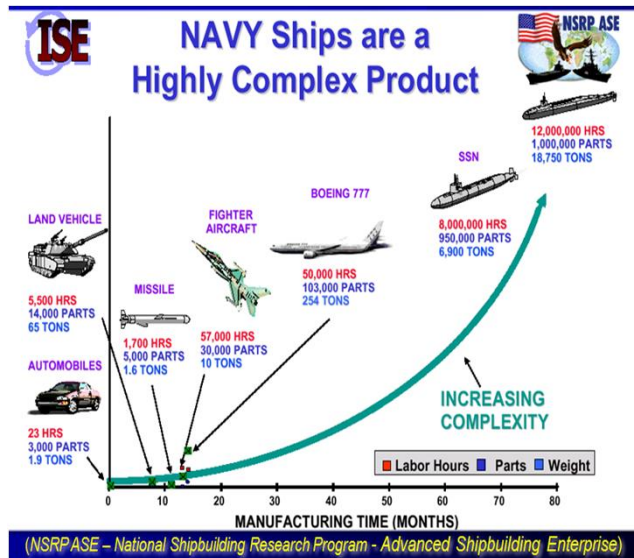
- ✓ The partnership with Brazil is a great result for Saab;
- ✓ Demand for the next years,
- ✓ The Brazilian case as a strong market argument

FINEP stands ready to created special condition to support firms and universities in the FX-2 Program

Swedish - Brazilian partnership

- ✓ University have a very significant role that can absorb and share state-of-the art technologies;
- ✓ Gaps in the capacity of both countries in the aerospace/defense industry that can be fulfilled with each other's support;
- ✓ The partnership between Finep and Vinnovais a critical path to the common understanding of each countries;
- ✓ Technology demonstrators are a very good manner of showing a company's capacity of developing a specific technology, which is normally part of a final product

Conclusion: high technological intensity of Defense sector motivates future support of FINEP



FINEP Guidelines

- “ Special requirements, border technologies
- “ Externalities for civil area – dual use
- “ Priority area to the Federal Government
- “ Support with different tools: credit, venture capital, and grants
- “ Integrated instruments in specific Programs
- “ Technological innovation procurement - Platforms

