

New EIB Funding: Opportunities for Security Sector

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As announced in January, BLOMSTEIN is publishing a series of briefings introducing into European and German legal defence matters. In our last briefing, we gave an overview over EU funding opportunities for defence and security projects and focused specifically on the legal remedies available against grant allocation decisions in the context of EU defence funding.

This edition is on new funding opportunities for the defence and security sector provided by the European Investment Bank (*EIB*). The EIB, an institution of the European Union, stands as one of the foremost financiers of climate-related initiatives. Since its inception in 1958, the EIB has extended loans and expert advice to thousands of projects across more than 160 countries. The EIB is dedicated to promoting sectors that significantly enhance growth, employment, regional cohesion, and environmental sustainability within Europe and globally. Recognizing the increasing importance of security in Europe, the EIB has revised its statutes this year to explicitly incorporate security-related activities within the scope of its financing capabilities.

Record Funding for Europe's Security Infrastructure

A total of €6 billion is allocated for security investments. Financial support for companies in the security sector is at an all-time high. The latest developments mean that even more companies can now benefit. The EIB's revisions to its guidelines and financing framework for the security and defence industry expand the eligibility, allowing even more companies to benefit.

Updated Definition for Dual-Use-Projects

The EIB has updated its criteria for dual-use projects, now offering financing for projects and infrastructure utilized by military or police forces that also fulfill civilian purposes. The previous stipulation that dual-use projects must generate over 50% of their revenue from civilian applications has been eliminated. Consequently, projects and infrastructure employed by the military or police with civilian applications are now eligible for EIB Group financing without a minimum threshold for anticipated civilian revenue or user share.

New Taskforce for Security and Defence Investments

The EIB Group has established a dedicated Security and Defence Office to provide a one-stop-shop for security and defence investments. It offers streamlined financial support and expert assistance to strengthen Europe's security and defence capabilities.

Many eligible sectors

The objective of the investments is to support the development of dual-use products, services, and technologies that benefit both civilian purposes and law enforcement or military applications. Numerous sectors are eligible for financial support. These include, among others:

- **Research Development and Innovation (RDI)**, including artificial intelligence, quantum technologies, biotechnologies, advanced sensors, advanced propulsion, unmanned aerial vehicles, special materials, simulation and training
- **Cybersecurity**, including encryption technologies, threat intelligence, network protection, Intrusion detection systems
- **Critical and civilian security infrastructure**, including border control, protection of critical infrastructure against physical and cyber threats, resilience of communication networks
- **Military mobility**, including strategic lift capabilities, logistical and supply chain management systems, reinforcement of bridges, upgrade of rail infrastructure, advanced propulsion
- **Green security**, including renewable energy technologies, sustainable military facilities
- **Space**, including satellites, launch infrastructure, research, development and innovation for space services and software, space clean up solutions.

Types of support

There are several types of financial support for businesses by the EIB Office of Security and Defense, including venture debt, debt financing, equity investment, intermediated loans and advisory services.

- **Venture debt**: The financing structure includes bullet repayment and remuneration linked to the equity risk of the investees and complements existing venture capital financing. Eligible companies are small- and medium-sized enterprises (SMEs) and mid-cap companies developing highly innovative technologies, solu-

tions or platforms in one of the innovative sectors, such as health, future technologies or sustainable infrastructure. The company must have already raised equity from professional investors, have a sustainable business model and business plan and have a solid corporate governance in place.

- **Debt financing:** This support includes investment loans and project finance, granted to both public and private sectors. It offers direct support financial support for mid-cap companies engaged in research and development. These loans can cover up to 50% of a project's total cost, with loans typically starting at €25 million, though exceptions may apply. The debt financing options are designed to support significant investments in infrastructure and technological advancements.
- **Equity investment:** The EIB provides equity financing primarily by investing or co-investing alongside funds focused on infrastructure, the environment, or SMEs and mid-size corporations. Additionally, the Bank sometimes offers direct quasi-equity financing to support innovative companies seeking growth funding. The investments typically represent 10% to 20% of the fund size, with a maximum cap of 25%.
- **Intermediated loans:** Dedicated credit lines will be accessible to SMEs and innovative startups through intermediated financing managed by banks in EU Member States. Loans are provided to financial institutions, which then pass them on to final beneficiaries. This support enhances access to finance and improves financing conditions for micro-enterprises, SMEs and mid-caps, large corporates but also national public sector agencies and local authorities. The financing is available for companies and public institutions undertaking projects in the security and defense industry. EIB financing includes both investment loans and project financing.
- **Advisory Services:** The EIB offers a wide range of advisory services; this includes strategic development, market development and project development. These services can complement the EIB's financial products, but they can also be offered independently of any financing. The services are available for public and private project promoters.

New funding opportunities

These changes represent a significant opportunity for companies engaged in or looking to enter the security and defence sector. With the removal of the dual-use revenue threshold and the introduction of dedicated credit lines, it is now easier than ever to access EIB financing for qualifying projects.

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BLOMSTEIN's Defence Team will closely monitor further developments and will be happy to advise you on the preparation of grant applications, the application process and compliance with funding conditions in the event of funding being granted.
