DOD and SBA Launch the Small Business Investment Company Critical Technology (SBICCT) Initiative

**Bottom Line:** The U.S. government continues its push to create access to government-backed financing to reduce risk for investing in emerging technologies. On Friday, September 29, 2023, the Department of Defense (DOD) and Small Business Administration (SBA) announced the launch of the Small Business Investment Company Critical Technology (SBICCT) Initiative. This will pair private capital with federally-guaranteed loans in a program executed jointly by the DoD’s Office of Strategic Capital (OSC) and the SBA's Office of Investment and Innovation (OII). Per the [Investment Policy Statement](#) (IPS), emphasis will be placed on investment into the following:

1. **Enabling technologies:** Advancing component technologies with broad effects across technology areas.
2. **Enhancing U.S. competitiveness:** Creating advantages in manufacturing, strengthening market positions, and intellectual property development.
3. **Patient capital:** Investing in opportunities that require patient capital to overcome commercialization and scale challenges (i.e., capital-intensive hardware-based technologies).

**Context:** The SBICCT Initiative is the first to come out of the Office of Strategic Capital, which was established in December 2022 to help fund investment in critical component-level and supply chain technologies (See SBI Fact Sheet #1). The initiative builds on the SBA's Small Business Investment Company (SBIC) program by utilizing a newly-established loan mechanism that de-risks certain investments by placing less of an emphasis on short-term profit. **Ultimately, this program encourages deep technology investment,** which is an important step to incentivizing innovation in critical emerging technologies.

**Key Points**

1. The initiative utilizes SBA's SBIC program authorities to “license and provide low-cost, government-guaranteed capital” to SBIC fund managers through loans, which will increase the capital pools SBICCT Licensees can leverage to invest.

2. Applicants need to demonstrate the intent to invest at least 60% of their financings in portfolio companies directly involved with the DoD’s Critical Technology Areas (CTA), which includes quantum science, biotechnology, trusted AI and autonomy, and microelectronics.

3. The IPS highlights fund profiles, including established venture capital investors and family office investors with a history of successful CTA investment, fund-based venture debt investors, and growth equity investors.

**What comes next:** Applicants should refer to the [SBIC program application instructions](#). The OSC will clarify its prioritization of the CTA in a forthcoming OSC Investment Strategy. The forthcoming NDAA and appropriations bill will determine the OSC's new financial authorities.