

Dual-use Defence in Canada

Opportunities for SMEs

The Implications for Skills and Capacity Building

TED ROGERS SCHOOL OF MANAGEMENT | DIVERSITY INSTITUTE

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Partners

Based in TMU's Ted Rogers School of Management, the Diversity Institute (DI) has a research staff of over 50 in 10 regional hubs across Canada, and works with more than 200 partners and a global network of experts. The Diversity Institute leads research on skills and employment trends, technology adoption, and inclusive ecosystems (with a focus on small and medium-sized enterprises (SMEs) and entrepreneurship), as well as related innovation pilot design and evaluation. Our action-oriented, evidence-based approach is advancing knowledge of the complex barriers faced by Indigenous Peoples and other equity-deserving groups, informing policies and practices to effect change, and producing concrete results.

DI is the research lead for the Future Skills Centre (FSC). DI leads research on responsible AI adoption in Canada and internationally to inform policies, strategies, and programs. As part of its commitment to advancing inclusive innovation and entrepreneurship, DI founded the Women Entrepreneurship Knowledge Hub (WEKH) and the Inclusive Innovation and Entrepreneurship Network (IIE-Net) and offers a range of training programs and advisory services.

The Future Skills Centre (FSC) is a forward-thinking centre for research and collaboration dedicated to driving innovation in skills development so that everyone in Canada can be prepared for the future of work. We partner with policy makers, researchers, practitioners, employers and labour, and post-secondary institutions to solve pressing labour market challenges and ensure that everyone can benefit from relevant lifelong learning opportunities. We are founded by a consortium whose members are Toronto Metropolitan University, including the Diversity Institute and Magnet, Blueprint, and Signal49 Research, and are funded by the Government of Canada's Future Skills program.

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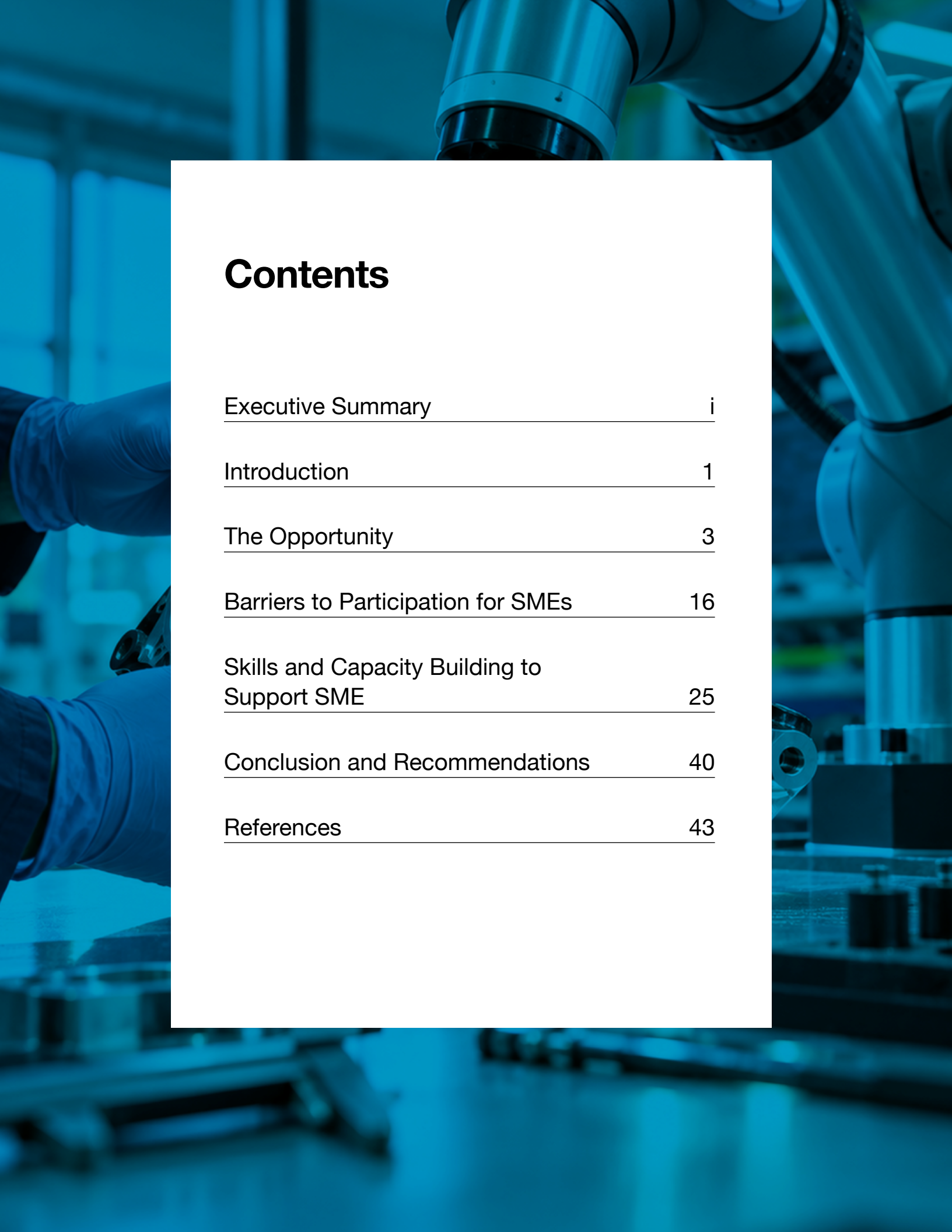
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Executive Summary

92%

SMEs are central to expanding defence and dual-use investment as they already account for roughly 92% of Canada's defence industrial base and 40% of its employment but capture only about 30% of industry revenue.

$5.1 billion

The Defence Industrial Strategy sets targets to increase annual defence revenues for SMEs by more than $5.1 billion while also growing the share of defence acquisitions awarded to Canadian firms to 70% and creating up to 125,000 new jobs over the next decade.

This report examines the opportunities that Canada's expanding defence and dual-use economy creates for small and medium-sized enterprises (SMEs), including businesses that may not traditionally identify as part of the defence sector. It identifies the barriers, skills, and organizational capacities SMEs need to participate, maps selected ecosystem supports, and provides recommendations to inform training, advisory, and other supports.

The opportunity

Canada is entering a period of major defence and dual-use investment. The Defence Industrial Strategy, Budget 2025, and related initiatives will channel large-scale public investments into technologies, infrastructure and services that serve both defence and civilian needs, from artificial intelligence (AI) and cybersecurity to medical technologies and rehabilitation, Arctic infrastructure and modular housing, and advanced manufacturing and technical textiles. These investments will reshape demand for skills and training and could have far-reaching effects on communities and labour markets.

SMEs are central to this agenda as they already account for roughly 92% of Canada's defence industrial base and 40% of its employment but capture only about 30% of industry revenue. The Defence Industrial Strategy sets targets to increase annual defence revenues for SMEs by more than $5.1 billion while also growing the share of defence acquisitions awarded to Canadian firms to 70% and creating up to 125,000 new jobs over the next decade. At the same time, new investments in dual-use infrastructure, including Arctic airports, seaports, roads and hubs that serve both military and community needs, will draw on construction firms, skilled trades and community-based businesses that may never have considered themselves part of the defence sector.

The opportunity is not limited to traditional defence contractors; it also includes SMEs whose products, services, infrastructure or expertise can have applications across civilian and defence markets, including businesses that move between or operate across both. To support this diverse range of firms, programs must be tailored to their stage of development,

sector, location, and ownership or leadership demographics. A technology startup, a Northern construction firm, an Indigenous-owned logistics business, a veteran-serving health provider and a manufacturer of technical textiles may each require a different combination of information, training, financing and advisory support.



To support this diverse range of firms, programs must be tailored to their stage of development, sector, location, and ownership or leadership demographics.

Barriers to participation for SMEs

The analysis in this research report shows that many SMEs with relevant capabilities are not yet positioned to benefit from these opportunities. Barriers arise at multiple points along the path from initial interest to recurring revenue; there are challenges in becoming aware that the opportunity exists at all and could apply to them, identifying credible defence use cases, understanding where demand exists, meeting security and compliance requirements, financing entry and scale, and navigating complex procurement systems. These challenges are compounded for equity-deserving, Indigenous and Northern entrepreneurs, who face persistent gaps in access to capital, information, networks and infrastructure.

Skills and capacity building to support SMEs

The report also highlights critical skills and training needs, including defence market intelligence, compliance and cybersecurity readiness, procurement and bid development, intellectual property (IP) management, digital and AI adoption, and the industrial and trades capabilities required to deliver dual-use infrastructure and platforms. These needs should not be treated as universal. SMEs exploring defence opportunities may need awareness, fit assessment and market positioning. SMEs preparing to enter may need support with compliance, cybersecurity, procurement, partnerships and financing. Readiness can also carry significant upfront costs, including security screening, cybersecurity upgrades, certification, testing, secure facilities or work environments, and specialist support. SMEs already active in defence or dual-use markets may need support with workforce planning, production readiness, export readiness and supply chain integration. Supports also need to reflect sector, location and identities of owners, including the distinct barriers facing women-owned, Indigenous-owned, racialized, immigrant-owned, Northern and rural SMEs.

Current programs and supports

Canada has begun to build a supporting ecosystem that includes innovation funding, financing, procurement and supply chain linkages, commercialization assistance, cybersecurity support and access to domestic and international markets. Major initiatives include the Business Development Bank

of Canada (BDC) Defence Platform and StrongNorth Fund, Defence Industry Assist, the Regional Defence Investment Initiative, the defence concierge service and programs supporting export and allied-market access. These programs address different parts of the SME participation journey, but firms may still need help identifying the appropriate supports and combining financing with training, advisory services and market access.



Conclusions and recommendations

The recommendations call for a coordinated package of tailored supports to help SMEs become aware of, identify and pursue opportunities in defence and dual-use markets. These include outreach and awareness-building, practical market intelligence, procurement and subcontracting guidance, defence-relevant skills development, advisory services, financing and export readiness support. Programs should be adapted to firms' stage of development, sector, location, and ownership or leadership, while linking capital to needs such as compliance, hiring, technology adoption, operational improvement and production scaling. The recommendations also emphasize inclusive program design, disaggregated data collection, outcome measurement and attention to local context, particularly in Arctic and Northern communities where defence investment intersects with Indigenous economic participation, community infrastructure and distinctive workforce and delivery conditions.

Introduction

$180 billion

Canada's new Defence Industrial Strategy will unlock access to more than $180 billion in defence procurement opportunities and $290 billion in defence-related capital investment opportunities over the next decade, with an anticipated $125 billion economic benefit by 2035.

Canada's new Defence Industrial Strategy will unlock access to more than $180 billion in defence procurement opportunities and $290 billion in defence-related capital investment opportunities over the next decade, with an anticipated $125 billion economic benefit by 2035.[1] In addition to strengthening Canada's defence capabilities, the strategy is positioned as a jobs strategy, with commitments to inclusive, sustainable and geographically balanced industrial growth, as well as collaboration with key domestic partners, including in Canada's North and Arctic.[2]
The strategy offers significant opportunities for small and medium-sized enterprises (SMEs) across sectors, but many firms do not yet know whether it is relevant to them, where they fit or what capabilities they need to participate. Additionally, SMEs already account for roughly 92% of Canada's defence industrial base and 40% of its employment but capture only about 30% of industry revenue.[3, 4] Engaging more Canadian SMEs beyond those currently involved in the defence sector could broaden the impact of defence spending and increase the potential and competitiveness of SMEs. Maximizing impact of the Defence Industrial Strategy and associated spending will require early outreach, clear pathways into defence and dual-use markets, and training and advisory supports tailored to differences in SME stage, sector, location, and ownership or leadership demographics.

Central to Canada's emerging defence economy is the growing importance of dual-use technologies, products, services, software and capabilities that can have applications across civilian, commercial, defence, security, or intelligence markets.[5] Often, people associate defence spending with weapons and tanks but the full scope is much broader. Defence and dual-use opportunities can include advanced technologies such as artificial intelligence (AI), quantum computing and cybersecurity, as well as infrastructure, logistics, health, training, personnel protection, advanced manufacturing, technical textiles and other capabilities that support readiness, resilience or operation.

This report focuses on how SMEs can identify, adapt and scale relevant civilian capabilities for defence and dual-use markets. It examines which sectors may be in scope and what SMEs need to participate, including market

intelligence, financing, procurement readiness, compliance, cybersecurity, workforce capacity, partnerships and advisory support.

Many SMEs face distinct barriers, including long procurement cycles, defence-specific compliance requirements, security screening, cybersecurity expectations and substantial upfront costs associated with certification, regulatory compliance, workforce capacity, equipment, facilities and production readiness, as well as lack of awareness about the opportunities.[6, 7, 8] Observers have noted that Canada's defence procurement can be "overly complex, time-consuming, costly, risk-averse, and […] has fallen short in delivering timely capability."[9] Canada's defence procurement system has historically been structured in ways that favour established suppliers, although the new strategy aims to remedy this.

These barriers will not be the same for every business; SMEs exploring defence relevance, preparing to bid, joining supply chains, scaling production or entering export markets will require different levels and types of support.

The purpose of this report is to:

1. Delineate the opportunities available, particularly with respect to the dual-use defence economy for Canada's SMEs;
2. Identify barriers to SME engagement with defence procurement and dual-use market pathways;
3. Assess the skills, capacity and supports SMEs need to engage, including how these needs differ by location, stage, sector, and ownership or leadership demographics; and
4. Provide conclusions and recommendations to inform training, advisory and ecosystem supports.

The Opportunity

$63 billion

Canada committed to spending 5% of GDP by 2035 and announced that it had reached NATO's 2% target, with defence spending of more than $63 billion.

$1 billion

The federal government has allocated $1 billion over four years for an Arctic Infrastructure Fund supporting airports, seaports, all-season roads and highways with both military and civilian applications.

Canada's expanding defence and security investments are creating opportunities for SMEs, including businesses that do not identify as defence contractors. Firms in construction, modular housing, logistics, cybersecurity, digital health, training, advanced manufacturing and other sectors may already have products, services or expertise that can be adapted for defence or security applications. For many SMEs, participation will not mean selling directly to the federal government. They may enter through prime-contractor supply chains, infrastructure projects, sustainment contracts, technology partnerships, or products and services for serving members, veterans and their families. This section outlines the policy and investment context, defines the dual-use opportunity, maps key capability areas and examines opportunities related to veterans and Arctic infrastructure.

Policy and investment context

Canada's defence investment environment has changed considerably since 2024.

The release of Our North, Strong and Free, Canada's updated defence policy, committed major investments in North American Aerospace Defense Command (NORAD) modernization, early-warning radar and new Canadian Armed Forces (CAF) equipment.[10, 11] Since then, changing security conditions and NATO burden-sharing expectations have led to further commitments to strengthen military capabilities, domestic industry and national resilience.

At the 2025 NATO Summit in The Hague, signatory allies committed to spending 5% of their gross domestic product annually on defence by 2035; at least 3.5% for core defence requirements and up to 1.5% for broader security-related investments such as critical infrastructure, digital resilience and civil preparedness.[12] Canada endorsed this framework and announced that it had reached NATO's 2% target, with defence spending of more than $63 billion.[13] Meeting the longer-term commitment would imply annual Canadian defence- and security-related spending of about $150 billion by 2035.[14]



Federal measures include Canada's first Defence Industrial Strategy, Security, Sovereignty and Prosperity, launched in February 2026. It introduces a Build–Partner–Buy framework, a Defence Investment Agency (DIA) and a permanent Defence Advisory Forum.[15] Budget 2025 also committed $656.9 million over five years to support the development and commercialization of dual-use technologies.[16] This is complemented by more than $240 million for Defence Industry Assist, which provides funding and advisory support to SMEs.[17]

Major defence procurements can create opportunities for Canadian SMEs through the Industrial and Technological Benefits (ITB) Policy. Companies awarded certain major defence contracts must generate business activity in Canada equal to the value of the contract.[18] They may do this by purchasing from Canadian suppliers, investing in research and development, creating jobs or supporting skills training.

Provincial governments are also helping businesses access these opportunities. In May 2026, Ontario released a framework for its first Defence Industrial Strategy, focused on aerospace, space, advanced manufacturing, critical minerals, and dual-use technologies. The framework proposes measures to support commercialization, export development and supply chain development, including for early-stage businesses.[19, 20] The industry-led Ontario Defence Association has also been established to connect businesses with procurement, funding, and supply chain opportunities, and 120 members within its first two weeks.[21, 22] In July 2026, Ontario announced nearly $2.6 million for aerospace workforce development, advanced manufacturing and defence readiness.[23]

Major projects show how defence investment can spread through regional supply chains. In Halifax, the federal government announced ThyssenKrupp Marine Systems (TKMS) as the preferred supplier for up to 12 new submarines, described as the largest defence procurement in Canadian history.[24] Analysts estimate the deal will create over 100,000 well-paying jobs nationwide, with the majority of operational and sustainment work centred in Halifax.[25] Local technology firms, such as Gastops, are already partnering with TKMS to support submarine sustainment and control systems.[26] The project is expected to require long-term investment in local suppliers, ports and critical-mineral supply chains, with potential benefits for Nova Scotian SMEs. The project is also expected to directly affect the province's 12,000+ skilled trades professionals, demanding heavy recruitment in engineering, welding and advanced manufacturing.[27] A recent procurement of 190 armoured combat support vehicles from

General Dynamics Land Systems-Canada in London, Ontario, valued at nearly $2 billion, is expected to draw on more than 600 Canadian suppliers and support thousands of jobs in more than 100 communities.[28]



Dual use is not solely a property of technologies. It can also describe business models and market pathways.

Large procurements can create SME entry points through prime-contractor supply chains, sustainment, infrastructure projects, technical services and workforce development, even where firms do not contract directly with the government. Expanding defence production also requires greater domestic manufacturing capacity as much of the Canadian defence supply chain is outside the country; Canadian defence firms import 47% of their purchases.[29, 30]

A broader definition of dual-use

Dual-use technology has traditionally referred to technologies with both military and civilian applications, such as radar, satellites, GPS and the Internet.[31, 32] The Department of National Defence defines a dual-use good as a product or technology with both civilian and military applications that is subject to Canadian and/or foreign export controls.[33] Dual use is not solely a property of technologies. It can also describe business models and market pathways, including businesses that sell the same core product to both commercial and defence markets.[34]

A broader policy framing extends dual use to areas such as health, food, safe cyber space, training, the environment, and knowledge production and utilization.[35] Technologies can have different degrees and forms of civilian and military application, and their classification can shift as they move across scientific, commercial, security and policy contexts.[36] These pathways are not necessarily linear or one-way as the same capability may be developed or commercialized in one context and pursued across multiple civilian and defence applications, with different customers, procurement processes, sales channels and partnership requirements within each market. For example, a technology, product or service designed for civilian use may have military applications if it can meet operational needs in military environments. A capability developed or commercialized through a defence opportunity may also find civilian applications, and firms may pursue opportunities in both markets at the same time.

However, the potential relevance of a technology, product or service for defence should not be automatically confused with the presence of an existing and addressable market. For instance, a civilian product or capability can have a plausible defence application, but it might not be a defined requirement yet, and there might not be a customer, procurement timeline or supply chain pathway to quickly turn it into a market. To address this herein, the broader dual-use lens is used to identify potentially relevant areas. Building on this, the actual market

participation will depend on translating the potential into a credible defence use case accompanied by an identifiable pathway to demand.

Canada's Arctic investments, examined in greater detail later in this section, illustrate how dual-use opportunities can extend beyond technology to construction, modular infrastructure, transportation, clean energy, telecommunications and medical capacity.[37, 38]

The resulting opportunity for SMEs is therefore not confined to companies that manufacture ammunition, platforms or other traditional defence equipment. It can include commercially oriented businesses whose products, services, infrastructure or expertise can be adapted to support operational readiness, secure communications, logistics, personnel protection, health, training, and other defence needs. Many of these capability areas, particularly advanced manufacturing, advanced materials and construction/modular infrastructure, are rooted in Canada's skilled trades and industrial workforce, linking defence industrial policy directly to apprenticeship, Red Seal certification and broader workforce development strategies.

Table 1 organizes the opportunity by capability area rather than by individual government program. This approach identifies three overlapping types of opportunities for SMEs: technologies and products with both civilian and defence or security applications, commercial goods and services that enable military operations, and infrastructure or services that support both civilian needs and defence readiness. The mappings are illustrative and identify areas of potential relevance; they do not indicate current program eligibility, a defined defence requirement or procurement demand.

Table 1. Dual-use capability areas, SME roles and associated civilian and defence applications.

Capability area	Examples of SME products/services	Civilian use	Defence use (including veteran use)
AI, data and decision support	Predictive analytics, scheduling tools, case-management systems, computer vision, workflow automation, decision-support dashboards	Business productivity, operations, HR, logistics, customer service, health administration, public-service delivery	Readiness planning, logistics, maintenance, procurement, intelligence analysis, workforce planning, rehabilitation case management, employment matching, benefits navigation

Capability area	Examples of SME products/services	Civilian use	Defence use (including veteran use)
Cybersecurity, identity and secure communications	Identity management, threat detection, cyber defence, encryption, secure cloud, data protection, secure communications	Protection of business systems, financial data, health data, critical infrastructure, digital transactions and telehealth services	Defence networks, secure procurement, critical infrastructure protection, supply chain resilience, secure veteran services, protection of personal and financial data
Digital health, medical technology and rehabilitation	Telemedicine, digital health platforms, prosthetics, wearable sensors, diagnostics, rehabilitation devices, diagnostic imaging and advanced brain-imaging technologies (PET/MRI), remote monitoring, chronic disease management tools, mobile and tactical care systems, including ventilators and field hospitals	Health care delivery, rehabilitation, home care, chronic disease management, remote patient monitoring	Field medicine, medical countermeasures, injury recovery, deployment readiness, veteran rehabilitation, chronic pain supports, prosthetics, remote care
Mental health and PTSD supports	Virtual counselling, peer-support platforms, trauma-informed care, remote mental health monitoring and care-navigation tools	Mental health care, workplace wellness, family supports, trauma recovery, remote counselling	Psychological supports for serving members, veterans and families; PTSD care; transition supports; operational readiness; retention and recovery
Assistive technologies and accessibility	Mobility devices, smart-home systems, adaptive equipment, accessibility retrofits, adaptive digital tools, accessible transportation	Independent living, aging-in-place, disability inclusion, accessible housing, workplace accommodation	Support for injured personnel, veterans with disabilities, aging veterans, accessible housing, rehabilitation, adaptive equipment and home modification

Capability area	Examples of SME products/services	Civilian use	Defence use (including veteran use)
Training, education and simulation	VR/AR simulation, digital learning, technical training, AI-enabled training, workforce transition programs, flight and maritime simulation	Workforce development, safety training, aviation training, health training, emergency response, career transition	Military readiness, pilot and ship crew training, defence workforce development, search and rescue training, veterans' transition to civilian employment
Robotics and autonomous systems	Inspection robots, warehouse robots, robotic maintenance, autonomous platforms, hazardous-environment systems, remote monitoring	Manufacturing, logistics, mining, infrastructure inspection, warehouse operations, emergency response	Base maintenance, logistics, hazardous operations, Arctic operations, search and rescue, infrastructure monitoring, defence supply chain productivity
Drones, uncrewed systems and remote sensing	Mapping drones, inspection drones, agricultural drones, wildfire monitoring, environmental monitoring, delivery systems, remote sensing	Agriculture, mining, infrastructure inspection, environmental monitoring, emergency response, weather data collection	Surveillance, Arctic monitoring, disaster response, search and rescue, military logistics, emergency supply delivery, environmental security
Advanced manufacturing and specialized production	Precision machining, additive manufacturing, 3D printing, composites, spare parts, repair capacity, prototyping	Aerospace, automotive, health devices, industrial equipment, repair services, productivity improvement	Domestic defence supply chains, rapid repair, specialized components, surge capacity, prosthetics, mobility aids, resilient production
Advanced materials and technical textiles	Lightweight composites, protective materials, smart materials, cold-weather materials, corrosion-resistant materials, medical materials	Construction, aerospace, manufacturing, health devices, mobility equipment, outdoor gear, safety equipment	Personnel protection, Arctic operations, aerospace, shipbuilding, protective gear, wheelchairs, orthotics, prosthetics, adaptive equipment

Capability area	Examples of SME products/services	Civilian use	Defence use (including veteran use)
Aerospace and aviation services	Avionics, sensors, aircraft maintenance, navigation systems, repair and overhaul, air mobility services, training systems	Commercial aviation, air ambulance, emergency response, remote access, maintenance services	Defence aviation, Arctic sovereignty, surveillance, pilot training, search and rescue, medevac, emergency transport
Space, satellites and earth observation	Satellite communications, earth observation, remote sensing, navigation, weather data, climate monitoring, space-based connectivity	Telecommunications, agriculture, insurance, climate monitoring, remote service delivery, navigation, emergency response	Arctic sovereignty, surveillance, secure communications, maritime awareness, navigation resilience, remote operations, emergency monitoring
Quantum technologies and advanced sensing	Quantum computing, quantum communications, quantum sensing, advanced sensors, encryption, navigation resilience	Telecommunications, health data security, industrial sensing, financial security, critical infrastructure	Secure defence communications, detection, surveillance, navigation, mission-critical data protection, privacy-preserving service delivery
Telecommunication, IoT and remote connectivity	Secure communications, IoT systems, mesh networks, rural connectivity, remote monitoring, resilient networks	Remote work, telehealth, infrastructure monitoring, rural service delivery, logistics, smart buildings	Command and control, emergency response, Arctic operations, critical infrastructure, telehealth for veterans, remote service access
Clean energy, batteries and portable power	Battery systems, portable power, microgrids, hydrogen, energy storage, resilient power systems	Remote communities, housing, telecommunications, emergency preparedness, industrial operations, climate resilience	Remote bases, Arctic operations, field deployments, resilient communications, drone operations, emergency shelters, remote veteran housing

Capability area	Examples of SME products/services	Civilian use	Defence use (including veteran use)
Transportation, logistics and supply chains	Fleet management, routing software, warehousing, cold chain, medical transportation, last-mile delivery, supply chain traceability	Retail, health care, food systems, manufacturing, emergency response, home-care logistics	Military deployment, sustainment, Arctic operations, medical supply chains, emergency response, rural and remote services for veterans
Construction, modular housing and infrastructure	Modular buildings, resilient infrastructure, accessibility retrofits, Arctic construction, remote facilities, housing systems	Housing, community infrastructure, Northern development, disaster response, accessibility retrofits, workforce housing	Bases, Arctic presence, personnel housing, veteran housing, emergency shelters, dual-use infrastructure, civil preparedness and resilience
Greenhouses, agritech and food systems	Greenhouses, hydroponics, controlled-environment agriculture, remote food production, cold-climate agriculture, food supply systems	Food security, Northern communities, remote communities, agriculture innovation, climate adaptation	Arctic operations, remote bases, long-duration missions, emergency preparedness, food security for isolated facilities and communities
Uniforms, personal protective equipment (PPE) and field supplies	Operational clothing, footwear, PPE, cold-weather gear, protective equipment, adaptive clothing, technical textiles	Health and safety, emergency response, outdoor work, industrial safety, accessible clothing	Personnel protection, field readiness, harsh-environment operations, emergency response, domestic defence supply chains, adaptive clothing for injured personnel or veterans

Capability area	Examples of SME products/services	Civilian use	Defence use (including veteran use)
Professional, engineering and advisory services	Engineering, systems integration, AI implementation, cybersecurity consulting, procurement readiness, compliance, export readiness, security planning	SME growth, technology adoption, infrastructure projects, public-sector contracting, export development	Defence procurement readiness, controlled goods compliance, cybersecurity standards, quality standards, supply chain traceability, intellectual property (IP) strategy, business development, veteran-owned consulting
Export, commercialization and market-entry supports	Market intelligence, partnership development, proof-of-concept support, export readiness, buyer connections, allied-market entry	Commercialization, scale-up, export development, partnership building, investment readiness	Support for commercial SMEs to adapt products for defence and security applications and connect with prime contractors, allied buyers, test beds and procurement pathways

Spotlight: Companies showing the path

Dominion Dynamics

Dominion Dynamics is an Ottawa-based Canadian defence technology company building dual-use Arctic sensing and command-and-control systems for extreme environments. Its platform integrates commercial sensors across land, sea, air and space into a sovereign data network, using edge AI for onboard processing and autonomous tasking. The company raised **$139M (US$100M) Series A**, led by Georgian, with participation from the Business Development Bank of Canada (BDC), RBC, OMERS, Deloitte Ventures, BCI, Bessemer and others, bringing total funding to **$169M** since its launch in June 2025.[39]

Bluedrop Training & Simulation

Bluedrop Training & Simulation is a Halifax-based Canadian training and simulation company with roughly 180 employees, about $30M in annual sales, and close to 12% of revenues invested in R&D. The company develops training systems, simulation products, interactive courseware, virtual and augmented reality training, and technical publications. Royal Canadian Air Force, Royal Canadian Navy and Canadian Army, including the Joint Support Ship, Fixed-Wing Search and Rescue and Future Aircrew Training, as well as search and rescue agencies, fire departments, forest fire services, wind farms and offshore oil and gas. In 2024, the Government of Canada announced $448,950 for Bluedrop to integrate generative AI into its training programs.[40]

Weatherhaven

Weatherhaven is a Canadian company that designs, manufactures and installs portable shelters, camps and field hospitals for commercial, military, medical and disaster-relief applications. Its deployable shelter systems support disaster response, remote-site operations and medical infrastructure, while also supporting military command posts, field hospitals and deployed operations. The Government of Canada awarded Weatherhaven two contracts worth about $168M for the Canadian Armed Forces (CAF)'s Headquarters Shelter System, including 1,435 tactical tent-based shelter systems and five years of in-service support. Their value could reach $350M if additional shelters and support options are exercised.[41]

FELLFAB

FELLFAB is a Canadian SME, founded in 1952, that engineers and manufactures products from technical and specialized textiles for industrial, aerospace, aviation, military, materials-handling and transportation markets. Its civilian applications include industrial textiles, aviation interiors, rail and transportation products, while its defence applications include military textile products, tactical gear, insulated clothing, sleep systems and load-carriage products.[42, 43]

Duvaltex

Duvaltex is a Quebec-based textile manufacturer that engineers, designs and manufactures advanced and sustainable textiles for contract and protective-equipment markets. Its protective textile lines serve industrial safety, first-responder, military and medical segments. The company launched Duvaltex OnGuard™ at CANSEC (the global defence and security trade show hosted by the Canadian Association of Defence and Security Industries), a line focused on personal protective textiles for industrial safety, first responders, military and medical use.[44]

PAL Aerospace

PAL Aerospace is a St. John's-based Canadian aerospace company providing airborne mission solutions, environmental monitoring, ice management, maritime surveillance, search and rescue, intelligence, surveillance and reconnaissance. The company has about 500 employees, with roughly 20% of its business related to defence. Its work spans environmental monitoring, maritime protection and emergency response, as well as maritime patrol and intelligence, surveillance and reconnaissance services for defence and security clients.[45]

Mustang Survival

Mustang Survival is a Canadian marine safety company with more than 55 years of experience engineering marine gear for military, coast guard, rescue personnel and law enforcement users. Its products include life jackets, dry suits, flotation gear and survival equipment for recreational, industrial, rescue and professional marine safety markets. The same product base serves civilian water safety, search and rescue, public safety, military and special-operations requirements.[46]

Logistik Unicorp

Logistik Unicorp is a Saint-Jean-sur-Richelieu, Quebec-based managed clothing and equipment company. It provides uniform and personal-equipment programs to more than 600,000 individuals worldwide, including 325,000 Canadians across corporations, government departments and agencies. Its CAF operational clothing and footwear contract is valued at up to $3.7B over 20 years, supports more than 3,000 Canadian textile, clothing and footwear jobs, and covers about 1,222 clothing and footwear items, including combat uniforms, boots, winter gear, sleeping bags and day packs.[47, 48]

Opportunity for veteran-focused technologies

The federal government reports that Veterans Affairs Canada was the second-largest contributor to Canada's NATO defence spending in 2025-26, at $7.8 billion, and that more than 90% of the department's budget supported benefits or services for veterans, their families or veteran-serving organizations.[49] Most of this spending does not constitute an addressable procurement market. However, it places rehabilitation, transition and service delivery within Canada's wider defence expenditure framework.

Veterans Affairs Canada's documented services include medical, psychological and vocational rehabilitation, mental health supports, career transition, and education and training.[50, 51] Potential SME applications include telehealth and digital mental health tools, rehabilitation robotics and prosthetics, secure data systems, case-management platforms, and career coaching and skills assessment.

Not all social and health services should be classified as defence. However, some civilian technologies can directly support the recovery, transition and long-term readiness and well-being of serving members, veterans and their families. This widens the range of businesses that may have defence-related applications, including mental health service providers.

Arctic infrastructure and opportunities for Indigenous-owned businesses

The federal government has allocated $1 billion over four years for an Arctic Infrastructure Fund supporting airports, seaports, all-season roads and highways with both military and civilian applications. Delivered by Transport Canada, the fund supports dual-use transportation infrastructure that serves both defence and community priorities. Its two streams include large-scale transportation projects as well as industry- and community-led projects, with eligible infrastructure including airports, ports and sealift areas, roads, rail, digital infrastructure

and intermodal hubs. The program states that these investments are intended to meet both military and local needs, support Northern economic development and advance Indigenous economic reconciliation. It also recognizes that Inuit, First Nations and other Northern communities are best placed to identify community needs.[52]

The Northern Operational Support Hubs program extends this model, with the Government of Canada investing $2.67 billion between 2024 and 2044 in a network of Northern hubs and nodes. Federal descriptions identify operational support infrastructure, discrete operational support capabilities, pre-positioned materiel and resources, and contracts and dual-use investments that benefit both military and community needs.[53] The Defence Industrial Strategy identifies airports, seaports, medical capacity, and alternative power generation as examples of dual-use infrastructure, and emphasizes collaboration with Indigenous partners and Northern communities.[54]

This creates a market that extends beyond the production of military equipment, and can include cold-weather construction,



modular infrastructure, transportation, logistics, maintenance, telecommunications, clean and portable energy, environmental monitoring, medical capacity and other capabilities required to sustain operations and communities in remote conditions. Indigenous-owned businesses may be particularly well-positioned where projects depend on community relationships and local delivery capacity.

Barriers to Participation for SMEs

18 months

For example, there may be a 14- to 15- month delay between a project award and contract signature or an SME may wait 18 months for security clearance before it can bid.

32 business days

Public Services and Procurement Canada states that a completely new registration application can take 32 business days to process, while incomplete applications take longer.

Barriers to small and medium-sized enterprise participation in Canada's dual-use defence economy arise at multiple points along the path from initial interest to recurring revenue. This section examines those barriers and shows how challenges in becoming aware of the opportunity, identifying defence relevance, meeting readiness requirements, securing financing and navigating procurement can compound over time. It also considers how these barriers vary by SME stage, sector, location, and ownership or leadership demographics, and how they can reinforce existing challenges for equity-deserving entrepreneurs and Northern SMEs.

Barriers across the SME participation journey

The barriers facing SMEs seeking to participate in Canada's dual-use defence economy depend on many factors. A business may have a product or service relevant to defence but be unaware of the opportunity. A business may have a product or service that could be adapted for defence purposes but lack the knowledge and resources needed to address the defence market and navigate the complexity of defence procurement. A business may have a relevant capability but still need to identify a credible defence use case, understand where demand exists, meet security and compliance requirements, finance the costs of preparation and scaling, demonstrate performance, and convert that work into a contract and recurring revenue. Each step depends on the previous one, and delays at one stage increase cost and risk at the next. It is important to understand where SMEs are with regard to their defence procurement readiness and match supports to their needs.

These barriers also differ according to a business's starting point. BDC's 2026 survey of 642 business owners and decision-makers included 268 businesses active in the defence sector and 374 businesses interested in entering the field.[55] It identified a three-speed landscape: defence-heavy businesses trying to expand capacity, defence-light businesses balancing civilian and defence markets, and businesses preparing to enter. Long sales cycles, financing, labour constraints,

defence-specific requirements, and economic uncertainty affect these groups differently.[56]

The Defence Industrial Strategy's goal of raising Canadian content in defence acquisitions to 70% over the next decade depends on enabling more civilian and dual-use businesses to identify credible defence use cases and find clear pathways into procurement.[57] For businesses outside established defence supply chains, participation begins one step earlier: they must first recognize that the opportunity exists and could apply to them.

Awareness and visibility of the opportunity

For many SMEs, the first barrier is not knowing that the opportunity exists or that it applies to them. Defence spending is still widely associated with weapons and heavy platforms, so businesses in construction, health, digital services, logistics, textiles and similar sectors often do not recognize that their existing products or services could be relevant to defence and dual-use markets. BDC's 2026 study describes a large pool of adjacent firms that remain on the sidelines of the defence economy and finds that their ability to participate depends heavily on procurement visibility and clear entry pathways rather than on capability alone.[58]

A 2025 mapping exercise by the Council of Canadian Innovators and The Icebreaker drew responses from close to 500 companies and identified 428 Canadian firms developing dual-use technologies with both civilian and defence applications; almost 90% considered procurement important to their success, yet about half named access to customers, including government, as their



biggest obstacle to scaling.[59] The scale of this untapped pool is therefore significant. The mapping was undertaken in part to help ensure that capable Canadian companies are visible to the government, which points to a problem that runs in both directions: firms cannot easily see the opportunity, and buyers cannot easily see the firms.[60, 61]

Several features of the market make the opportunity hard to see from the outside. Defence business development relies heavily on reputation, relationships, specialized expertise and industry events that firms outside established supply chains do not have access to, and security classification can restrict the information available about defence needs.[62]

The most accessible entry points are also the least visible: minor capital projects, generally valued below $25 million, often do not appear in major policy documents even though they can provide the first contracts and performance records that SMEs need.[63] New mechanisms such as the Innovation, Science and Economic Development Canada (ISED)

defence concierge service and the Defence Industrial Strategy's commitment to publish a regularly updated inventory of anticipated procurements are intended to give industry earlier visibility, but they depend on firms first knowing to look and understanding that defence could be relevant to them.[64, 65, 66] Awareness is therefore a precondition for participation.



The key question is not whether a business considers itself part of the defence sector, but whether its products, technologies or services can be adapted for defence or security applications.

Without deliberate, sector-specific outreach that reaches firms which do not self-identify as defence businesses, much of the intended broadening of Canada's defence industrial base will be constrained at the very first step. Once firms recognize that defence may be relevant to them, they face a different challenge: determining where their capabilities fit and which opportunities are realistic to pursue.

Identifying defence relevance and market opportunities

Once an SME recognizes that defence or dual-use markets may be relevant to its business, the next challenge is determining where its existing product, technology or service fits.[67] The key question is not whether a business considers itself part of the defence sector, but whether its products, technologies or services can be adapted for defence or security applications. Defence capabilities increasingly emerge from civilian startups and SMEs in areas such as AI, robotics, cloud and digital networks, biotechnology and quantum technologies. However, SMEs may have limited visibility into defence needs, particularly where security classification restricts information sharing.[68]

The challenge is translating civilian capabilities into credible defence use cases and market opportunities. BDC found that businesses interested in defence came primarily from information technology, manufacturing, construction and professional services, with additional representation from health care and retail.[69] Among businesses planning to enter within three years, meeting defence-specific requirements was the leading reported obstacle; businesses still exploring were more affected by general economic uncertainty. About 38% of interested businesses planned to hire external consultants, primarily to prepare for defence opportunities. The same study also noted that defence business development relies heavily on reputation, relationships, specialized expertise, initial contracts and industry events. Technical relevance alone is therefore not enough to secure market access.

New tools such as the defence concierge service and the DIA's outreach mechanisms are intended to improve information flow and help firms identify where they fit, but they do not remove the underlying need for SMEs to invest time and capacity in understanding defence priorities, requirements and customer needs.[70, 71] At this stage, training and advisory supports should help firms assess their fit, identify target customers, and translate civilian capabilities into credible defence

use cases. Additionally, it is important to distinguish broad strategic opportunity from sufficiently concrete market demand, which includes interpreting available information about the requirement, customer, timing, qualification requirements and pathways for procurement and supply chain. Especially for manufacturers, clearer and more predictable demand signals are vital.[72] These demand signals will affect decisions regarding their investment equipment, facilities, production capacity and workforce, as well as the timing of this investment.[73]

Meeting defence readiness requirements

Defence readiness is not a single universal credential; it can involve a combination of market, organizational, security, cybersecurity, regulatory, operational, workforce and financial capabilities. Requirements vary by contract, customer, product, information sensitivity and position in the supply chain. Depending on the opportunity, an SME may need personnel screening through the Contract Security Program,[74] cybersecurity controls, a quality management system or other customer-specific certifications. Depending on the contract and the work involved, security screening can extend beyond owners and senior managers to skilled tradespeople and other employees who require access to protected or classified information, assets or work sites. Businesses must register in the Controlled Goods Program (CGP) when they intend to examine, possess or transfer controlled goods in Canada. Public Services and Procurement Canada states that a completely new registration application can take 32 business days to process, while incomplete applications take longer.[75]



Workforce composition can also affect readiness in important ways as temporary workers and international students, including those on work placements, cannot handle controlled goods until they receive an exemption from the CGP, which can take up to 30 business days and can complicate staffing for manufacturers that rely on newcomers or student placements.[76]

Cybersecurity requirements are also becoming more formalized. In April 2026, the Government of Canada introduced Level 1 of the Canadian Program for Cyber Security Certification (CPCSC), which will apply to select defence contracts beginning in summer 2026.[77] During the initial phase, certification is required upon contract award rather than throughout the bidding process. Additional levels are expected to be introduced in phases. Even where a particular certification is not mandatory, businesses may need to upgrade systems, document controls, train staff and demonstrate that sensitive information can be protected. As additional levels of CPCSC are introduced, requirements are expected to become more stringent and

more closely tied to contract eligibility. This may increase the readiness burden for SMEs that have not invested in formal cybersecurity controls and documentation.



Defence participation often requires capital well before a business has predictable contract revenue.

Formal export controls add another layer of complexity, particularly for technologies that move between civilian and military markets or are sold internationally. Canada's Export Control List defines Group 1 dual-use items as goods and technology originally designed for civilian purposes that could have a military use or be used to produce military items.[78] This regulatory definition is narrower than the broader dual-use lens used in this report because it applies to listed goods and technology, not to every company, service or software product that may have defence relevance. SMEs therefore need to distinguish between a broad market use case and a formal export control classification.

IP and data rights can become more complex as civilian technologies are adapted for defence applications. Businesses may need to assess ownership, licensing, technical data, export restrictions and the effect of integrating their technology into a larger system. Many SMEs still struggle to protect and commercialize their IP in this environment.[79] The 2026 parliamentary report also recorded concerns that foreign interests may acquire Canadian businesses and publicly supported IP as technologies mature, in part because foreign markets offer greater access to capital and procurement scale.[80] For SMEs, these issues affect their ability to protect long-term value and the terms on which they can enter defence supply chains.

These requirements create costs before revenue is certain. Security plans, background checks, cybersecurity upgrades, quality systems, legal advice, testing, documentation, secure facilities or work environments, and specialist support may all be necessary before a business can compete credibly. While the DIA is expected to provide more integrated leadership on procurement and capability development, it will not replace the need for SMEs to navigate multiple regulatory regimes and certification processes. The burden is therefore not only administrative; it is a financing, staffing and timing challenge that is especially significant for SMEs entering from civilian markets. Training and advisory supports at this stage should help SMEs identify which requirements apply, assess gaps, sequence readiness investments and prepare the required documentation.

Financing entry and scale

Defence participation often requires capital well before a business has predictable contract revenue. SMEs may need financing for certification, product adaptation, prototyping, testing, equipment, inventory, facilities, specialized staff and working capital during long sales cycles. In BDC's 2026 survey, half of the defence SMEs planning to seek financing expected that obtaining it would be difficult, including one-third who

expected it to be very difficult.[81] Among defence-heavy businesses seeking financing, 74% were looking for at least $1 million, and 39% were looking for at least $5 million. For defence-related investments, lenders and investors may consider a broader set of risks, including sector risk, customer concentration, unstable cash flow and potential legal or reputational exposure, alongside conventional concerns such as credit history and available guarantees.

Parliamentary evidence points to the same underlying problem.[82] Witnesses reported that short contracts and uncertain renewals do not provide the revenue visibility that banks and investors require, and that hardware-intensive and infrastructure-intensive technologies can be particularly difficult to finance. This produces a reinforcing cycle: businesses need capital to become defence-ready and expand capacity, but lenders and investors seek evidence of contracts, predictable demand and a credible route to revenue before providing that capital. SMEs at this stage may need financing aligned with long procurement cycles, as well as support to estimate readiness and scaling costs, develop realistic cash flow plans and demonstrate credible demand and contracting pathways to lenders and investors.

Recent policy measures, including the launch of the BDC Defence Platform, the StrongNorth Fund and Defence Industry Assist,[85] are designed to ease financing constraints for defence and dual-use firms. However, the evidence already presented from BDC's 2026 survey and parliamentary testimony indicates that access to capital remains uneven and that financing systems are still cautious about defence-related



risk, particularly for early-stage and equity-deserving entrepreneurs.[86, 87]

The financing challenge differs for dual-use businesses that continue to rely primarily on civilian markets. These businesses may have available capacity and an established commercial business, but they must decide how much to invest in defence-specific systems and staff before demand is sufficiently predictable. Committing too early can divert capital from the civilian business, while committing too late can prevent the business from qualifying for an opportunity. BDC's findings suggest that this uncertainty contributes to more cautious investment among defence-light businesses and prospective entrants.[88]

Export readiness is also a capacity issue: SMEs may have relevant products but lack the legal, compliance, market intelligence and trade-promotion support needed to convert domestic success into international sales.

These issues also reflect a distinction between firms that lack internal financing readiness, including financial management, planning

and operational systems, and firms that are structurally constrained by external capital gaps. Addressing both requires integrated skills and advisory supports, not financing alone.



Canadian startups developing modern solutions may be unable to enter the market before their funding runs out.

Procurement and recurring revenue

The procurement structure affects whether businesses can finance preparation, retain staff, protect IP and survive long enough to reach scale. Canada's defence procurement processes are lengthy, complex, unpredictable, fragmented and highly risk-averse.[89] For example, there may be a 14- to 15- month delay between a project award and contract signature or an SME may wait 18 months for security clearance before it can bid. While large companies may be better positioned to plan for these processes, with specialized staff and legal support and reserve funds support, many SMEs do not.

The federal government's phased procurement processes for large contracts often extend over several years, which can cause significant resourcing challenges for SMEs.[90] Canadian startups developing modern solutions may be unable to enter the market before their funding runs out.[91, 92] Requests for proposals that rely on years of historical performance data, combined with multiple departmental approvals, create an entry hurdle that many early-stage businesses cannot meet.[93] These barriers can prevent SMEs from securing the domestic customers and contract histories needed to demonstrate market readiness and attract financing.[94]

The institutional architecture for defence procurement is also changing. The DIA, established in October 2025 within Public Services and Procurement Canada, was designed to consolidate procurement expertise, streamline decision-making, engage industry earlier and align defence procurement more closely with industrial policy objectives.[95] The 2026 Spring Economic Update announced plans to make the DIA a stand-alone entity with expanded authorities, and Bill C-31, introduced in May 2026, would enact a Defence Investment Agency Act establishing it as a stand-alone departmental agency, but has not yet passed.[96] On October 6, 2026, the government introduced Bill C-40, which proposes establishing the DIA as a Crown corporation within the National Defence portfolio, with its own board of directors and greater authority over defence procurement, production and investment.[97] The implications of this new model for procurement timelines, oversight, industry engagement and SME participation will depend on the final legislation and its implementation. The DIA's existing focus is on defence procurements valued at over $100 million and above, which means that many opportunities for SMEs will continue to arise.[98]

The defence concierge, established to help firms navigate opportunities, is intended to address information and navigation barriers. However, SMEs continue to encounter lengthy processes, complex requirements and uncertainty as the new system is implemented. Support needs will vary by

stage. SMEs exploring the market may need help identifying realistic procurement and supply chain pathways. Firms preparing to compete may need support with bid development, costing, documentation, partnerships and resource planning for long timelines. Active suppliers may need contract management, subcontracting, production planning and business development support to convert initial contracts into recurring revenue.

Compounding barriers for equity-deserving entrepreneurs and Northern SMEs

Many of the barriers described above apply to SMEs generally, but businesses do not encounter them from an equal starting point. Existing differences in access to capital, professional networks, market information, infrastructure and decision-makers can increase the cost of defence entry for SMEs majority-owned or led by members of equity-deserving groups.

Entry costs are more difficult to absorb for businesses already facing constrained access to financing. Research identifies access to capital as a persistent barrier for women, Black, and Indigenous entrepreneurs, including unequal access to loans, grants, and investment, as well as bias within conventional financing systems.[99, 100]

Unequal access to information and relationships can create additional costs. The Canadian Council for Indigenous Business's 2025 study, based on qualitative interviews with Indigenous business owners who were active in or interested in defence, identified bias and racism, the cost and difficulty



of certifications, client-acquisition costs, reliance on consultants and former military personnel, expensive conference attendance, administrative burden, multiple procurement platforms, mismatches between requirements and contract size, and limited meaningful engagement.[101] Participants also described difficulties using subcontracting experience as evidence when competing for prime contracts. Because the study is qualitative and based on a small sample, it should not be read as a prevalence estimate; it nevertheless provides direct evidence of how procurement, compliance, networks, and bias can interact.

Although policies such as ITB,[102] Community Employment Benefits[103] and the Defence Industrial Strategy's "Working with Key Domestic Partners" pillar[104] are intended to spread benefits across regions, Indigenous rights holders and other groups, they do not automatically overcome entrenched barriers in capital access, procurement practices and bias. Without explicit inclusion targets and monitoring, new investments risk reinforcing existing patterns of exclusion.

Geography can compound these barriers further. Research on Northern businesses identifies geographic isolation, limited infrastructure, small and simplified supply chains, recruitment difficulties and low technology adoption as persistent constraints for SMEs and entrepreneurs.[105] These conditions can increase the cost of accessing advisors, certifications, testing facilities, buyers, prime contractors and industry events, even as defence and dual-use investment creates new opportunities linked to Arctic readiness, infrastructure, and sovereignty.

Data gaps are themselves a barrier. There is limited disaggregated information on which businesses, communities and ownership groups are securing defence-related contracts, financing and skills opportunities, making it difficult to measure who is benefiting from the emerging dual-use defence economy. Training and advisory programs should therefore combine broadly available defence readiness supports with targeted outreach, accessible delivery and tailored supports that reflect differences in location, infrastructure, access to capital, networks and ownership or leadership demographics.

Skills and Capacity Building to Support SMEs

$7.9 billion

SMEs entering the dual-use defence economy also need export readiness skills, especially as defence exports already account for close to half of industry revenue, reaching $7.9 billion in 2024, while exports to Europe grew 78% between 2022 and 2024.

28%

Broadening who enters these occupations will also matter as women make up 48% of Canada's labour force overall, but a meagre 28% of its manufacturing workforce.

Participation in Canada's dual-use defence economy requires more than a relevant product or technology. SMEs must also build the organizational capacity to navigate complex procurement and funding processes, access specialized talent, and finance commercialization and scale-up. Canada's Defence Industrial Strategy aims to increase annual defence revenues for SMEs by more than $5.1 billion and create 125,000 new jobs over the next decade. The strategy also identifies investment in skills, training, innovation and the growth of SMEs as necessary to strengthen Canada's defence industrial base.[106] The type and level of support required will vary by SME stage, sector, ownership or leadership demographics, and location.

Building these capabilities does not necessarily mean developing every skill internally or adding permanent staff. SMEs can also draw on sector-specific consultants, business development specialists and contract team members to fill specific knowledge or capacity gaps, support strategy and business planning for different customers and sales channels, and build capability within existing teams.

Defence market intelligence and opportunity positioning

A foundational skill for SMEs exploring or entering the defence market is the ability to identify and clearly articulate the defence relevance of their products, services or technologies. This requires more than general awareness of the sector. Businesses must be able to determine where their capabilities fit within defence priorities, which government customers, original equipment manufacturers, prime contractors, and supply chain tiers are most relevant, and what technical, security, quality, and commercial requirements apply to each opportunity.[107] They also need to determine whether direct procurement, entry through a prime contractor's supply chain, or a broader infrastructure or service opportunity offers the most realistic pathway.

This requires familiarity with the 10 sovereign capabilities identified in Canada's Defence Industrial Strategy and with how these priorities inform the government's Build–Partner–Buy approach.[108] SMEs should also be able to use the Defence Capabilities Blueprint to review published project descriptions, capability areas, anticipated timelines, funding ranges and forthcoming support contracts, and to assess whether a civilian product or service could respond to a defined requirement.[109]

Market intelligence must also extend beyond large, highly visible procurement programs. Minor capital projects, defined as projects valued below $25 million, can offer more accessible entry points for SMEs because they generally move through simplified approval processes, require less production and project management capacity, and can provide businesses with initial contracts and performance records.[110] However, these projects are typically not listed in major defence policy documents and receive less public visibility than large capital acquisitions, making proactive engagement with military users, procurement officials, industry associations and supply chain partners particularly important. Training and advisory supports at this stage should help SMEs identify relevant opportunities, assess their fit and select realistic market-entry pathways.

Defence compliance and security readiness

SMEs entering the defence market must understand which regulatory, security and cybersecurity requirements apply to each opportunity and what they must do to



meet them. This includes knowing when organizational and personnel screening through the Contract Security Program may apply, when registration in the CGP is required, and how the CPCSC will affect selected defence procurements beginning in summer 2026.[111, 112, 113, 114] This skill extends beyond awareness of the rules. SMEs must be able to assess their existing systems, identify compliance gaps, assign internal responsibilities, prepare documentation, train staff, protect sensitive information, and maintain records over time. Training and advisory supports should help firms determine which requirements apply to their sector, product and supply chain role, and plan the changes needed to become contract-ready. Some SMEs may also need access to shared or managed secure digital environments, demonstration facilities or testing infrastructure before they can justify building equivalent capabilities internally.

Procurement and bid development

SMEs need the capacity to navigate formal defence procurement processes and translate their capabilities into complete, compliant, and competitive bids. This includes finding

and tracking relevant opportunities, managing submission deadlines, interpreting solicitation documents and evaluation criteria, responding to mandatory and rated requirements, following submission instructions, and seeking clarification or a debrief when appropriate.[115] Businesses also need strong proposal-writing skills to adapt a commercial value proposition to a defence context, substantiate performance claims, describe relevant experience, and respond directly to evaluation criteria.



Businesses need strong proposal-writing skills to adapt a commercial value proposition to a defence context, substantiate performance claims, describe relevant experience, and respond directly to evaluation criteria.

Procurement skills also include determining whether to participate as a prime contractor, subcontractor or supply chain partner, identifying appropriate partners and customers, and understanding how the ITB Policy may shape major contractors' supplier and investment decisions. Businesses should also be able to develop realistic pricing, delivery schedules, resource plans, and cash flow projections, ask informed questions during procurement processes, and use feedback from unsuccessful bids to strengthen future submissions. Training and advisory supports should reflect an SME's intended procurement pathway and may include practical instruction, templates, bid reviews, partnership development and coaching on pricing, work planning and responding to evaluation criteria.

Cybersecurity and intellectual property management

Businesses entering defence markets need the skills to identify which information, systems and suppliers fall within applicable cybersecurity requirements, implement the required safeguards and provide evidence that those safeguards are working. For selected defence contracts beginning in summer 2026, this may include Level 1 certification under the CPCSC.[116] Relevant skills include managing user and device access, applying multifactor authentication, protecting networks and physical locations, addressing software vulnerabilities, safeguarding media, documenting policies and procedures, and maintaining compliance throughout a contract.

Dual-use businesses also need IP skills to protect and commercialize technologies across civilian and defence markets. This includes distinguishing existing IP from IP developed under a contract, reviewing ownership and licensing provisions, assessing the rights required to use, maintain, modify, integrate, and commercialize a technology, and addressing IP early in negotiations with government customers, prime contractors and other partners.[117] Businesses must also recognize when source code, technical data, designs, technical assistance or other technology may be subject to export controls, including when information is shared electronically, through cloud access, training or technical discussions.[118] Training and advisory supports may therefore need to



combine cybersecurity gap assessments and implementation guidance with specialized advice on IP, licensing, data rights and export controls, depending on the SME's technology, target market and supply chain role.

Workforce planning and operations leadership

SMEs participating in defence and dual-use markets need more than technical skills; they require leadership and operational capabilities that allow them to absorb new contracts, funding and technologies without overextending their founders. Growth in defence-related and dual-purpose markets often depends on the ability to define roles, delegate responsibilities, formalize processes and build teams that can operate reliably in demanding environments, while maintaining the flexibility that can be an advantage for smaller firms. This includes basic management skills such as planning, budgeting and supervision; project management and logistics skills, such as scheduling, coordination and supply chain management; and the ability to design and implement operational systems that support quality control, compliance and performance tracking.

Evidence from previous research on SME skills and upskilling shows that many small firms rely on informal practices, lack documented processes and have limited human resources capacity, constraining their ability to take on complex contracts or expand into new markets. In a defence context, these gaps lead directly to missed opportunities, because firms may be unable to demonstrate reliable delivery, manage multi-site operations or meet customer expectations around documentation and governance.

Targeted supports, including leadership development, workforce planning, operations coaching and logistics training, are therefore needed to help SMEs prepare for and manage growth in defence and dual-use markets.[119, 120] Prospective entrants may need support with basic planning, role definition and process formalization, while active suppliers may need more advanced support with hiring, delegation, production planning, quality systems and multi-site operations.

Manufacturing readiness and production capacity

For manufacturers, especially in the advanced manufacturing sector, defence readiness heavily depends on whether the firm can meet the necessary production volume, quality, safety, and security, as well as workforce requirements of a specific contract or supply chain opportunity. The Department of National Defence policy also requires suppliers to have quality management systems that are appropriate to the risks involved for a given

project. Additionally, organizations that are handling controlled goods will need additional site-specific security plans about governing access, storage, handling and transfer of those goods.[121, 122]

Additionally, the ability to pursue opportunities will vary considerably across firms, as some manufacturers already meet most requirements or will be able to adapt relatively quickly, while others will need substantial supports and investment to be ready (e.g., equipment, facilities, processes, technology and/or workforce). Existing capacity also varies by industry: in late 2025, construction, fabricated metals and electrical equipment were operating below their recent peaks, while information and communication technology as well as electronics had less room to absorb additional demand without first expanding capacity.[123] To that end, readiness supports must therefore include a clear portrait of what a firm can currently deliver and set that against the requirements of a defined defence opportunity, followed by identifying the gaps and remedial measures. To help with this, the Canadian Defence Industry Resilience program provides supports and investments to expand production, modernize equipment and infrastructure, and strengthen defence supply chains.[124]

Skilled trades

Industrial and skilled trades capabilities are foundational to Canada's dual-use defence economy.[125] Delivering major projects, from submarines and armoured vehicles to Arctic infrastructure, health technologies and modular housing, requires skilled and Red Seal trades, including construction, electrical work, welding and machining, production technicians, quality-control specialists, and maintenance personnel, alongside engineering and project management roles, among others. Ensuring that SMEs can access, train and retain this workforce is essential to achieving the Defence Industrial Strategy's sovereign capability goals and to meeting commitments around community benefits, including veteran employment and Northern and Indigenous infrastructure delivery. Meeting these workforce needs will also require broader pathways into manufacturing and skilled trades; to that end, the Advanced Manufacturing Workforce Alliance, co-led by the Excellence in Manufacturing Consortium (EMC), Next Generation Manufacturing Canada (NGen) and the Canadian Skills Training and Employment Coalition (CSTEC), brings manufacturers, labour, education and training institutions, Indigenous partners and other equity-deserving groups together to identify workforce gaps and collaborate on designing and developing practical training solutions.[126, 127]



Delivering major projects, from submarines and armoured vehicles to Arctic infrastructure, health technologies and modular housing, requires skilled and Red Seal trades.

In addition to making training more accessible and inclusive, workforce supports and training should reflect sector and location, as manufacturing and shipbuilding firms may



need welders, machinists, technicians and quality control specialists, while Northern construction and infrastructure firms may need tradespeople able to work in remote and extreme environments. SMEs may also need support with workforce planning, recruitment, apprenticeship, credential recognition, retention and partnerships with training providers. Broadening who enters these occupations will also matter as women make up 48% of Canada's labour force overall, but a meagre 28% of its manufacturing workforce.[128]

Digital and AI adoption

Defence and dual-use operations increasingly rely on digital systems, AI and, in some capability areas, emerging technologies such as quantum computing, quantum communications and advanced sensing. SMEs therefore need digital and AI skills relevant to their role in defence and dual-use supply chains, ranging from basic digital literacy and data management to more specialized analytics, cloud computing, AI and, where relevant, quantum-related capabilities. The specific mix will differ for a med-tech firm, a sensing or aerospace company, a logistics provider or a modular-infrastructure SME. Each must be able to assess, select and implement the digital tools that support its defence-relevant applications.

Diversity Institute research on inclusive AI adoption and training shows that AI use remains uneven across sectors and regions, with many organizations struggling to adopt AI and develop the skills needed to use it effectively. Studies of AI in the workplace examine who is adopting AI, who is being left behind and what policies and practices support responsible implementation, while programs such as AiDaPT (Artificial Intelligence Digital and Professional Training) and Skills Bridge provide training and learning pathways in areas such as generative AI, data analytics, cybersecurity, leadership and business operations.[129, 130, 131]

Evidence from these initiatives shows that smaller firms often face time, resource and expertise constraints that limit their ability to invest in workforce development and technology adoption. Inclusive AI adoption requires combining technical training with career development, governance and change-management supports. The Diversity Institute AI Competency Framework offers a structured view of the skills needed for responsible AI use, from basic AI literacy through AI innovation skills to deep AI skills, which can inform how defence-adjacent SMEs plan training and workforce development. For these firms, building digital and AI capabilities requires technical skills and the organizational capacity to integrate tools into workflows, protect data, engage workers and ensure that AI and related technologies are used in ways that strengthen security, resilience and

inclusion.[132] Training and advisory supports should be tailored to an SME's sector, role and existing digital maturity, from foundational digital and AI literacy to implementation, governance and specialized technical skills.

Export readiness and market access

SMEs entering the dual-use defence economy also need export readiness skills, especially as defence exports already account for close to half of industry revenue, reaching $7.9 billion in 2024, while exports to Europe grew 78% between 2022 and 2024.[133] Necessary skills include understanding export controls and permits, foreign-market requirements, partner and distributor selection, pricing for international markets, contract and compliance management, and the ability to work with trade promotion and diplomatic channels to identify opportunities in allied and like-minded markets.

For dual-use firms, export readiness is not separate from defence readiness; it is often the next step after domestic validation, especially where firms need to scale beyond the Canadian market to sustain production and investment. Training and advisory supports should vary by market experience and export stage, from assessing export potential and selecting target markets to navigating controls, finding partners, adapting pricing and contracts, and responding to allied procurement opportunities.

Current programs and supports

Canada's Defence Industrial Strategy includes a range of programs and supports under the Build–Partner–Buy framework. Under this framework, Canada will prioritize domestic production in areas of Canadian strength and sovereign capability, pursue joint development and production with trusted allies where appropriate, and purchase from international suppliers where domestic production or partnerships are not feasible, subject to conditions intended to generate investment in Canada. The government has identified 10 sovereign capabilities for priority attention: aerospace, ammunition, digital systems, in-service support, personnel protection, sensors, space, specialized manufacturing, training and simulation, and uncrewed and autonomous systems.[134] A broader ecosystem of federal departments, funding agencies, regional development agencies, provincial governments, financial institutions, industry associations, accelerators, post-secondary institutions and other organizations delivers programs supporting innovation, commercialization, financing, procurement readiness, cybersecurity, workforce development and export market access.

Several commitments in the Defence Industrial Strategy respond directly to barriers identified in this report, including earlier visibility on procurement opportunities, faster security clearances, stronger IP and export supports, and expanded workforce development. The BDC Defence Platform and Regional Defence Investment Initiative provide financing and advisory support, while the defence concierge service helps firms navigate federal programs. These measures are now being implemented and are expected to make it easier for SMEs to participate and grow in defence and dual-use markets.

Table 2. Selected supports across Canada's dual-use defence ecosystem.

Building Awareness	
Role in the ecosystem Outreach to diverse SMEs and entrepreneurs to increase knowledge of market opportunities. Supports can also help firms assess where their capabilities fit, understand market and procurement pathways, identify relevant programs and connect with buyers, prime contractors and ecosystem partners.	
Selected programs, organizations and supports	
ISED Defence Concierge Service	Provides a coordinated single point of entry for defence and dual-use firms, assessing business needs and directing companies to relevant federal programs, services, procurement pathways and opportunities.[135]
CADSI GATEWAY Suite	Combines defence market intelligence, capability mapping and supplier connections. Its tools help SMEs identify opportunities, make their capabilities visible to buyers and primes, find potential partners and assess Canadian and international markets.[136]
Ontario Defence Association	Supports Ontario firms with defence market fit, supplier readiness, quality, security and compliance expectations, market intelligence and capability mapping, while connecting firms to the wider provincial and national ecosystem.[137]
FedNor-supported Northern Ontario defence programming	Supports Northern Ontario SMEs and other eligible organizations to expand production and innovation capacity, acquire equipment, enter new markets,meet defence certification and qualification requirements, and strengthen defence-related supply chains.[138]
Saskatchewan Aerospace and Defence Forum	Brings provincial manufacturers and suppliers together with major defence firms, the Canadian Armed Forces and government partners to improve visibility, relationships and access to defence opportunities.[139]
Excellence in Manufacturing Consortium (EMC)	Holds regional forums helping manufacturers identify domestic and defence market opportunities, find entry points into existing supply chains, and navigate compliance, certification and regulatory requirements for handling sensitive materials.[140]

Funding for innovation	
Role in the ecosystem Supports research, technology development, commercialization, demonstrations and the adaptation of civilian technologies for defence applications.	
Selected programs, organizations and supports	
ISED dual-use technology funding	$656.9 million over five years supporting the development and commercialization of technologies with both civilian and military applications across sectors including aerospace, cybersecurity, AI, biodefence and life sciences.[141]
Defence Industry Assist	Delivered through the National Research Council of Canada's Industrial Research Assistance Program (NRC IRAP) and funded with $244 million. Provides funding and advice to SMEs developing defence and dual-use technologies and connects businesses with procurement pathways and supply chain partners.[142, 143]
Innovation for Defence Excellence and Security	Backed by a $1.6 billion commitment over 20 years. Supports defence and security innovation through competitive projects, innovation networks, contests, sandboxes and testing opportunities that help innovators develop, demonstrate and evaluate solutions for defence applications.[144]
BOREALIS Defence Innovation Secure Hubs	Provides up to $50 million in non-repayable contributions to establish secure, mission-oriented hubs focused initially on quantum technologies and uncrewed systems, where industry, government and academia can develop, test, validate and integrate emerging technologies and accelerate their transition toward operational use.[145]
Funding for Canadian Innovators and Accelerators of DIANA (FCIA-DIANA)	Provides grant funding to Canadian SMEs and accelerators selected by the NATO Defence Innovation Accelerator for the North Atlantic (DIANA) program, supporting continued R&D, innovator development and participation in DIANA's transatlantic accelerator network while strengthening Canadian access to emerging and dual-use technologies.[146]
Innovative Solutions Canada (ISC)	Challenge-based procurement and R&D support that can allow government departments to test and potentially become customers for innovative Canadian technology.[147] The Defence Industrial Strategy specifically mentions ISC as a procurement pathway.[148]
Lab2Market Validate Dual-Use	A 16-week national program led by Lab2Market Atlantic at Dalhousie University with the University of New Brunswick and Vimy Forge that supports entrepreneurial researchers developing dual-use solutions through customer discovery, hands-on market testing, mentorship and industry connections, with the opportunity to receive $10,000 in project funding.[148]

Financing and scale-up	
Role in the ecosystem Helps SMEs finance the upfront costs of entering and growing in defence markets, including product adaptation, certification, equipment, facilities, production capacity and working capital across long procurement cycles.	
Selected programs, organizations and supports	
Canadian Defence Industry Resilience Program	Supports expansion of domestic defence production capacity and supply chain resilience, including an initial $1.4 billion investment to expand Canadian ammunition production capacity.[150, 151]
Business Development Bank of Canada (BDC) Defence Platform	Through this platform, BDC, a federal Crown corporation, mobilizes up to $6 billion in financing, investment and advisory support for defence and dual-use businesses, including financing for equipment, facilities, production scale-up and working capital across long procurement cycles.[152]
CIBC defence and dual-use financing	A $2 billion commitment to finance eligible Canadian defence-related and dual-use SMEs operating in infrastructure, energy, cybersecurity, digital capabilities and advanced technologies.[153]
Export Development Canada (EDC)	A federal Crown corporation that provides financing, guarantees, trade credit insurance and market intelligence to help Canadian defence and dual-use companies expand capacity, manage cash flow and risk, and compete in international markets. EDC can also support projects that strengthen domestic defence and security capabilities where they align with its mandate, including manufacturing expansion tied to export activity.[154]
FedNor Regional Defence Investment Initiative (RDII)	Supports business scale-up and productivity for mainly SMEs to increase production and innovation capacity, improve competitiveness, acquisition of equipment, explore and secure new markets, meet defence certification/qualification standards and support industry associations which provide technical and business support services to SMEs.[155]
PacifiCan Regional Defence Investment Initiative (RDII) in British Columbia	Provides interest-free repayable contributions (up to 75% of eligible costs) of $100,000 to $10 million per commercial project (repayment begins one year after project completion and no collateral is required) to cover essential project costs (i.e., costs related to working capital, consultancy fees, commercializing and market expansion, military certifications and/or standards, development capacity and defence project bids).[156]

BDC StrongNorth Fund	A $500 million venture capital fund supporting early-stage Canadian companies developing deep technologies with defence-focused or dual-use applications, including technologies such as AI, robotics, semi conductors and advanced systems.[157, 158]
Defence, Security, and Resilience Bank [forthcoming]	A Canada-led multilateral financial institution intended to provide long-term, low-cost financing for defence, security and resilience initiatives, helping governments and SMEs address critical financing gaps. The Bank is intended to begin operations as early as 2027.[159]

Procurement and procurement linkages	
Role in the ecosystem In addition to the Government of Canada's commitment to procure more from Canadian firms and support procurement from other nations, there are measures introduced to connect SMEs and their capabilities to prime-contractor supply chains, while helping firms understand procurement pathways and prepare to compete.	
Selected programs, organizations and supports	
Defence Investment Agency (DIA)	Centralizes defence procurement expertise and engages industry earlier in procurement processes to improve market understanding, streamline decision-making and accelerate delivery of defence capabilities.[160] On October 6, 2026, Bill-40 was introduced; it proposes establishing the DIA as a Crown corporation within the National Defence portfolio, with greater authority over defence procurement, production and investment.[161]
Defence Construction Canada (DCC)	A federal Crown corporation that procures and delivers defence infrastructure projects for the Department of National Defence and the Canadian Armed Forces. It is a key entry point for construction and infrastructure SMEs, with all DCC procurement opportunities posted through MERX.[162]
Industrial and Technological Benefits (ITB) Policy	Requires winning contractors on eligible major defence and Coast Guard procurements to undertake business activity in Canada equal to the value of their contracts. Bidders submit a Value Proposition evaluated alongside technical and cost requirements; 2026 changes strengthen incentives for strategic investments, Canadian suppliers and direct work with SMEs, and introduce a 90-day service standard for ITB transaction approvals.[163]

CCI Canada Defence Procurement Readiness Program	A national program for technology and dual-use companies covering defence policy, CanadaBuys and bid preparation, cybersecurity, legal and IP requirements, export pathways and the federal defence procurement lifecycle.[164]
Procurement Assistance Canada and CanadaBuys	Provide free resources, seminars and personalized assistance to help smaller and diverse businesses understand federal procurement, register as suppliers, find opportunities and prepare to compete for government contracts, including defence and security procurements.[165]
Small Business Procurement Program	Being implemented in phases beginning in summer 2026 to increase Canadian small-business participation in federal procurement and reduce administrative barriers. The program reserves opportunities for Canadian small businesses, with mandatory set-asides where feasible, and introduces requirements proportionate to the opportunity, enhanced Procura guidance and standardized procurement documents. Additional measures planned by the end of 2026 include plain language tender summaries, reusable supplier documents through a "Tell Us Once" approach, standardized response formats and pre-submission completeness checks.[166, 167]

Compliance, security and cybersecurity readiness	
Role in the ecosystem Helps SMEs identify and meet security, cybersecurity, Controlled Goods, quality and other defence-specific requirements, assess readiness gaps and put appropriate systems, documentation and controls in place.	
Selected programs, organizations and supports	
Canadian Program for Cyber Security Certification (CPCSC)	Establishes defence-specific cybersecurity requirements for suppliers, with three certification levels based on contract risk. Level 1 uses an annual self-assessment against 13 security controls and is being introduced in selected defence contracts beginning in summer 2026.[168]
CyberSecure Canada	A voluntary cybersecurity certification designed to help SMEs implement baseline security controls, reduce cybersecurity risks and demonstrate their cybersecurity practices to customers, partners and suppliers. The program is now administered through the Standards Council of Canada.[169]

Contract Security Program	A voluntary cybersecurity certification designed to help SMEs implement baseline security controls, reduce cybersecurity risks and demonstrate their cybersecurity practices to customers, partners and suppliers. The program is now administered through the Standards Council of Canada.[170]
Controlled Goods Program (CGP)	Requires eligible organizations and individuals to register before examining, possessing or transferring controlled goods in Canada. The program provides guidance, training, templates and tools to help firms meet security requirements, conduct personnel assessments and develop appropriate security plans.[171]
U.S.–Canada Joint Certification Program	Certifies Canadian and U.S. contractors that require access to controlled unclassified military technical data, enabling certified firms to bid and work on defence contracts involving such data in either country. The program protects military-critical technical information while allowing it to be shared with certified companies that have a legitimate business need.[172]

Skills and workforce development	
Role in the ecosystem Builds the management, operational, technical and workforce capabilities SMEs need to become defence-ready, absorb new contracts, meet quality and delivery requirements and scale sustainably.	
Selected programs, organizations and supports	
BDC Lead with Innovation and Focus on Technology	Helps businesses invest in advanced technology in areas like adoption of AI, digital tools and cybersecurity and investments in robotics, automation and digitally enabled equipment to improve efficiency.[173]
UBC Sauder Scale Up Program	Through a partnership with BDC, supports high-potential Canadian companies seeking to scale into defence and dual-use markets by strengthening procurement readiness, enterprise adoption, export growth and integration into allied supply chains.[174]
Industrial and Technological Benefits (ITB) Policy	Encourages investment in workforce development through enhanced credits: eligible cash contributions to skills development and training receive a 5x multiplier, while eligible cash contributions for skills development and training for Indigenous Peoples or majority Indigenous-controlled educational or training facilities receive a 10x multiplier.[175]

Canada Defence Skills Agenda	Organizes federal workforce action around four priorities: strengthening the defence talent pipeline, addressing urgent sector skills needs, growing the supply of skilled labour and partnering with provinces, territories and Indigenous rights holders. Measures include expanded apprenticeships, retraining and youth pathways, a new Apprenticeship Service prioritizing defence firms, and $383 million over five years for new sectoral alliances, with defence-related skills prioritized.[176, 177]
Advanced Manufacturing Workforce Alliance	Led by NGen, EMC and CSTEC, the Alliance brings manufacturers, labour, education and training institutions, Indigenous partners and equity-deserving groups together to identify workforce gaps and develop practical training solutions for advanced manufacturing.[178]
Ontario Trade-Impacted Communities Program	Provides nearly $2.6 million to Downsview Aerospace Innovation & Research as part of a $3.2 million initiative supporting aerospace and defence workforce development, SME readiness and supply chain resilience, helping Ontario firms position themselves for growing defence opportunities.[179]

Export and allied-market access	
Role in the ecosystem Helps SMEs assess export potential, understand export controls and foreign-market requirements, identify customers and partners, and enter allied procurement and supply chains.	
Selected programs, organizations and supports	
Export Development Canada (EDC)	Offers export credit insurance, bonding and working capital solutions, risk management, and market knowledge that help defence suppliers manage contract performance risk and cash flow when selling to foreign governments and primes.[180]
Ericsson Canada and EDC	A defence-focused partnership to help identify, connect, and support innovative Canadian SMEs, integrating them into Ericsson's global supply chain while enabling them to scale, export and compete in international defence markets.[181]
Trade Commissioner Service	Provides defence and dual-use firms with market intelligence, export readiness advice, connections to qualified buyers and partners, and guidance on issues such as foreign-market requirements, export controls and trade barriers.[182]

CanExport SMEs	Provides funding for Canadian SMEs pursuing new international markets, with the 2026–27 program placing greater emphasis on defence and dual-use projects as part of Canada's defence export-promotion efforts.[183]
Security Action for Europe (SAFE)	Canada's participation in the EU's SAFE initiative gives Canadian defence firms access to procurement opportunities supported by the EU's €150 billion defence investment instrument, expanding opportunities to participate in European defence supply chains and joint procurement. Canada's agreement with the EU entered into force on August 1, 2026.[184]
Canadian Commercial Corporation (CCC)	Supports Canadian companies in accessing international government procurement through government-to-government (G2G) contracting. Under Canada's Defence Industrial Strategy, CCC is positioned as a vehicle to help domestic defence and dual-use companies scale into allied and international markets by helping secure and de-risk government contracts. Its broader mandate also supports Canadian firms in sectors including civil infrastructure, agriculture, clean technology, cybersecurity and health technology.[185, 186]
Export Development Canada (EDC)	EDC has expanded its support for Canadian defence and security companies, providing financing, guarantees, insurance and market expertise to help firms scale and compete internationally. Since broadening its approach to the sector in 2025, EDC had provided about $1.4 billion in financing and insurance-related support, including $718 million to 56 companies in 2026 as of May 27. In addition to export-related transactions, EDC can now consider support for projects that increase Canada's domestic defence and security capabilities, if they align with its mandate. This can include expanding or building manufacturing facilities when some of the production will be exported or used in exported products.[187]

The growing range of programs and organizations provides support across many points in the SME participation journey, but it can also make the ecosystem difficult to navigate. Firms may need help identifying which supports are relevant to their stage and needs, and in combining market intelligence, readiness and compliance assistance, financing, skills development, procurement support and export services as they move from initial interest to recurring revenue and scale. This reinforces the importance of navigation and advisory functions that can connect SMEs to appropriate supports rather than treating individual programs as stand-alone interventions.

Conclusion and Recommendations

Canada's dual-use defence economy is creating new demand for technologies, infrastructure and services that serve both defence and civilian needs.

Canada's dual-use defence economy is creating new demand for technologies, infrastructure and services that serve both defence and civilian needs. As this report has shown, that opportunity reaches well beyond traditional defence contractors: firms in construction, health, digital services, logistics, advanced manufacturing, textiles and other sectors hold capabilities that can be adapted for defence, security and dual-use applications, and much of the untapped potential lies with businesses that do not yet see themselves as part of the defence sector. SMEs are central to this agenda, but many firms with relevant capabilities face a sequence of barriers: becoming aware of the opportunity, identifying where their capabilities fit, meeting readiness and compliance requirements, securing financing for entry and scale, and navigating complex procurement processes. These challenges are compounded for SMEs owned or led by members of equity-deserving groups, Indigenous-owned businesses and Northern SMEs, and are closely linked to gaps in skills and organizational capacity, not just access to capital. Limited disaggregated data also makes it difficult to assess which businesses and communities are securing defence-related contracts, financing and skills opportunities and who is benefiting from these investments. Effective supports will need to combine outreach and awareness-building, market intelligence, skills development, advisory services, financing and export readiness tailored by SME sector, stage, location, and ownership or leadership demographics.

Based on the analysis in this report and previous DI research, the following recommendations are proposed:

01 Strengthen SME-focused awareness of defence market

Provide sector-specific outreach, practical tools and coaching to help SMEs understand the opportunities that exist and where their capabilities fit within Defence Industrial Strategy priorities,identify relevant customers and supply chain entry points, and assess whether defence and dual-use opportunities align with their business goals and capacity.

02 Create clearer, stage-based pathways for SMEs to navigate the defence market and support ecosystem

Provide training and advisory support to help SMEs identify procurement and subcontracting opportunities, use resources such as the Defence Capabilities Blueprint, interpret solicitation requirements, prepare bids and understand how the DIA and defence concierge service affect market-entry pathways, including how changes to the DIA's governance and procurement processes affect SME access. Navigation supports should also help SMEs identify and combine the growing range of federal, provincial, regional and industry supports available to them.

03 Integrate financing with readiness, skills and scale-up support

Pair financing with diagnostics and advisory services that clarify growth ambitions, assess financing readiness and connect capital explicitly to skills, hiring, technology adoption and operational improvements. Supports should distinguish between firms that need to strengthen internal financial planning and firms facing structural gaps in access to capital, and should reflect the different costs of market entry, compliance and production scaling.

04 Invest in the skills and organizational capacity SMEs need to become defence-ready and scale

Develop and adapt programs in defence market intelligence; regulatory compliance, security and cybersecurity readiness; procurement and bid development; IP management; manufacturing and production readiness; industrial and skilled trades; workforce leadership and operational systems; and digital and AI adoption, including emerging quantum-related skills where relevant; and export readiness. Training pathways should be practical, reflect differences in SME stage, sector, role and existing capacity, and connect to advisory and implementation support, as well as specialized expertise where appropriate.

05 Build export readiness into SME supports

Defence-adjacent firms need integrated support on export controls, market access, trade promotion and allied procurement pathways so that domestic contracts can translate into sustainable scale and export growth. Support should range from assessing export potential and selecting target markets to finding partners, meeting foreign requirements and responding to allied procurement opportunities.

06 Embed inclusion, local context and outcome measurement across defence SME supports

Set clear expectations for inclusive access and track participation and outcomes by SME stage,sector, location, and ownership or leadership demographics, including for SMEs owned or led by women or Black, Indigenous, racialized, immigrant, or 2SLGBTQI individuals, as well as Northern,veteran-owned and veteran-serving SMEs. Particular attention should be paid to Arctic and Northern contexts, where defence investment intersects with Indigenous economic participation, community infrastructure and distinctive workforce and delivery conditions. Programs affecting Indigenous and Northern communities should be developed with relevant communities and rights holders.



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