

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.
