

**PARTNERSHIPS
IN PROCUREMENT:
UNDERSTANDING
INDIGENOUS BUSINESS
ENGAGEMENT IN
CANADA'S DEFENCE
INDUSTRY**





About the Report

Partnerships in Procurement: Understanding Indigenous Business Engagement in Canada's Defence Industry is funded by Indigenous Services Canada (ISC). This is the sixth report in a multi-report collaboration with ISC, focusing on Indigenous procurement.

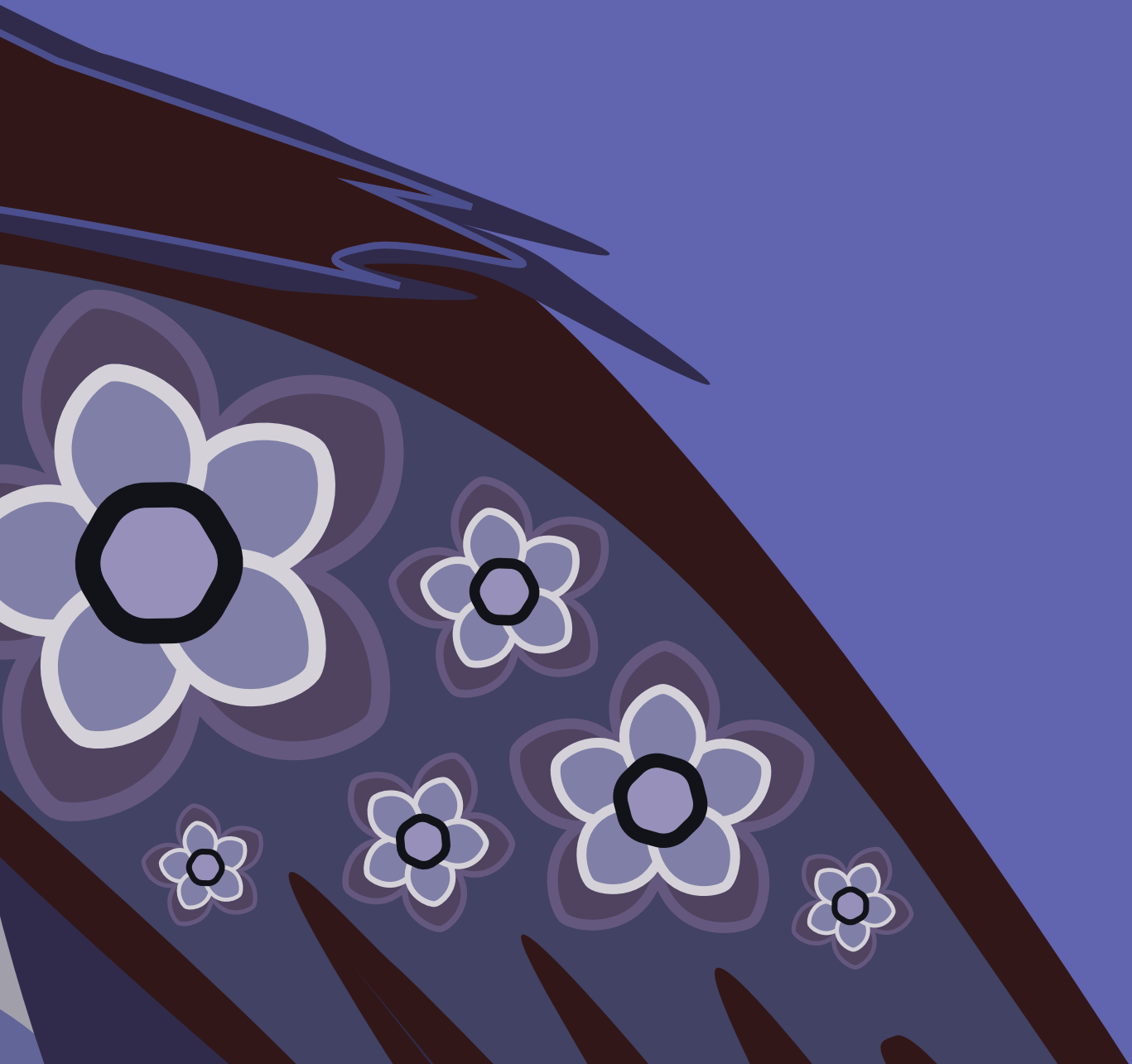
About the Design

The cover and additional report graphics were designed by Jolene Arcand, CCIB Associate, Marketing and Communications. The artwork in this report was designed using a modern take on the traditional Indigenous woodland art style.

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EXECUTIVE SUMMARY



Background and Key Findings

Defence procurement has significant potential to support Indigenous businesses and economic development. In fiscal year 2021–2022, the Government of Canada spent an estimated \$22.2B on procurement contracts.¹ Approximately a third of this spend (\$6.9B) funded contracts through the Department of National Defence (DND), with an average contract value of \$815.7K (not including contracts under \$10K) across 87,602 contracts from fiscal years 2017–2018 to 2021–2022.² While the majority is spent directly on defence (\$3.6B), other areas include facilities and construction (\$1.6B), industrial products and services (\$751.1M), and professional services (\$375.3M).³ The top vendors for these contracts were General Dynamics (\$759.2M), Irving Shipbuilding (\$522.1M), and the Vancouver Shipyards (\$427.1M).⁴ Given these significant procurement spends and subcontracting opportunities, immense potential exists to support the development of Indigenous manufacturing capacity, grow employment, and generate own-source revenues. As such, CCIB undertook this research to understand how to increase Indigenous procurement in this area.

To break into the supply chain, many Indigenous firms credit the value of relationships and networking, building experience, and a track record through prior contracts. Several also point to the value of incentives provided by government policies, such as the 5 per cent Indigenous procurement target and the Industrial and Technological Benefits (ITB) Policy, which is unique to the defence sector and is key in encouraging primary contractors (Primes) to engage with Indigenous businesses and communities. The industry places increased importance on client referrals and relationships for finding procurement opportunities, while online platforms and networking events remain key channels for engagement.

Most Indigenous businesses that we interviewed reported a positive or neutral experience engaging in the sector, with many being motivated by the substantial contract values, alignment with their current capacity and expertise, a strong passion for the work, and opportunities to develop their capacity further. While primarily engaged in the supply chain as subcontractors to the defence sector's Primes, many Indigenous businesses also work directly with DND and other Canadian or foreign government agencies.

¹ Boots et al., "Government of Canada Contracts Analysis: All Departments and Agencies" (Ottawa: Carleton University, 2022), <https://govcanadacontracts.ca/all/>.

² Boots et al., "Government of Canada Contracts Analysis: Department of National Defence" (Ottawa: Carleton University, 2022), <https://govcanadacontracts.ca/dnd/>.

³ Ibid.

⁴ Ibid.

Moreover, Indigenous businesses cite significant engagement with foreign government defence procurement, particularly those in the United States, the United Kingdom, Ukraine, Australia, and Korea. Many Indigenous businesses have also obtained security clearances, controlled goods, and cybersecurity certifications to further support their ability to secure contracts.

Unfortunately, Indigenous businesses remain underrepresented in the defence sector relative to their industry makeup and overall capabilities. According to Statistics Canada, there are approximately 80,910 Indigenous businesses in Canada.⁵ Between 2018 and 2022, DND directly awarded \$136.3M worth of contracts to 30 Indigenous businesses (excluding joint ventures) registered on the Indigenous Business Directory. These companies included eight in professional services and seven in IT, followed by five in facilities and construction, four in defence, two in office management, two in transportation and logistics, one in travel, and one in other sectors. Of the 80,910 Indigenous businesses in Canada, many are involved in construction (17%); other services (except public administration) (12%); professional, scientific, and technical services (11%); health care and social assistance (10%); administrative and support, waste management, and remediation services (9%); and to a lesser extent, manufacturing (3%).

The alignment between defence procurement needs and the industry makeup of Indigenous businesses demonstrates a broad opportunity for Indigenous businesses to engage as defence contractors, not only in the development of weapons and components, but across a wide range of sectors. However, while these general contracts

provide an opportunity to bring in work and revenue, there are additional benefits for Indigenous businesses that directly engage in the defence supply chain, either as a Prime or subcontractor, particularly for Indigenous community-owned businesses. To fully realize this potential for Indigenous businesses, there is a need to increase their direct engagement with defence contracts and develop key industrial capabilities in areas such as emerging technologies (advanced materials, artificial intelligence, clean technology, cyber resilience, remotely-piloted systems and autonomous technologies, and space systems) and leading competencies/critical industrial services (aerospace systems and components, armour, defence systems integration, electro-optical/infrared systems, ground vehicle solutions, in-service support, marine ship-borne mission and platform systems, munitions, shipbuilding/design/engineering services, sonar and acoustic systems, and training in simulation).⁶ These opportunities could significantly benefit Indigenous entrepreneurs and provide alternative means of economic development for Indigenous communities in remote areas with limited access or interest in natural resources or tourism opportunities.

⁵ Statistics Canada, 2021 Census Custom Tabulation.

⁶ Innovation, Science and Economic Development Canada. “Key Industrial Capabilities” (Ottawa: Government of Canada), <https://ised-isde.canada.ca/site/industrial-technological-benefits/en/key-industrial-capabilities>.

Several barriers hinder the engagement of Indigenous businesses in the defence sector. The difficulty and costs of navigating requirements and acquiring certifications pose significant obstacles for Indigenous defence companies. Many view these challenges as a natural part of engaging in the sector. Beyond this, the foremost challenge to Indigenous businesses' engagement in the defence sector is its insular nature. There is, effectively, a members' network of companies that are accustomed to working together in various parts of the industry. Compounding these challenges are the biases and racism that exist in the defence industry, particularly the questioning of Indigenous businesses' capabilities. In contrast to previous CCIB research on other sectors, Indigenous businesses cited client acquisition costs as a significant barrier. Administrative burden and the number of procurement platforms that Indigenous businesses must navigate also pose barriers.

Supporting increased Indigenous business engagement in the defence sector requires recognizing their capabilities to participate in the defence supply chain. There are two approaches to addressing this issue: funding growth-ready Indigenous businesses and supporting those in other sectors to pivot and enter the market. Indigenous businesses demonstrate capacity across the spectrum, as evidenced by the wide variety of firms contacted and their capabilities in manufacturing, cybersecurity and IT, professional services, and AI—industries closely tied to defence spending due to their critical role in national security. These businesses also serve a diverse range of public and private clients.

To continue developing Indigenous capabilities and strengths, the existing support ecosystem must be expanded to help Indigenous businesses navigate requirements and certifications, foster relationships with clients, and participate in accelerator programs that build tangible skills and experience in the sector. This is particularly important given that some Indigenous businesses, especially those with neutral or negative views toward partnerships, cited having sufficient in-house capacity and concerns that such arrangements can become fronts for the majority of the work to be carried out by non-Indigenous partners.

Canada's Indigenous defence procurement efforts could also be strengthened by streamlining defence procurement processes, supporting Indigenous businesses in accessing international markets, revising the Industrial and Technological Benefits (ITB) Policy to prioritize Indigenous engagement, assisting with client acquisition, creating a fast-track mechanism to help Indigenous businesses navigate requirements more efficiently, and improving granularity of Indigenous procurement reporting.



About CCIB

Canadian Council for Indigenous Business (CCIB) is a national, non-partisan association with a mission to promote, strengthen, and enhance a prosperous Indigenous economy. CCIB is committed to the full participation of Indigenous Peoples in Canada's economy by fostering business relationships, opportunities, and awareness. CCIB offers knowledge, resources, and programs to its members to foster economic opportunities for Indigenous Peoples and businesses across Canada.

For more information, visit: www.ccib.ca.

CCIB's research continuously strives to support Indigenous communities and companies in Canada. This influential work is used in developing policies and programs for federal and provincial governments and Canadian corporations. Identifying how Indigenous businesses can participate in supply chains, make meaningful connections through networking events, and develop customized business lists of relevant Indigenous companies are just a few ways CCIB's research has supported the Indigenous economy in Canada. Just as CCIB supports Indigenous Peoples and businesses, CCIB also assists non-Indigenous organizations in fostering meaningful relationships with Indigenous Peoples, businesses, and communities.

Since 2010, CCIB has regularly published research highlighting the need to change Indigenous procurement frameworks to better support Indigenous businesses. In 2018, CCIB established its Supply Change™ program to streamline and strengthen Indigenous procurement. This initiative simplifies procurement Request for Proposals /applications, offering a centralized point of contact for businesses, corporations, and government agencies to connect through the Indigenous Procurement Marketplace and Newsfeed on Tealbook. It also verifies Indigenous businesses through the Certified Indigenous Business (CIB) designation.

Since its establishment, CCIB has collaborated with various corporations and government agencies, including PSPC and PAC, to enhance communication and increase awareness of procurement opportunities for Indigenous businesses. CCIB's efforts also drove the Government of Canada's establishment of the 5 per cent Indigenous procurement mandate. In addition to our procurement initiatives, CCIB continues to create opportunities for Indigenous entrepreneurs through programs such as Tools for Indigenous Business (TIB), grants, capital skills, and the Indigenous Business Defence Accelerator, along with other initiatives as they arise.

Methodology

This report utilizes the findings from qualitative, in-depth interviews conducted with 10 Indigenous business owners who are either directly engaged in the defence sector or interested but not involved to date. As a condition of being interviewed, responses are reported anonymously and in aggregate, except where, given the content under discussion, it is not possible to maintain a reasonable expectation of privacy.

The questionnaire was developed using prior CCIB reports and other research sources on Indigenous procurement. The questions focused on understanding the experiences of Indigenous businesses in the sector and their perspectives on barriers, supports, partnerships, and relevant government policies.

Terminology

Prime vs. Direct:

- Although the term “Prime” can technically refer to anyone who has a direct contractual relationship with DND, it is often used to refer to a handful of huge defence companies that hold Canadian and international defence procurement contracts for major systems and programs, such as Lockheed Martin, Boeing, Northrup Grumman, Raytheon, and General Dynamics. In other literature, these companies may also be referred to as Original Equipment Manufacturers (OEMs).
- The term “Direct” refers to companies with a direct contractual relationship with DND outside what is considered the standard defence supply chain.

Tier 1: Companies that deliver major systems or subsystems directly to a Prime or an (OEM). These suppliers are critical to the success of large defence programs and often manage complex integration tasks, quality assurance, and compliance with strict military standards.

Tier 2: Provides components, assemblies, or services to Tier 1 suppliers rather than directly to the Prime contractor or OEM. These suppliers are essential to the supply chain, often specializing in precision manufacturing, electronics, materials, or software that is integrated into larger systems by Tier 1 suppliers.

Tier 3: Provides basic parts, raw materials, or simple components to Tier 2 suppliers. These suppliers are foundational to the supply chain, often operating in manufacturing, materials processing, or basic electronics.

Tier 4: Provides raw materials, base commodities, or foundational services that support Tier 3 manufacturers. These suppliers are at the bottom of the supply chain but are essential for ensuring the availability and quality of the materials used in defence systems.

Request for Proposal (RFP): A formal document issued by a government agency, corporation, or organization to solicit bids from potential suppliers or service providers for a specific project or procurement need.

Sole Source: A sole source contract is awarded without a competitive bidding process. This means that only one supplier is considered capable of fulfilling the requirements, and the buyer (e.g., the Government of Canada) negotiates directly with that supplier. These contracts are generally under a particular value.

Indigenous Participation Plans (IPPs):

IPPs are formal requirements in Canadian federal procurement, especially in defence contracts, to ensure meaningful inclusion of Indigenous Peoples and businesses in government-funded projects. IPPs outline how contractors will enable Indigenous participation in projects by employing Indigenous workers, subcontracting to Indigenous businesses, providing training, apprenticeships, and mentorship, and building long-term capacity in Indigenous communities. These plans are often mandatory in large-scale defence and infrastructure contracts, especially those affecting Indigenous lands or communities.

Industrial and Technological

Benefits (ITB) Policy: The ITB Policy ensures that companies awarded major defence contracts invest in Canada's economy by committing to business activities, like R&D, supplier development, and workforce training, equal to the contract's value, with a focus on innovation, exports, and regional growth. It also serves to incentivize engagement with Indigenous businesses and communities.

Security Clearance: In Canada, security clearance is required for individuals and organizations working on government contracts involving sensitive information or assets, especially in the defence sector. Public Services and Procurement Canada (PSPC) manages security clearances through the Contract Security Program (CSP). Government departments or agencies (like DND or Defence Construction Canada (DCC)) must sponsor companies to begin the clearance process. There are two main categories:

1) Personnel Security Clearance:

This applies to individuals and includes various levels:

- Reliability Status: Required for access to Protected A/B information.
- Secret: For access to classified information that could cause serious injury to national interests.
- Top Secret: For access to information that could cause exceptionally grave injury to national interests.
- NATO Clearances: Required for contracts involving NATO-classified information.

2) Organization Security Clearance:

These apply to companies and facilities:

- Designated Organization Screening (DOS): Allows access to Protected information and assets.
- Facility Security Clearance (FSC): Depending on the level granted, FSC is necessary to access classified information (Confidential, Secret, or Top Secret).

Controlled Goods Certification: The Controlled Goods Program (CGP) is a Canadian federal initiative that regulates access to sensitive military-related items, including weapons, components, and technical data. Any person or business

handling these goods must register with the CGP, appoint a designated official, and undergo security assessments to ensure compliance with national and international defence trade laws. PSPC administers the CGP under the Defence Production Act.

Interview Sample Group Demographics

Profile of Indigenous Business Participants

Business Demographics	
Ownership Structure	• 100% Indigenous-owned and controlled (7) • 60% Indigenous-owned and controlled (1) • 51% Indigenous-owned and controlled (2)
Gender	• Majority men-owned (9) • Majority women-owned (1)
Industry	• Professional, scientific, and technical services (4) • Manufacturing (3) • IT / Software Development / Cybersecurity (3)
Years in Business	• 5–10 years (3) • 10–20 years (5) • 20+ years (2)
Employee Sizes	• 10–50 employees (4) • 50–100 employees (2) • 1–5 employees (2) • 6–10 employees (1) • 100+ employees (1)
Annual Revenue	• \$1M – \$5M (6) • <\$1M (2) • >\$50M (2)
Province / Territory	• Ontario (5) • Saskatchewan (2) • Alberta (2) • British Columbia (1)

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DEFENCE SUPPLY CHAIN ENGAGEMENT

Engagement in Defence Procurement

Eight Indigenous business owners indicated they had participated in defence procurement, while two had not engaged. This participation was done primarily as subcontractors working with Prime

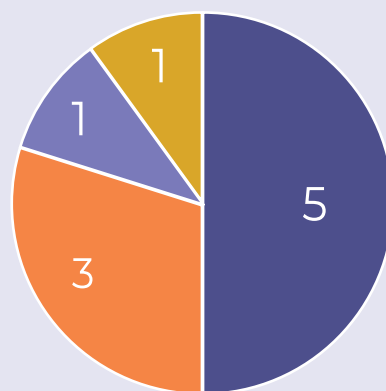
contractors on set-aside contracts. Other forms of engagement included direct engagement with DND and DCC through request for proposals (RFPs) and set-aside contracts.

Goods and Services Provided by Indigenous Business Participants:

- Management Consulting and IT Services
- Engineering and Construction Services
- Working Canines
- IT Services
- Consulting on Major Projects and Infrastructure Development
- Custom Steel Fabrication and Manufacturing
- Synthetic Modelling and Artificial Intelligence
- Drone Manufacturing
- Powder Coating for Firearms and Vehicles and Custom Steel Fabrication

The value of defence contracts sought by Indigenous businesses varied significantly, with most seeking those between \$1M to less than \$10M, followed by \$100K to less than \$500K, \$10M+, and \$500K to less than \$1M. The highest contract values were sought by companies involved in manufacturing and providing proprietary software, followed by companies engaged in IT and cybersecurity, and at the lower end, by companies in construction, engineering, and consulting. However, participants indicated that the value of contracts they seek can vary widely depending on a given project and whether or not they enter into a partnership to complete it. Moreover, those providing goods were more likely to seek higher contract values than those providing services. As such, companies manufacturing components sought contracts valued at \$10M or more.

Value of Contracts Targeted By Indigenous Businesses



- \$1M to less than \$10M
- \$100k to less than \$500k
- \$10M+
- \$500k to less than \$1M

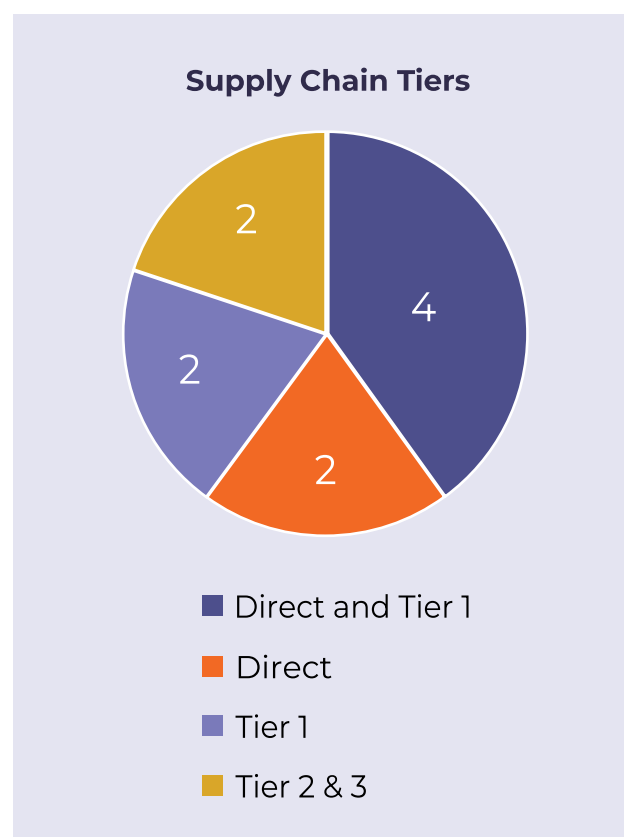
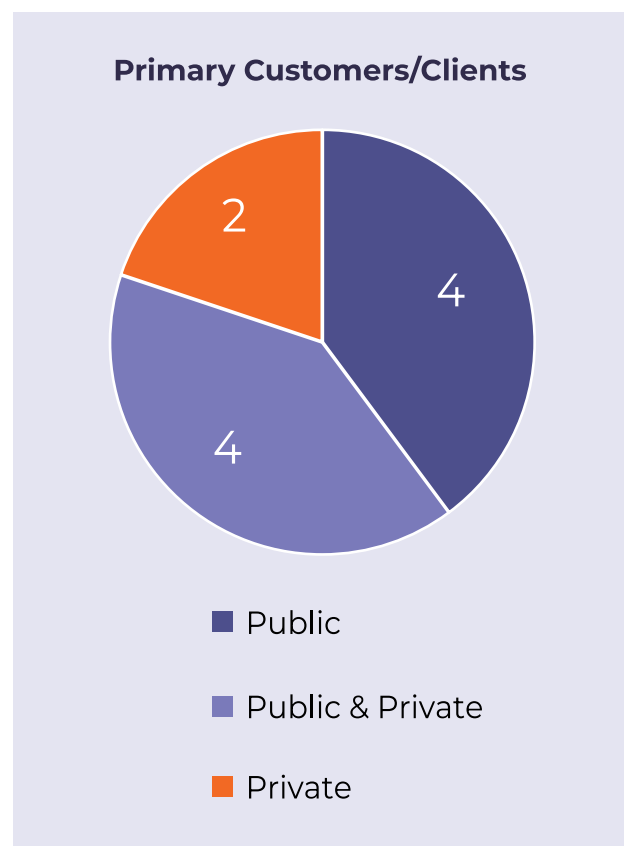
Primary Customers and Sector

Regarding primary customers or clients, most Indigenous businesses focused on public and a mix of public and private clients as their top clients, while a few focused solely on private clients. The Indigenous businesses that focus exclusively on public clients pointed to Canadian government agencies, such as DND and DCC, and foreign government agencies, ranging from various US government agencies, the Ukrainian National Guard, and Australia's Department of Defence. In addition, Indigenous businesses with private clients cited numerous examples of Prime contractors engaged in the defence sector, such as General Dynamics, Lockheed Martin, Raytheon, Irving Shipbuilding, and various others.

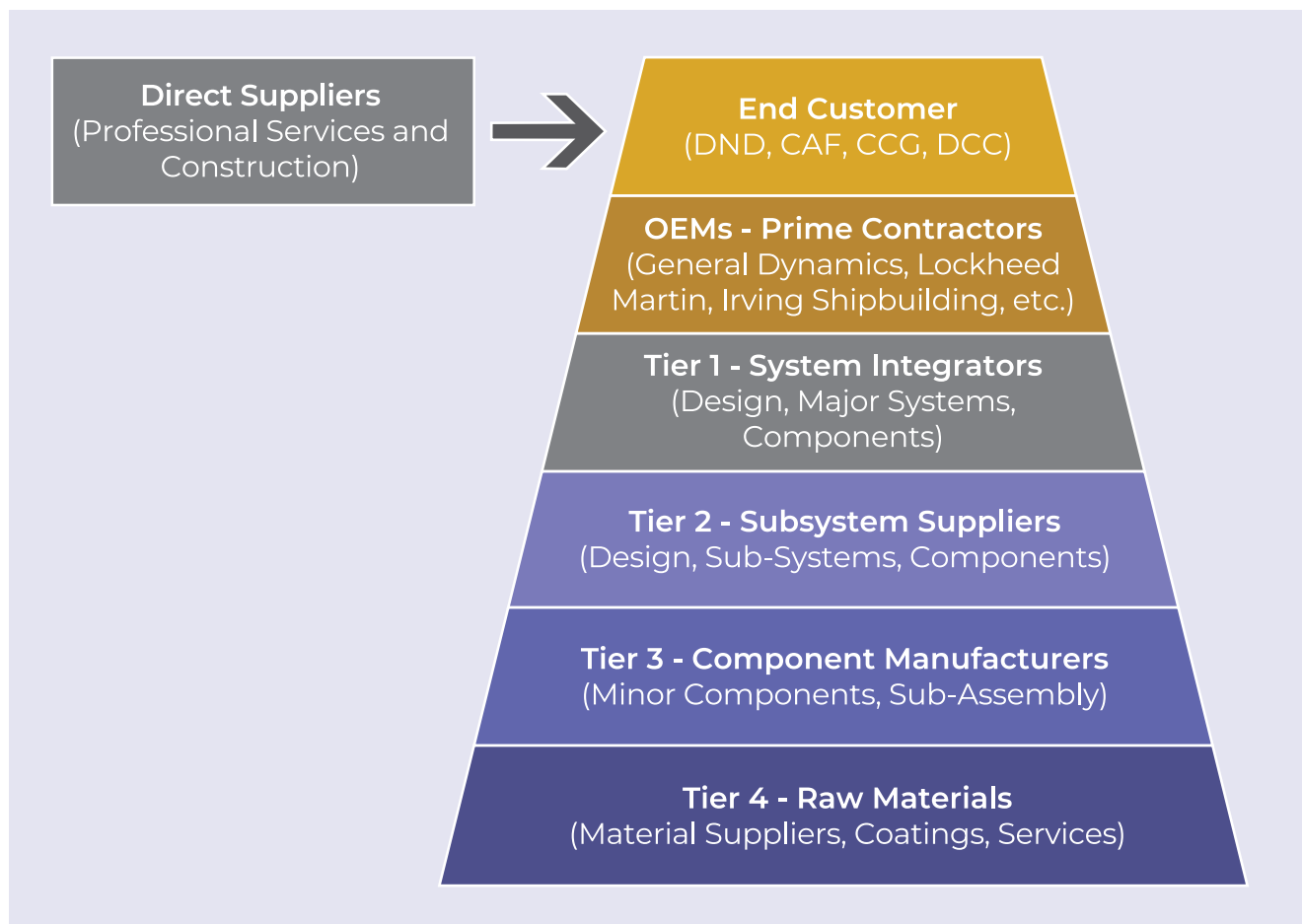
Supply Chain Tiers

Multi-tier supply chains originated in the automotive industry when (OEMs) began paying outside companies to build and assemble specific parts, components, and assemblies of their finished products, contracting out the work to produce a more specialized yet cost-effective model. Supply chains are now the standard in industries across the globe, becoming so complex that most OEMs deal solely with Tier 1 suppliers and allow them to manage subcontract relationships without direct involvement.

Indigenous businesses are located in all tiers of the defence supply chain and report engaging as direct and Tier 1 suppliers, depending on their specific work and industry. Contrary to common belief within the defence sector, Indigenous businesses are not only subcontractors. Four Indigenous businesses indicated that they serve as Direct and Tier 1 suppliers, depending on the contract.



They work with government agencies directly through set-aside or non-set-aside contracts, or operate as Tier 1 or lower suppliers when working with Primes. Other Indigenous businesses identified as Direct suppliers (2), Tier 1 suppliers (2), and Tier 2/3 suppliers (2). It is worth noting that Indigenous businesses engaged in the defence sector as Direct suppliers provided professional services, such as consulting and engineering, to government agencies, except for one company that sold canines directly to government agencies. In contrast, those in the manufacturing sector primarily served as Tier 1–3 suppliers, creating components and selling products to Primes as part of larger contracts.



Movement Across Supply Chain Tiers

Unlike other supply chain-based industries, Indigenous businesses did not report moving up tiers of the supply chain to engage in defence procurement. Many reported operating in multiple supply chain tiers, depending on the nature of the contract they were engaging with. For example, in cases where the client was DND, they would fill the role of a Direct supplier, while in other cases, they would be a supplier to a Prime contractor. Instead of moving up supply chain tiers to engage in the defence sector, many Indigenous businesses enter it laterally. This lateral move is due to the significant costs and time associated with navigating compliance requirements and establishing relationships with Primes to enter their supply chains. Without a sufficient amount of capital or ongoing work to sustain the company, several Indigenous businesses have highlighted a significant risk of bankruptcy.

First Nations entrepreneur: "For an Indigenous company like us, it's normally a lateral move into the sector, and you need to have things going on to keep it going. If you solely went into defence, just the process of getting to defence-capable contracting, in terms of working on different systems for primes, is very costly. We call it hanging from a burning rope."

Similar to previous studies of Indigenous businesses' engagement in marine and aerospace supply chains, same-tier expansion is preferred due to the substantial time and capital required to move up supply chain tiers.⁷ Expanding into higher supply chain tiers requires advanced engineering, integration, and testing capabilities; meeting strict quality standards; substantial financial investment to upgrade facilities and equipment, as well as to conduct R&D. There is also significant risk associated with expanding supply chain tiers, as it often requires putting current operations on hold to re-train and re-certify. As such, rather than trying to move existing companies up the supply chain, an opportunity exists to encourage and support new companies to launch at increasingly sophisticated tier levels through various programs and incentives. Growing into other tiers is not always the goal; increasing market share is of more importance. Expanding expertise within a current tier opens up new opportunities by building a reputation for excellence within the industry, leading to new contracts. Additionally, as companies tend to decrease in size and increase in specialization further down the supply chain, additional opportunities arise at these lower tiers to grow existing specialties and develop new ones.

⁷ Partnerships in Procurement: Understanding Aboriginal business engagement in the Marine and Aerospace industries in B.C. (Toronto: Canadian Council for Indigenous Business, 2017), <https://www.ccab.com/wp-content/uploads/2017/12/CCAB-MarineAerospace-Report-1.pdf>, pg, 24

⁸ Ibid.

⁹ Ibid.

¹⁰ Ibid.

Breaking into the Supply Chain

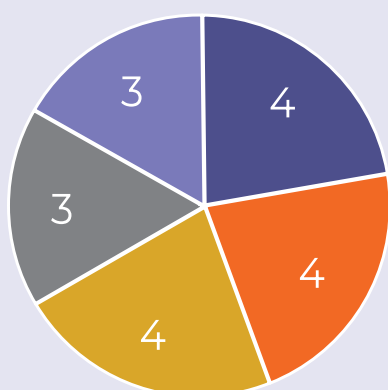
Indigenous businesses employed various methods to enter the defence supply chain. The foremost, each cited by four firms, were establishing strong relationships and partnerships, demonstrating their capabilities through work with clients in similar industries, and the impact of government policy and initiatives. Many viewed developing strong relationships and partnerships as crucial for entering the defence sector. Businesses credited these partnerships with opening the door to the industry by sharing opportunities and helping establish capabilities. By working with clients in similar industries, participants noted that although they did not directly engage in the sector, they were able to develop a track record and build their experience in managing and delivering large projects, which facilitated an easier transition into the industry. Several participants also pointed to how various government policies and initiatives, such as the Procurement Strategy for Indigenous Business (PSIB), the ITB Policy, and IPPs, helped them to enter the industry by incentivizing engagement with Indigenous businesses and creating opportunities to provide consulting services to Primes seeking to understand Indigenous engagement.

First Nations entrepreneur: “The government policy and initiatives really changed the calculus at the end of the day. There’s two ways of looking at it — what’s the business case and the right thing to do. Unfortunately, when it comes to Primes, the business case always trumps the right thing to do. What happens is the ITBs, the IPPs, all of these other things support the business case, and these ITBs support the business case even more because there is a multiplier for it.”

First Nations community-owned enterprise: “To their credit, our partners were truly interested and showed openness to expanding their supply chain to include Indigenous companies. I know they had a target of 5 per cent, which the government somewhat dictated, but they’ve surpassed that.”

First Nations community-owned enterprise: “We’re still very much in the early days, and so it’s critical for us to find commercial partners to be early adopters and share the journey with us.”

Methods of Entering the Defence Sector

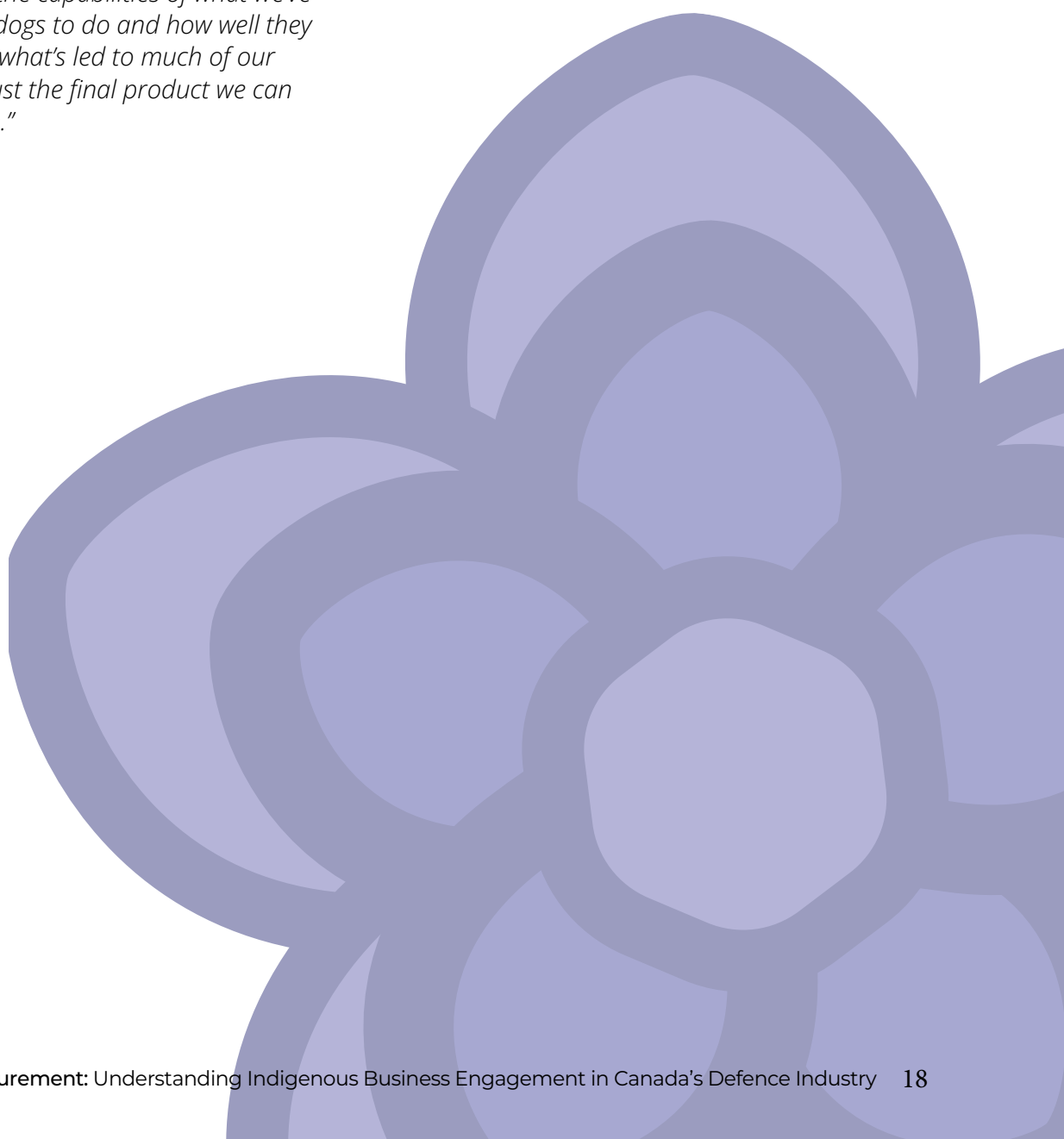


- Establishment of strong relationships and partnerships
- Demonstrating their capabilities through work with clients in similar industries
- Government policy and initiatives
- Understanding the space/prior experience
- Strong products and innovative capabilities

Three participants cited other methods of breaking into the defence supply chain, such as understanding the space and having strong products or innovative capabilities. Indigenous businesses with former military experience or who had previously worked in the sector credited their ability to enter the industry to their understanding of the space, experience, and contacts. Those with strong products or innovative capabilities highlighted how they showcased these to acquire clients and demonstrate their capacity to engage in the sector.

Métis entrepreneur: “A lot of our success has been built over the years by showcasing the capabilities of what we’ve trained our dogs to do and how well they work. That’s what’s led to much of our success — just the final product we can show people.”

Métis entrepreneur: “When I first entered the sector, I had already been in the military, so I already had a substantial number of contacts and business prior to that, which I could leverage. Most people do not have this ability.”



Incentive #1: The 5 Per cent Indigenous Procurement Target

Like other sectors, the 5 per cent Indigenous procurement target plays a key role in supporting Indigenous engagement in the defence sector. Most (6) Indigenous businesses indicated that they were generally supportive of the target as it has increased opportunities for Indigenous businesses and encouraged proactive engagement by government agencies and defence contractors. Others held the view that the 5 per cent target is ineffective due to a lack of trust, limited awareness, and perceptions that non-Indigenous corporations are utilizing shell companies to access contracts meant for Indigenous businesses. Indigenous businesses that had not received defence procurement opportunities expressed concern about a lack of clarity on how to use the 5 per cent target to facilitate their participation. Moreover, some Indigenous businesses expected the 5 per cent target to result in a contract, leading to disappointment. As such, there is a need to increase awareness of the capacity required to undertake these contracts more clearly, as well as the fact that there is still competition. Indigenous businesses generally hold varying perspectives concerning the 5 per cent Indigenous procurement target. While some have benefited from increased opportunities, others feel that governments and corporations can do more to translate the target into real, actionable benefits for more than a select number of Indigenous businesses.

Métis entrepreneur: "DCC has taken hold of this 5 per cent opportunity and ran with it, and they've done a great job. And whether that's sort of as a national agency or whether that's within various bubbles, but they've done it because I've seen and I think they see this as an opportunity for them."

First Nations community-owned enterprise: "Yeah, definitely. If they didn't have that target, I'm sure General Dynamics wouldn't have engaged with us to begin with."

Métis entrepreneur: "We've seen no evidence of that (benefits). You know where the box is. There's this assurance that suppliers who check the box will receive preferential consideration, and there will be a reason why they were not selected if they weren't, but we've never had that experience."

First Nations community-owned enterprise: "There's all this drum beating about making defence more inclusive with the 5 per cent, but it never seems to be followed with any actual action or opportunity, and it's kind of a disservice because you put in all of this time and energy and it results in nothing."

First Nations entrepreneur: "Decision-makers need to agree on the meaning of the target and the specifics on how to achieve it."



In Canada, the Defence Portfolio includes several organizations, such as the DND, the Canadian Armed Forces (part of DND), the Communications Security Establishment (CSE), the Military Grievances External Review Committee (MGERC), the Military Police Complaints Commission (MPCC), the Office of the Chief Military Judge (CMI), and the Office of the Department of National Defence and Canadian Armed Forces Ombudsman.¹¹ Reporting by ISC indicates that in fiscal year 2022–2023, DND and CSE awarded approximately \$273.8M (5.18 per cent) and \$4.5M (1.90 per cent) in contract values to Indigenous businesses, respectively.¹² However, roughly \$6.4B of DND's total procurement spend received exceptions from the 5 per cent target.¹³ Accounting for these exceptions, the percentage of all contracts awarded to Indigenous businesses in 2022–2023 by value is approximately 2.3 per cent of DND's annual procurement spend.¹⁴ Although

ISC recommends that departments not excessively use deputy head-approved exceptions, DND's exceptions comprised 85.8 per cent of those approved across the federal government.¹⁵ Whether this comprises excessive use is up to interpretation. Still, there should be additional effort to identify ways Indigenous businesses could assist with delivering these contracts or to develop capabilities so they can do so, which is the intention of the 5 per cent target.

This lack of transparency also undermines Indigenous businesses' confidence in the value of engaging in the defence sector. The value of defence contracts awarded to Indigenous businesses reflects 0.48 per cent of the entire value of the Indigenous economy in Canada.¹⁶ As such, there must be additional effort to support Indigenous engagement in the sector.

¹¹ Department of National Defence, "Defence Portfolio Organizations" (Ottawa: Government of Canada, 2023), <https://www.canada.ca/en/department-national-defence/corporate/reports-publications/transition-materials/transition-mnd-26-july-2023/defence-portfolio-organizations.html>.

¹² Indigenous Services Canada, "Indigenous Services Canada Report on the Mandatory Minimum 5% Target fiscal year 2022 to 2023" (Ottawa: Government of Canada, 2024), <https://www.sac-isc.gc.ca/eng/1717528519135/1717528539649>.

¹³ Ibid.

¹⁴ Ibid.

¹⁵ Ibid.

¹⁶ Calculation based on \$278,512,588.00 (value of defence contracts in FY 2022-23) divided by the current value of the Indigenous economy (\$57B GDI).

SUMMARY OF PROGRESS BY DEFENCE-ADJACENT DEPARTMENTS TOWARD REACHING THE 5 PERCENT TARGET

Organization Name	A - Value of Contracts to Indigenous Business	B - Value of Contracts Awarded to All Businesses	C - Value Of Deputy Head Approved Exceptions	% of All Contracts Awarded to Indigenous Business A / (B - C)
CSE	\$4,538,864	\$238,471,739	\$-	1.90%
Department of National Defence	\$273,885,099	\$11,738,570,927	\$6,447,024,797	5.18%
Military Grievances External Review Committee	\$14,854	\$276,975	\$-	5.36%
Military Police Complaints Commission	\$73,771	\$538,295	\$-	13.70%
Total	\$278,512,588	\$11,977,857,936	\$6,447,024,797	2.32%

Source: Government of Canada, "Indigenous Services Canada Report on the Mandatory Minimum 5% Target fiscal year 2022 to 2023."

When presented with these figures surrounding DND's progress towards meeting the 5 per cent target, all (10) Indigenous businesses were skeptical of the numbers, some to a high degree. To address this, Indigenous businesses indicated they would like to see more granular reporting to prove that this spending was actually going to Indigenous businesses. Participants also desired the ability to take a deeper look at various factors such as the breakdown of goods and services procured, region, sector, and the use of joint ventures.

Métis entrepreneur: "It wouldn't surprise me if those numbers are skewed. Often, when companies are looking to get a contract, but there are requirements for Indigenous inclusion, they will find an Indigenous person, create a company with them, and give them a cut of the value but only a small portion. So it often isn't reaching true established Indigenous businesses."

First Nations entrepreneur: "I would like to see more granularity with the reporting and a breakdown of how much was spent with goods and services or done through joint ventures. These agencies can often just meet the requirements by buying hardware or working with resellers, but none of that develops skills and capacity."

Métis entrepreneur: "I'd like to see them audit that and prove it. I don't buy it. If you're going to put that number out, just have something there so that everyone can understand where it's coming from and where there may be gaps. It's not even about holding people to the fire, but if we're all being transparent, there should be no harm in having those numbers. Otherwise, why put it up there? It's a big question mark."

Métis entrepreneur: "I have no idea if the numbers are legitimate, but I would like to know where it's spent and to have a sectoral or regional breakdown. We have also run into a few situations where people would laugh at us talking about how they were getting paid a quarter of a million dollars a year just to tick an ownership box, and they didn't have to show up. I would be curious to see the interior of that spending and ensure it's going where it needs to be."

Moreover, most (8) Indigenous businesses cited significant concerns surrounding the authenticity of certain Indigenous companies winning procurement contracts. These companies indicated a need to establish additional safeguards to ensure that companies winning Indigenous-specific procurement opportunities are truly Indigenous-owned and are the ones completing the work outlined within the contract. The Indigenous businesses that did not cite concerns (2) lacked the personal experience to corroborate the issue.

Métis entrepreneur: "It's hard to strike that balance between ensuring that contracts are going to legitimate Indigenous businesses versus questioning every Indigenous business that comes and applies for these contracts. That said, obviously, there needs to be some oversight."

First Nations entrepreneur: "It's really simple. All you have to do in your RFP is to require the Indigenous firm to provide one project reference they got on their own, not through a JV. That will force Indigenous firms to grow their business."

First Nations community-owned enterprise: "I think it's a symptom of that bigger issue I mentioned, where most of the opportunities are top-down. Most of the time, some executive or Canadian official decides they want to get certain boots made by an Indigenous company, then it goes downhill, and they find one."

Métis entrepreneur: "From an enforcement standpoint, while the government has mandated engagement with Indigenous businesses, there seems to be workarounds or exceptions to the rule. Also, if we're not addressing it every quarter, we get to a point where there's a scramble for the end of the year. And because so few Indigenous businesses are participating right now, we get hit hard and struggle to ensure we have a sufficient number of contractors."

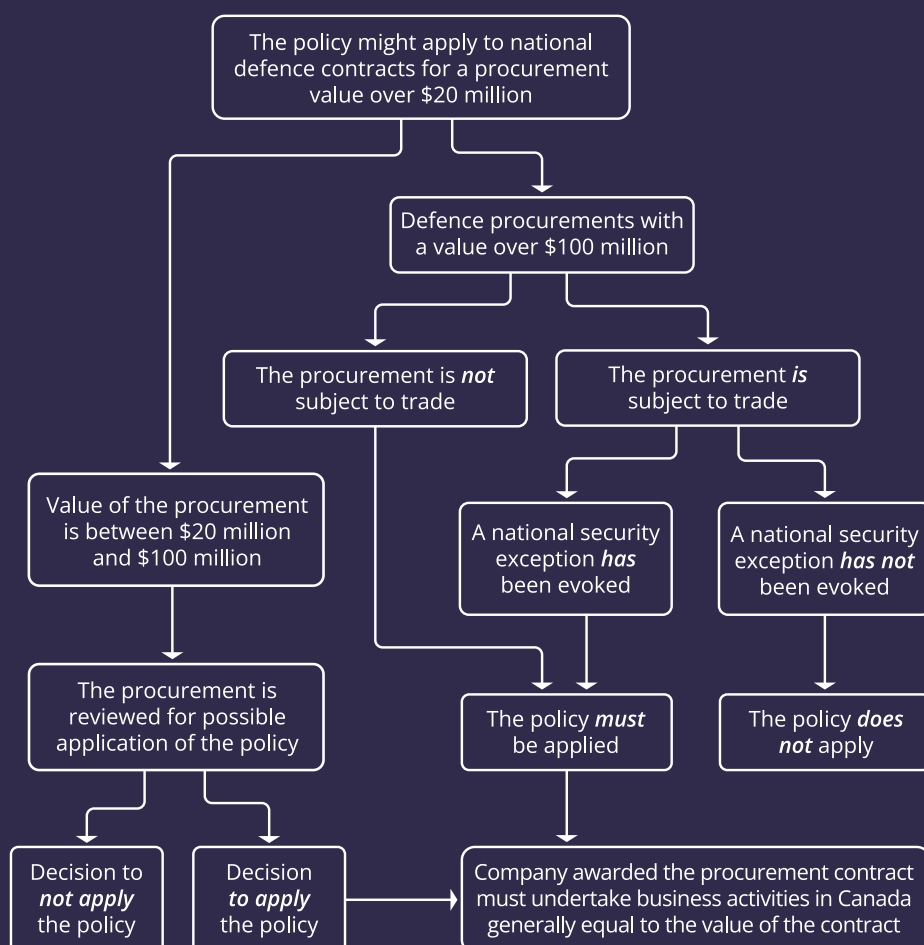
Incentive #2: The Industrial and Technological Benefits (ITB) Policy

In addition to the 5 per cent Indigenous procurement target, Indigenous businesses indicate that Canada's ITB Policy also plays a key role in facilitating Indigenous engagement in the defence sector. The ITB Policy contractually requires companies awarded defence procurement contracts to undertake industrial activity in Canada that is equal to the value of the contracts they have won.

The ITB Policy is part of a judged bidding process that helps to determine who wins major defence contracts. Companies that bid on a defence contract submit a proposal to the Government of Canada. This proposal includes a technical submission, evaluated by the DND, a financial submission evaluated by Public Services and Procurement

Canada, and a Value Proposition, evaluated by Innovation, Science and Economic Development Canada (ISED). The proposal with the highest combined score wins the contract. Through the ITB Policy, companies awarded defence procurement contracts are then contractually required to undertake business activity in Canada equal to the value of the contracts they have won.

The ITB Policy applies to all defence and Canadian Coast Guard procurements of over \$100M, except those not subject to trade agreements or for which the government invokes the national security exception. ISED reviews defence procurements valued between \$20M and \$100M for the possible application of the Policy.



Source: Office of the Auditor General of Canada, "Industrial and Technological Benefits," https://www.oag-bvg.gc.ca/internet/docs/parl_oag_202412_10_e.pdf, pg. 10.

Under the ITB Policy, contractors bidding on major defence contracts must submit an economic proposal to Canada, known as a Value Proposition. The Value Proposition is a weighted and rated element of the bid selection process, scored alongside technical and cost requirements.

ISED determines the economic benefit requirements for each Value Proposition on a procurement-by-procurement basis. These requirements are evidence-based and developed through market analysis and industry engagement. Typically, ISED motivates investments across five Value Proposition pillars:

- **Work in the Canadian Defence Industry:** Support the long-term growth and sustainability of Canada's defence industry
- **Canadian Supplier Development:** Supports the growth of Prime contractors and suppliers in Canada, including small and medium businesses (SMBs) in all regions of the country
- **Research and Development:** Enhance innovation through R&D in Canada
- **Exports:** Increase the export potential and international competitiveness of Canadian-based firms
- **Skills Development and Training:** Fill skills and training gaps within the Canadian economy to support a more innovative Canada

Under the ITB policy, investments in the above areas may be credited at a multiplied value. The multiplier amount depends on the type of investment and

can range from a multiple of five to a multiple of nine. For example, an eligible R&D investment of \$100,000 with a post-secondary institution may receive a credit of \$500,000 towards an ITB obligation.

The impact of the ITB Policy is well documented. Beyond supporting economic growth, innovation, international competitiveness, and skills development, in 2024, the application of the ITB Policy contributed nearly \$4.7B and more than 40,200 jobs to Canada.¹⁷

Indigenous businesses indicated that the ITB policy has benefited their businesses, with several crediting it as the primary factor enabling their engagement in the sector.

First Nations entrepreneur: "The government policy and initiatives really changed the calculus at the end of the day. There's two ways of looking at it — what's the business case and the right thing to do. Unfortunately, when it comes to Primes, the business case always trumps the right thing to do. What happens is the ITBs, the IPPs, and all of these other things support the business case, and these ITBs are even more important because there is a multiplier for them."

Métis entrepreneur: "Our first defence sector engagement was through a supplier doing search and rescue for the federal government. They were bidding for the next term and wanted to include us in their supplier contract to provide some additional aspects of coverage, and we were ITB eligible."

¹⁷ Innovation, Science and Economic Development Canada, "ITB Policy Annual Report: Economic Impacts Analysis – Fall 2024" (Ottawa: Government of Canada, 2024), https://ised-isde.canada.ca/site/industrial-technological-benefits/sites/default/files/documents/ITB2024Report_eng_0.pdf, pg. 4.

While Indigenous businesses generally supported Canada's ITB policy, they highlighted challenges with actualizing opportunities, understanding the requirements, and a lack of focus on Indigenous engagement.

Métis entrepreneur: "While ITBs and IPPs have helped to get our foot in the door and start some conversations, they haven't led anywhere. You have to wonder whether it is at the top of mind or just an added piece of work for already overworked people. It's a good plan, but it's sort of being managed off the side of someone's desk. The ITB program is a virtual failure for the government. Primes may be getting credits, but they're not being forced to engage with Indigenous businesses in anything other than meaningless transactions."

Métis entrepreneur: "We have attended a few conferences to meet corporations in the defence sector, but the last one we attended was rather discouraging because there was some misunderstanding on the part of the defence contractors that they could not consider us for ITBs because we were not on-reserve. We were also told by one company that for the ITB, since there's a multiplier effect, you get the most credit for spending with Indigenous businesses located in the community and employing Indigenous peoples in the community, which can be a challenge."

First Nations community-owned enterprise: "One of the requirements in an RFP we were applying to was a complete ITB plan. We had no idea what it was until we came across General Dynamics, which had people who could teach us about those things."

First Nations entrepreneur: "IPPs are very Indigenous-focused while ITBs are about underrepresented groups and they are also focused in on HR — which is a poor value paradigm in my opinion because they say 'No, the value proposition for this one (ITBs) is about HR,' not realizing they missed the boat on the value proposition in terms of supplier development — notwithstanding key industrial capabilities and all sorts of other things like that. In my opinion, that is a policy fiefdom — they do not want to align themselves with each other, but you can imagine if they got it together and realized that it's Section 35 people that we are. We're written into the Constitution, so a different level of engagement is required."

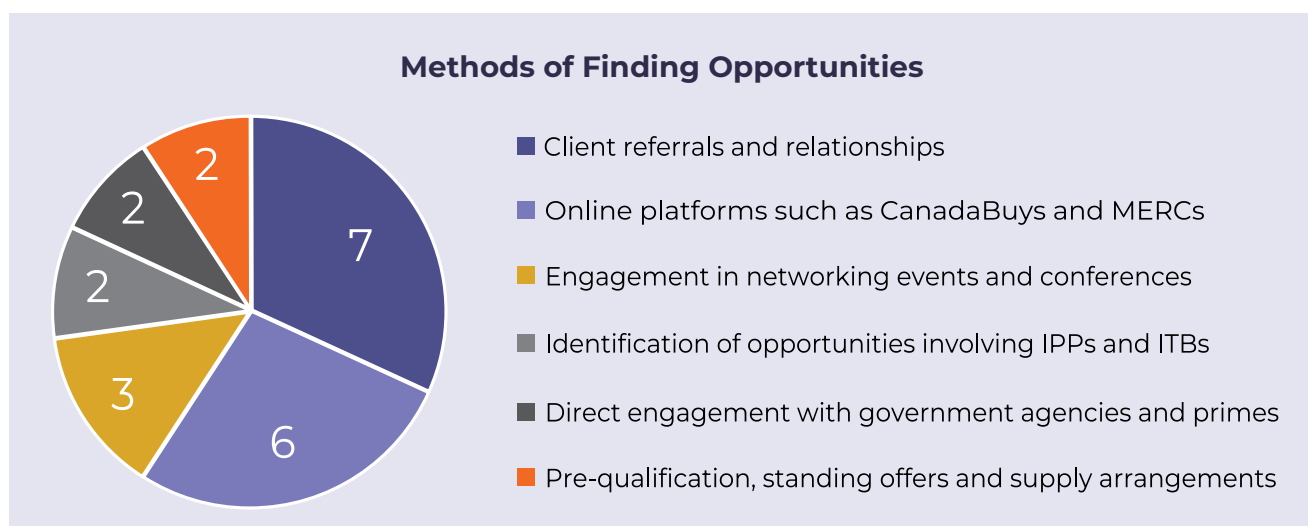
First Nations entrepreneur: "This is where that misalignment of the ITBs comes into play again. ITBs have really missed the mark in this area, while IPPs are more flexible. IPPs don't care about which part of the food chain you are in as long as you are a named resource. From the reporting side, the Prime will "roll" it down their supply chain and pull it back up and it counts towards that spend because they can account for it through their suppliers or directly. However, in the ITB policy, I think that you can only count the spend if it's within a region. I think they count the different tiers, but I'm unsure if you can go down to T3 and have that count towards your ITB."

Regarding improving the ITB policy and easing Indigenous businesses' engagement with it, participants recommended implementing reporting requirements similar to IPPs and holding sessions to increase awareness of the ITB policy and how Indigenous businesses can position themselves to take advantage of the opportunities emerging from it.

First Nations entrepreneur: "I recommend looking at the business hubs in Australia, England, etc. In England, I think they made it so that you had to validate 25 per cent of the spend to qualify for their ITBs. That is a huge incentive; it's a make or break for Primes."

First Nations entrepreneur: "I think what will incentivize it is if the government turns around and says they want to see their spend all the way down or to build a better IPP and have that continuum."

Finding Defence Procurement Opportunities



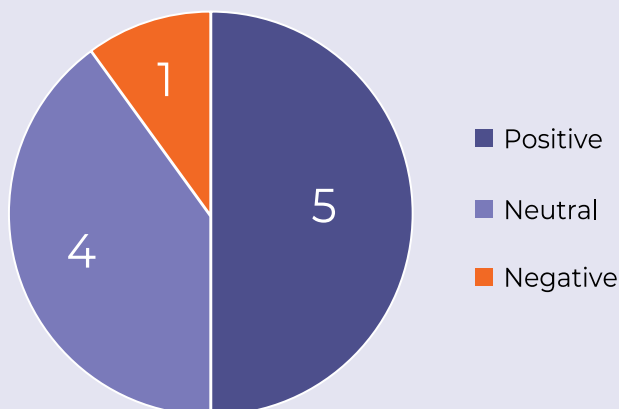
Participants cited numerous methods for identifying defence procurement opportunities. Client referrals and relationships were the top method cited by participants, with seven Indigenous businesses highlighting it as their primary method of finding opportunities. Participants also utilized online platforms such as CanadaBuys and MERCs, which were cited by six businesses. Participants also highlighted the value of engaging in networking events and conferences such as CANSEC (3), identification of opportunities involving IPPs and ITBs (2),

direct engagement with government agencies and Primes (2), as well as pre-qualification, standing offers, and supply arrangements (2).

Other methods cited by participants included searching for opportunities and potential clients through CCIB's Indigenous Procurement Marketplace, retaining consultants to identify and facilitate opportunities, participating in accelerator programs such as CCIB's Indigenous Business Defence Accelerator Program, and utilizing in-house procurement staff.

Experiences with Defence Procurement

Experiences Engaging In Defence Procurement



Regarding their experiences engaging in defence procurement, half (5) of Indigenous businesses had positive views of the sector. Three Indigenous businesses highlighted that they had positive views and had been successful in their attempts to engage in the sector, while two held positive views but had yet to find success in Canada.

First Nations community-owned enterprise: "It's been good, it's challenged us. We are one of the province's largest and most sophisticated fabricators, so we're used to taking on projects with many high-need clients. We have crack quality and project management teams, which definitely helps. It's not for everybody, and I know of many other Indigenous companies who want to get into this, but they don't have the overhead support staff to meet demands."

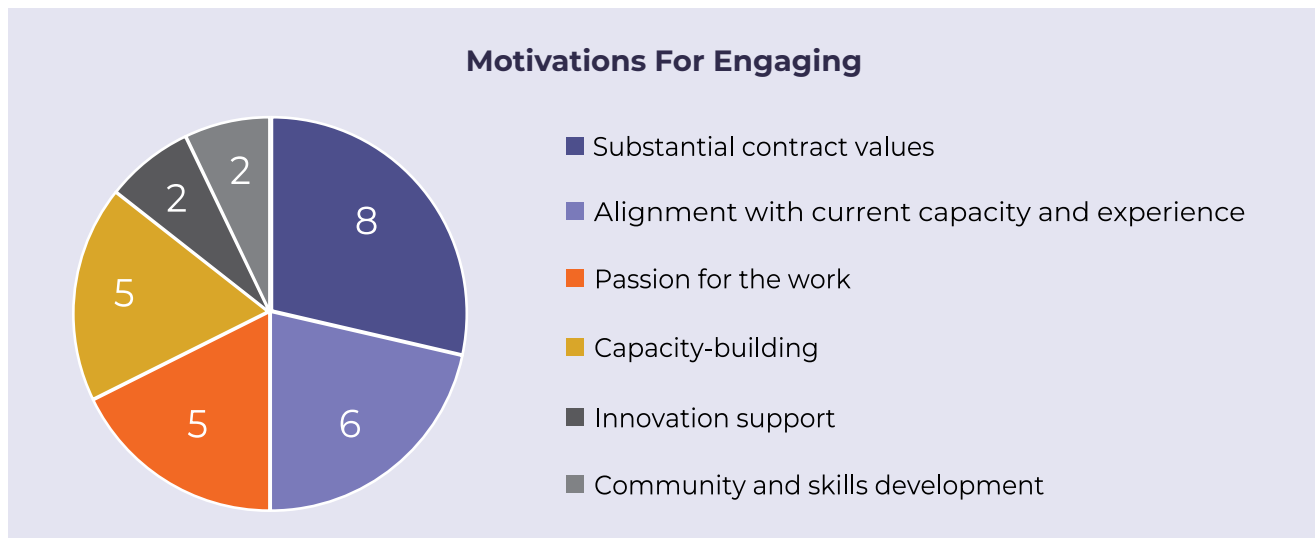
Other Indigenous business participants indicated that they had neutral (4) or negative (1) views concerning the sector, mainly due to them having some success or interest in engaging but being limited by the difficulty of breaking in.

First Nations entrepreneur: "We haven't really broken into that sector. It's something that we're looking at. It's a bit of a different area, and it's hard to break into if you don't have expertise in their systems and the industry."

Métis entrepreneur: "The forced nature of the mandate, the lack of willingness on the part of Primes, challenges earning their trust and credibility, and the lack of capacity among Primes, which forces these engagements to be side-of-desk efforts make it tough for us to gain traction."

First Nations community-owned enterprise: "We've been trying hard but haven't had any luck yet. We've spent tens of thousands on marketing and conferences, retained a consultant who is a retired general, and have been at this for about two years but have come up with absolutely no opportunities, even in windows where we were specifically invited in with the promise that some of the funding would go to Indigenous-owned companies."

Motivations for Engaging in the Defence Sector



Indigenous businesses had similar but varying motivations for engaging in the defence sector. The value of defence procurement contracts and projects, particularly their ability to increase revenue and drive growth, was the primary motivation for eight Indigenous businesses. These participants indicated that the defence industry is particularly lucrative compared to other sectors where they could undertake similar work.

First Nations entrepreneur: “The value is high, so that’s good. The other side of the coin is that any good entrepreneur knows you go into a place where there’s a vacuum. So being an Indigenous supplier where Canada is right now — going into this space makes a lot of business sense, it’s not saturated, etc.”

Alignment with the industry’s current capacity and experience was the second most reported motivation among Indigenous businesses, with six citing it as a reason for entering the defence sector. Other motivations cited by Indigenous businesses included passion for the work (5), capacity-building (5), opportunities to innovate (2), and community and skills development (2).

First Nations entrepreneur: “I have previous military experience and currently serve in the Reserves, so entering this line of work made sense.”

Métis entrepreneur: “We have an immense passion for what we do. We love working with our dogs, and to see them get to work with the military, fire, and police services is an honour. We would love to see our dogs working with the Canadian military.”

Views on the Sector and Moral Aspects

When asked about their views on the sector and whether engaging in it presented any moral or cultural conflicts, Indigenous businesses indicated that while the sector was not without its problems, they generally supported it. For many, the opportunity to raise the visibility of Indigenous businesses in a sector where they face historic and ongoing exclusion, influence change, support security in a changing world, and the ability to prove new technologies outweighs the moral challenges posed by the sector. Although Indigenous businesses were not without their moral conflicts — two highlighted that they had developed policies internally or in collaboration with their community to ensure that their products only serve defensive purposes.

First Nations entrepreneur: *"There's also the Indigenous side to it. When you get into this, you start raising the visibility of Indigenous businesses and beginning to influence the space as an Indigenous business with prime contractors, government, and Indigenous communities. Those are my huge motivations for being able to do this, but I don't think there are enough of us running around the water cooler in this industry."*

Métis entrepreneur: *"I think we all see an uncertain world emerging, are concerned about it, and want to do what we can. However, as an impact company, we're focused on having positive differences, so our company isn't interested in offensive or lethal systems."*

First Nations community-owned enterprise:

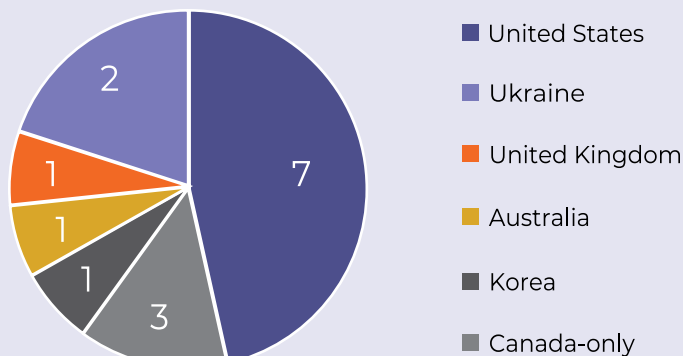
"The defence sector gives us a chance to prove up new technologies and not get into a chicken and egg situation where we're not allowed to test or fly stuff that could be safe once we're able to test and improve it. That technological development side is really exciting for us and is our main reason for being interested in the sector. You get to remove the gloves and try to facilitate as much innovation as possible, which is very conducive to business development. You are then able to build a track record."

First Nations community-owned enterprise:

"We have developed a formalized policy of non-weaponization after discussing with the people in our community so that our drones will never carry weapons or bombs or anything along those lines. At the same time, we can save lives by dropping medical supplies or flying over areas to identify landmines and many other potentially life-saving applications."

International Opportunities

Engagement With International Defence Contracts



Indigenous businesses indicate that they have achieved better results and have won more defence contracts when engaging outside of Canada than within. In particular, many viewed the United States as providing significant opportunity, having been cited by seven Indigenous businesses. Other markets cited by participants included Ukraine, the United Kingdom, Australia, and Korea. These target markets align with findings from CCIB and Global Affairs Canada's 2021 National Survey of Indigenous Businesses, which identified that the United States (90.5%), the United Kingdom (21.5 per cent), and Australia (16.1 per cent) were the top three destination markets for Indigenous exporters. However, a significant number of survey participants did not cite Ukraine and Korea.¹⁸ Nearly half (47.9%) of Indigenous exporters identified increased access to foreign government procurement

opportunities as very helpful to their business.¹⁹ As such, it is evident that Indigenous defence companies are interested in engaging in international procurement opportunities.

Beyond the general interest in these markets and accessing foreign government procurement opportunities, the defence spending of each of these countries also plays a key role in attracting Indigenous businesses. While Canada has committed to increasing its military spending to reach 2 per cent of the GDP by 2032, Canada only spent an estimated 1.37 per cent of its GDP or \$41B CAD on defence in 2024.²⁰ In contrast, the United States and the United Kingdom spent an estimated 3.38 per cent (\$800B USD) and 2.33 per cent (£60B GBP) of their countries' GDP on defence, respectively.²¹

¹⁸ Adawe: Export experiences of Indigenous entrepreneurs (Toronto: Canadian Council for Indigenous Business & Global Affairs Canada, 2023), https://www.ccab.com/wp-content/uploads/2023/10/ccab_report_english_FINAL.pdf, pg. 34.

¹⁹ Atāmitowin: Identifying and overcoming challenges facing Indigenous exporters. (Toronto: Canadian Council for Indigenous Business & Global Affairs Canada, 2024), https://www.ccab.com/wp-content/uploads/2024/09/ccab_report_english_digital_FINAL.pdf, pg. 48.

²⁰ House Standing Committee on National Defence, "Supplementary Estimates (B) - Department of National Defence and the Canadian Armed Forces" (Ottawa: Government of Canada, 2024), <https://www.canada.ca/en/department-national-defence/corporate/reports-publications/proactive-disclosure/supplementary-estimates-dnd-caf-21-nov-2024.html>.

²¹ "Defence Expenditures of NATO Countries (2014-2024)" (Brussels: North Atlantic Treaty Organization, 2024), https://www.nato.int/nato_static_fl2014/assets/pdf/2024/6/pdf/240617-def-exp-2024-en.pdf, pg. 4.

However, in addition to the financial opportunities, Indigenous businesses highlighted that what makes the United States and these other markets desirable is that they have more streamlined defence procurement processes and place more value on what these businesses bring to the table than their Indigeneity alone.

First Nations community-owned enterprise: "So defence in the U.S. is awesome. We're getting a ton of traction, and it's very easy. And the funniest thing is they have none of these Indigenous procurement targets. Everyone's banging this drum for Indigenous procurement in Canada, but it's actually happening in the U.S. just because the defence procurement system down there is faster and does not face the same kind of challenges we have here."

Métis entrepreneur: "While we haven't done anything with DND in Canada, we just got our first international military contract with Ukraine which is helping us establish our track record to get contracts in Canada."

Métis entrepreneur: "We've applied for several defence contracts in Canada, but most of our success has come from south of the border. We've done some work with the U.S. Air Force on energy resilience, modelling, and mission and operational readiness — which is interesting because we were told that a lot of this work was impossible by the Canadian government."

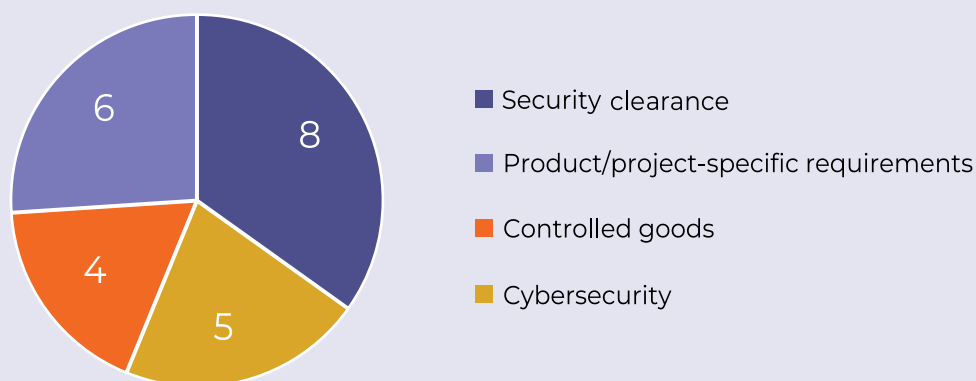
Métis entrepreneur: "A lot of companies in our position are just going to the U.S. because the doors open, they get that experience and start to do very well. It's then hard for them to look at the smaller market in Canada and come back."





CERTIFICATIONS & REQUIREMENTS

Certifications & Requirements



Indigenous businesses cited several requirements to enter and become successful in the defence sector, which they viewed as foundational and minimum requirements.

1. **Security Clearance (8)** is essential for accessing classified information and working on sensitive projects.
2. **Controlled Goods (5)** ensures that sensitive items are properly managed and safeguarded.
3. **Cybersecurity (4)** measures are crucial to protect against cyber threats and ensure the integrity of defence operations.

Other product or project-specific requirements cited by participants included:

- **Previous Engagement in Sector/References (2):** Prior experience and references in the defence sector can demonstrate reliability and expertise.
- **Quality Management Programme, such as ISO (2):** Implementing quality management systems ensures consistent and high-quality outputs.

- **CAPM/PMP for Employees (1):** Project management certifications like CAPM and PMP are valuable for managing complex defence projects efficiently.
- **Project Management Experience with Government and Defence Contracts (1):** Experience in managing government and defence contracts is crucial for navigating the sector's unique challenges.
- **Drone Pilot's Licenses and Special Flight Operation Certificate (SFOC) (1):** These certifications are necessary for operating drones in defence applications.
- **Certifications to Use Hydrogen for Fuel (1):** Specialized certifications are necessary for using hydrogen as a fuel source in defence technologies.

Security Clearance

Eight Indigenous businesses indicated that they hold security clearance, while two had no security clearance. Six Indigenous businesses stated that they held security clearances but did not specify which level; yet, they viewed it as essential to engage in the defence sector. Two participants highlighted that they hold secret security clearance, which was considered necessary for accessing more sensitive information and projects. These participants noted that secret-level security clearance is often the highest level required for most defence procurement opportunities. In addition to security clearance with the Government of Canada, one participant held security clearance with the Government of Ontario, and another had it with the Government of Australia.

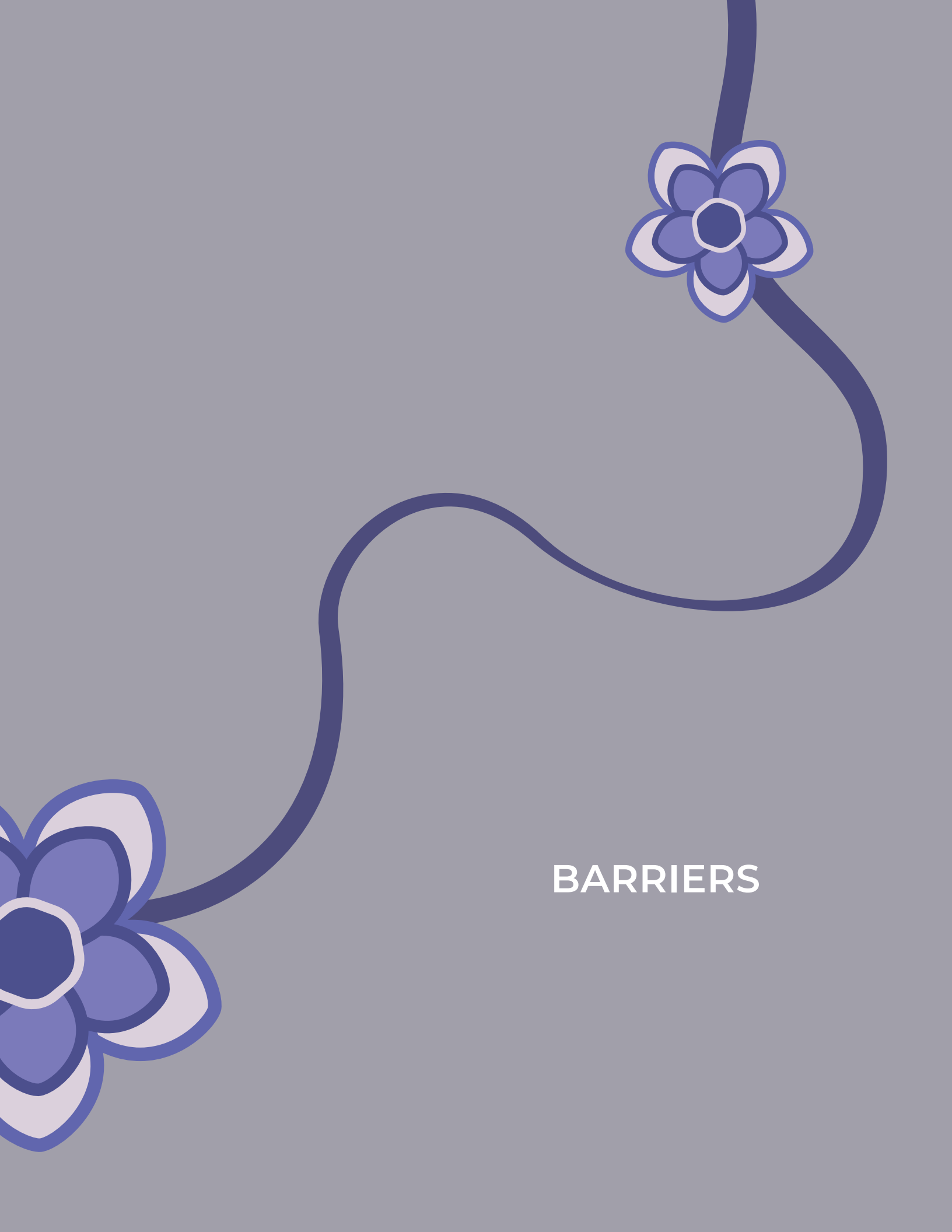
Métis entrepreneur: “I wouldn’t call it a barrier, but you must get security clearance. That’s the reality. 90 per cent of what you do with them will have those requirements. It isn’t easy, but for good reason. Many of our staff have had legal issues in the past, so finding a security clearance can be difficult.”

First Nations entrepreneur: “We can still bid top secret, and then if we win, we will have to get top secret. Sometimes getting top secret means we must change our office quite a bit. There’s a whole bunch of different requirements, and there aren’t that many top secret requirements out there, so the level we maintain is enough for the vast majority of contracts we engage with.”

First Nations entrepreneur: “It’s not so much the barrier of getting the security clearance as the time it takes to obtain it.”

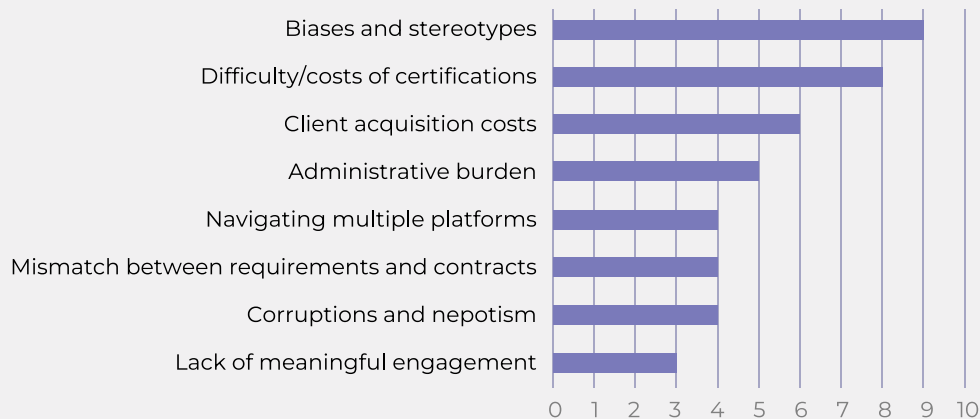
First Nations entrepreneur: “If we have an employee that fits a role but has to wait three to four months to get security clearance, then that person often moves onto another opportunity. To get the clearance, they would have to go to the local OPP detachment to get their fingerprints, which is a deterrent for many. We talk about Indigenous inclusion, but if you’re going to stay hard and fast on things and processes aren’t efficient, then you’re going to lose people. That’s why we’re not seeing the level of Indigenous inclusion that things like the 5 per cent hope to achieve.”





BARRIERS

Barriers For Indigenous Businesses



Biases and Racism

Indigenous businesses indicated that biases and racism are the foremost barriers to their engagement in Canada's defence industry. This aligns with findings from CCIB's reports on federal and regional Indigenous procurement, where discrimination was highlighted as one of the foremost barriers by Indigenous businesses.²² Indigenous businesses indicated that the defence industry struggles to understand the value of Indigenous engagement and assumes that Indigenous businesses have capacity issues that fully prevent them from engaging in the defence industry. While this is true for some, Indigenous businesses highlight that having to constantly convince potential clients of their merit and that they do not need handouts has severely hindered their engagement in the sector. Moreover, there was a general belief among participants that the rhetoric constantly being utilized by Indigenous organizations and others to

argue for increased support for Indigenous businesses has unintentionally reinforced stereotypes among companies and led to them perceiving opportunities to work with Indigenous businesses as charitable decisions, not business decisions.

First Nations entrepreneur: "I think probably biases. Biases and racism are rampant in the defence industry. They are using an old paradigm. They look at it like it's a footnote. I had one company raving about the arts and crafts they bought, but when it came to defence companies, they cited capacity issues as an excuse."

Métis entrepreneur: "Once you enter the room as an Indigenous business, they automatically assume through some form of unconscious bias that you don't have the merit to undertake the contract or can't complete it."

²² Reviewing Regional Indigenous Procurement: Barriers and Wise Practices, (Toronto: Canadian Council for Indigenous Business, 2024), <https://www.ccab.com/wp-content/uploads/2024/10/Report-Review-Regional-Indigenous-Procurement.pdf>, pg. 16.

First Nations community-owned enterprise: *"I feel like people have a tough time holding in their heads the contrasting idea that you're a beneficiary and at the same time an example of excellence. We're this model of excellence when we're at these defence conferences and have some of the best drone technology in the world. But then part of the pitch of Indigenous businesses is always like, 'They need help.' I feel like it takes the steam out of our original position, and I sometimes wonder if that poses problems and actually reinforces stereotypes."*



Difficulty and Cost of Certifications

Many Indigenous businesses identified challenges related to the difficulty of obtaining certifications required to engage in the defence sector and the associated costs as some of the primary factors limiting Indigenous engagement in the industry. While most acknowledged that these requirements were necessary, the lack of assistance for those seeking to understand what they were and the significant costs associated with complying with different levels are substantial barriers. Participants cited examples of working for several years, paying hundreds of thousands of dollars, and renovating their facilities to obtain certifications.

First Nations entrepreneur: *"The defence industry is highly regulated and certified. You have to cross big hurdles. If you solely went into defence, the process alone of getting to defence-capable contracting — in terms of working on different systems for primes — is costly. We call it hanging from a burning rope. On the other hand, certifications are difficult, and I get that because when you have a fighting person in the field, those things need to work."*

First Nations community-owned enterprise: “While there isn’t a standard cybersecurity certification, becoming compliant with NIST took a long time and was very expensive. By the time it was all done, we were in the neighbourhood of \$100k, which included bringing on internal IT staff and outsourced work.”

Métis entrepreneur: “A large part of the reason for the requirements is that they can be used to block other companies besides the ones they want involved from getting the work. If Indigenous businesses are a priority, why aren’t there more fast-tracked requirements or movement on developing those things?”

First Nations community-owned enterprise: “We’ve always been CWB and ASME certified, but the Prime we work with require everything to be AWS certified, which is American Welding Society. It’s worth noting that no one has that here; it is just not a requirement. The other tricky thing is that their weld procedures are extremely specific, so instead of developing one weld procedure that can deal with various tasks and thicknesses, you have to develop multiple. We found that we would need another weld procedure every time we turned around, costing \$3,000-\$4,000 to develop. We have probably spent around \$100k on developing various weld procedures.”

Client Acquisition Costs

The third most cited barrier by Indigenous businesses was the costs associated with acquiring clients, including both direct engagement and relationship-building with Primes and government agencies, as well as attending conferences and events. In terms of direct efforts to retain Primes and DND as clients, Indigenous businesses cited the significant expenses associated with hiring and retaining consultants and former military personnel to assist with bringing on clients. Attending conferences and events to network with clients was also considered necessary, but expensive. Participants acknowledged that while they understood these efforts did not have a guaranteed return on investment attached to them, these costs posed significant challenges to many Indigenous businesses entering the sector for the first time.

Métis entrepreneur: “I wouldn’t say that client acquisition costs, or costs in general, are solely an issue for Indigenous businesses engaging in the sector. It’s high in the industry because of the time frames you need to develop the technology required, like missiles and weaponry. It takes a long time to get the technology certified so it can be tested, then comes testing — it’s a long process in general.”

First Nations entrepreneur: “You have to see the client and meet them in Ottawa or catch them at a conference like CANSEC. Going to the different conferences also gets expensive.”

Administrative Burden and Number of Platforms

As with previous studies on Indigenous procurement, Indigenous businesses cited administrative burden, including the time and complexity associated with navigating RFPs and multiple procurement platforms, as barriers to their engagement in the defence sector. However, participants generally viewed these challenges as necessary to acquire contracts and less significant compared to Indigenous businesses engaged in procurement in other sectors, likely due to their capabilities and experience in engaging in procurement.

Métis entrepreneur: “I’m not a stupid person, but when I get in to start to read some of these tender opportunities and related documents, some of it just doesn’t make sense to me when it starts getting into the very detailed aspects of these contracts.”

First Nations entrepreneur: “It’s time-consuming. It takes enormous amounts of effort to understand requirements and how to go about the opportunities. There are too many portals; the process feels like a quest. There should be a uniform platform.”

Other Barriers

In addition to the primary barriers to their engagement in the defence sector, participants indicated that the mismatch between requirements and contracts, corruption and nepotism, and a lack of meaningful engagement also pose barriers.

Regarding the mismatch between requirements and contracts, participants highlighted that while they felt most requirements were necessary, some contracts held unnecessary requirements that hindered the engagement of Indigenous businesses. As with other studies, examples of this included high bonding and insurance requirements, project management experience, and engagement with previous DND contracts.

First Nations entrepreneur: “It’s a specific industry, and it’s on us to gain that expertise. I don’t blame the client for that. But sometimes the RFPs are pretty specific in technologies and stuff, which can preclude some people.”

Métis entrepreneur: “The problem is that they have established supply chains that they’re unwilling to change, and no initiatives have alleviated this. Simply engaging with Indigenous businesses has been pitched as the solution, but more needs to be done to alleviate the issues that hinder engagement of businesses in these supply chains.”

Métis entrepreneur: “It has been a bit of a challenge for us to get contracts with DND; they often include requirements for having already completed similar work. Getting in without that track record is hard, even on a small contract. To get that experience, we have had to look for contracts with other NATO countries. Once we have that experience, we can work in Canada, which doesn’t make sense if the goal is to develop Indigenous businesses.”

Indigenous businesses also indicated that compared to other sectors, the defence sector is particularly prone to corruption and nepotism due to its nature as a limited-competition industry. Several participants highlighted that to be awarded contracts in the industry, they had to be part of a group of insiders.

Métis entrepreneur: *"There is a lot of nepotism, inside plays, and downward pressure from corporations."*

First Nations community-owned enterprise: *"It's almost like you have to be part of a club or something, and I don't know how to get into it."*

In addition to these other challenges, Indigenous businesses cited a lack of meaningful engagement by Primes and government agencies as a barrier to their engagement in the defence sector. Several participants felt that conversations occurred in siloes and there was a lack of collaboration to address challenges and facilitate opportunities. Participants also felt that feedback provided to government agencies, Primes, and support organizations to improve programming was often not adequately implemented.

First Nations entrepreneur: *"The other barrier is that the conversations happen in silos. The government has one conversation with industry and then one with the community, but these two shall never meet. We need to come together and work collaboratively to address these issues."*

First Nations community-owned enterprise: *"I find that a lot of these efforts on the part of Primes are just so that they can say that they've engaged with everybody. There's not much true commitment to building relationships and developing Indigenous suppliers. We don't even know if the contract we were going for has been awarded yet or if we're still even in the running or not. If we are not being selected, it would be good to know whether it's for price, technical reasons, or delivery concerns, but we rarely receive feedback, so it's hard to improve."*



SUPPORTS



Regarding the success of support, such as programs to assist with engaging in the defence sector, nine participants indicated that they had been successful but had room for improvement. Examples of successful supports cited by participants included CCIB's Indigenous Business Defence Accelerator and Supply Change™ programs, the PSIB, set-aside programs, mentorship programs, procurement facilitation services provided by regional development agencies, networking events, and conferences.

To further support their engagement in the sector, Indigenous entrepreneurs wanted more coordination among government agencies, additional Indigenous procurement workshops and mentorship opportunities, support preparing RFPs and understanding ITB requirements, and opportunities for face-to-face conversations with decision-makers.

First Nations entrepreneur: "What's missing is a bit more of a coordinated, whole-of-government approach because DND, ISED, PSPC, ESDC, CIRNAC, EDC, and GAC all have roles to play in this. For

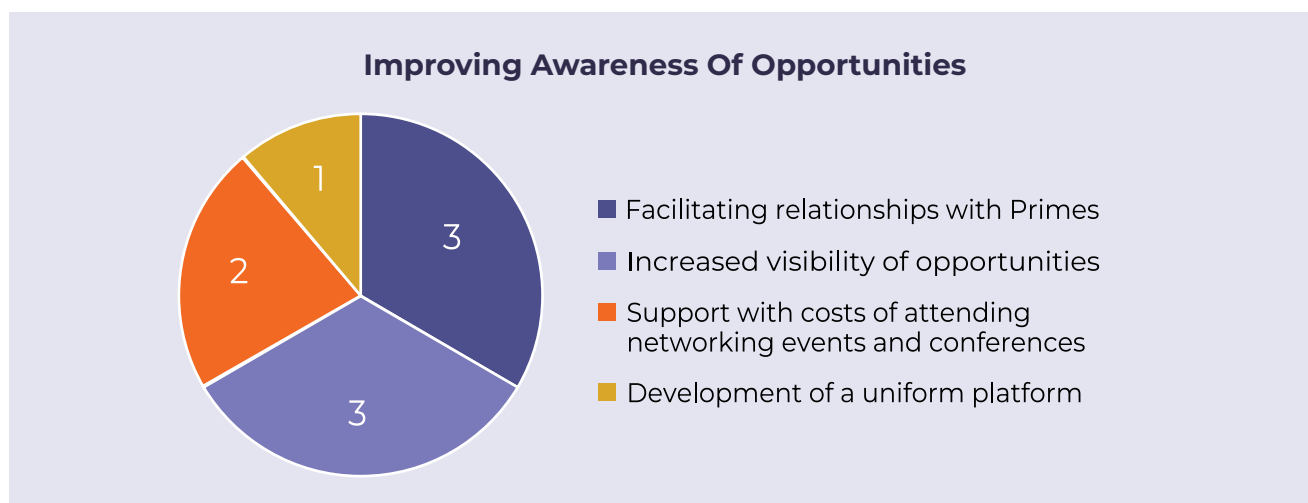
example, I had the opportunity to visit the UK to talk to primes right at the source, and I found them more ready to engage than their subs in Canada, and they were looking for ways to engage."

Métis entrepreneur: "I don't think there has been a lot of available support over the past 5–10 years. They only created a commitment to provide a portion of contracts to Indigenous businesses without providing any support to get there."

Métis entrepreneur: "I know CCIB and PAC have been doing some workshops, and I've been trying to get on some of those so that I can kind of learn and gain a little bit better understanding on how to apply for some of these contracts, but it's hard to attend with my schedule."

Métis entrepreneur: "Having requirements for what needs to be achieved in each quarter along with accurate projections for the year would provide relief on both sides and help with planning."

Creating Better Awareness of Defence Procurement Opportunities



To create better awareness of defence procurement opportunities, Indigenous businesses highlighted streamlining relationships with Primes (3), making opportunities easier to find (3), support

with costs for attending networking events and conferences (2), and the development of a uniform platform (1) would support them to access more defence procurement opportunities.

Defence Spending Allocation

Indigenous businesses were divided between those indicating that the impact of Canada's defence efforts had been positive on their businesses and those stating that they had no effect. Regarding how to adjust Canada's current defence spending to better include Indigenous businesses while maintaining Canada's security and global role, participants indicated that they would like to see increased support and mentorship programs to facilitate their engagement in the defence sector. Participants emphasized the importance of mentorship programs in helping businesses understand and navigate the sector's requirements, such as security clearance and responding to RFPs. Examples include the CCIB's Indigenous Business Defence Accelerator Program, which helps break stereotypes while developing skills and connections.

First Nations entrepreneur: "There needs to be more mentorship for other business owners on positioning their companies for opportunities. Many don't know about security clearance or the difference between individual and company security clearance. If they don't know about these processes and how they will get set up for it, they will always be playing catch-up and will never get ahead."

First Nations community-owned enterprise: "I think it would be beneficial to have more support for businesses looking to engage in the sector."

Métis entrepreneur: "Programs such as CCIB's Defence Accelerator Program are helpful in that they help to break stereotypes that Primes have around Indigenous businesses and their capability while enabling us to get an audience with the market and develop key skills."

Other recommendations cited by Indigenous businesses included increased support for the development of Indigenous manufacturing capabilities through investment and collaboration with Indigenous communities and enterprises, particularly through the use of tax incentives; enabling subcontractors to use work with Primes as references to bid on direct spend contracts; refocusing ITB requirements; and developing lists to help companies find Indigenous businesses to work with.

First Nations entrepreneur: *"The other big thing you must consider is Indigenous manufacturing. I think manufacturing has kind of been going away out of Canada for a while now. Groups like those that built Iron Horse (the Potawatomi) understand that building these industrial parks and taking advantage of the tax incentives is powerful. That's a business case incentivizing corporate Canada. They say to open up on our territory because we can pass down that - we have that competitive edge over Montréal because of who we are and how everything is set up. This is leveraging the Indian Act. This is the good stuff about the Indian Act that kind of pushes us outside of it. We have a competitive advantage on that one, believe it or not. 30 percent of the manufacturing cost is the building itself. So there's the business case: pick your Tier 2 supplier for Boeing to do it on-reserve. The flip side of the coin is we have land and people, and a lot of this stuff is semi-automated, so you need STEM people. What we need to do is start to bring back strategic manufacturing. COVID taught us how our supply chain can be vulnerable to disruption by catastrophic events. We saw many companies pivot to help address needs. Canada can build this homegrown defence industry by leveraging this place, and it would be just as competitive, at least initially, with countries like China.*

This is notwithstanding EVs and all of that, we're digging up Lithium mines and doing all sorts of things like that. Manufacturing in-country and in communities lowers the carbon footprint as it doesn't have to travel worldwide to get to us. I have heard that battery manufacturing can be a fairly nasty process. Still, there are other industries and things we could be doing that would bring us into becoming a strategic manufacturing source, defence being a prime example."

First Nations entrepreneur: *"On the other side of the coin, there's going to be over \$100B in value being put towards this over the next several years. I told the government that they have a dated policy. We all know that research goes stale quickly, and you must keep it up. So you can take a policy that took 5 years to develop and then harden it, but every business is trying to shoehorn themselves into a policy that is a) dated and b) inflexible. I said, 'Hey, you have this \$10B worth of spend, why don't you use those as use cases or business cases to do pilot projects and see what works for industry, see what works for Indigenous communities, see what builds capacity and everything else to inform policy in real-time.'"*

First Nations entrepreneur: *"They will not allow me to use a subcontractor reference. Let's say we were a subcontractor to Lockheed Martin, IBM. However, I can't use that as a reference. They say you must have been the prime contractor. You cannot have been a subcontractor. That's standard across everything. So now, all of a sudden, if you force indigenous firms to be subcontractors, they can't bid. It's creating a ghetto of indigenous subcontract firms that can never get to be the prime contractor."*



PARTNERSHIPS AND JOINT VENTURES



Most Indigenous businesses indicated that they had not formed partnerships or joint ventures, but they were generally open to the idea, provided they were meaningful and aligned with values. Those who had successfully formed partnerships or joint ventures viewed them as a key factor in enhancing their engagement in the defence sector.

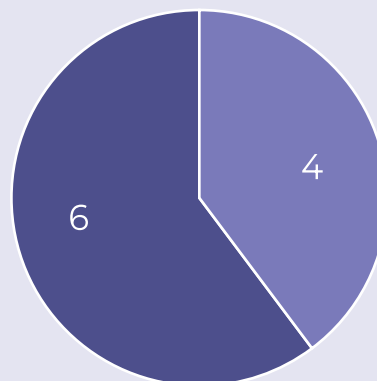
While most Indigenous businesses had not formed partnerships or joint ventures, they generally held positive views towards them. Participants indicated that these arrangements could be beneficial for addressing capacity issues, developing skills, facilitating access to capital, and helping to establish a foothold and build a track record.

Métis entrepreneur: "Having values alignment is important, but if another defence contractor were providing other equipment or assets to DND and wanted to work with us to establish a K9 division, we would certainly not be opposed to partnering on something like that."

First Nations entrepreneur: "Partnerships or joint ventures can be beneficial in addressing capacity issues if they exist for communities we haven't pursued any."

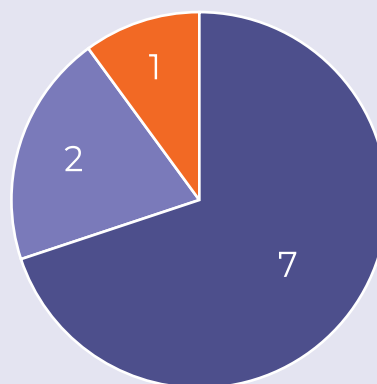
First Nations community-owned enterprise: "We love partnerships in defence. It's exactly what we're looking for, and it's a great way to help our company with revenue and capacity because they can bring in technology or expertise that we don't have. I just wish there were more Canadian ones."

Engagement In Partnerships & Joint Ventures



- Formed partnerships or joint ventures
- Have not formed partnerships or joint ventures

Sentiments Towards Partnerships & Joint Ventures



- Positive
- Negative
- Neutral

Indigenous businesses that expressed neutral or negative views toward partnerships often cited having sufficient in-house capacity and concerns that such arrangements could serve as fronts — where the majority of the work is carried out by non-Indigenous partners. These dynamics were seen as taking opportunities away from genuinely Indigenous-led businesses and failing to build meaningful capacity.

Métis entrepreneur: "I haven't formed any partnerships or JVs since there's been no need; we can do all the work we've engaged with in-house."

First Nations community-owned enterprise: "While they can help communities to get involved if they don't have access to capital, the problem is that it is often only temporary for a single contract that doesn't build any capacity."





**ADVICE FOR OTHER
INDIGENOUS BUSINESSES**

Regarding advice for other Indigenous businesses seeking to engage in the defence sector, the value of being persistent, learning from mistakes, and taking advantage of opportunities was the primary advice provided by participants.

Métis entrepreneur: *"If we don't engage as Indigenous businesses in Indigenous procurement processes, then policies have no value, so we must engage. There's no right answer; it's just a matter of jumping and figuring things out afterwards. Obviously, there can be some high costs associated with this, and a huge mistake could mean the end of the business, but sometimes you win, and sometimes you learn."*

Métis entrepreneur: *"You just have to keep at it. Over the years, we've knocked on a lot of doors and have been turned down almost as many times. Sometimes people will be interested in our work, and then nothing comes to fruition, but every failure or closed door has shown us ways to improve and build our capacity."*

Métis entrepreneur: *"If you are going to enter the defence sector, you can only do it in two ways. You must either have experience and contacts in the sector that you can leverage, or you must already be established. It is not a place for startups or people looking to make quick turnarounds; it requires patience and a long-term investment."*

First Nations entrepreneur: *"If you think you can make a difference, don't give up. With any business (Indigenous or otherwise), do your due diligence, be persistent, be open, and be willing to spend a lot of time on things that may not pan out. There are no roadmaps to get where you're going; be persistent and continue knocking on doors (even the federal government)."*



Other participants recommended starting small, building a strong track record, establishing a solid foundation and capacity, finding allies, ensuring effective time management, and focusing on providing a value add while not relying on the company's Indigeneity.

First Nations entrepreneur: "Assuming that they don't want to be a shell company, start off small and find a key client for whom you can do good work and build up a track record. Don't spread yourself too thin. Eventually, you will take those project references and extend them to other work and clients, but you will have a solid foundation that sets you up well for the future."

First Nations entrepreneur: "To be successful, it is less about the strategy and more about the supporting mechanisms that you have in place and building up your employees to become more effective as a company overall."

First Nations community-owned enterprise: "You still have to deliver value. Don't expect that just because you are Indigenous-owned, you are able to get your foot in the door. You might get in, but you must still deliver on quality and price. It's not easy; it's a long road that has been brutal—it basically took us three years to get to the point of doing profitable work, so be prepared for that. Always try to lead with your quality and reputation first and your Indigeneity second."

First Nations community-owned enterprise: "Canada has a tremendous amount of government and defence people who really care about promoting and supporting Indigenous peoples, so it is important to look for allies. However, you must distinguish between goodwill and what actually leads to an opportunity. A fast no is better than a slow yes."

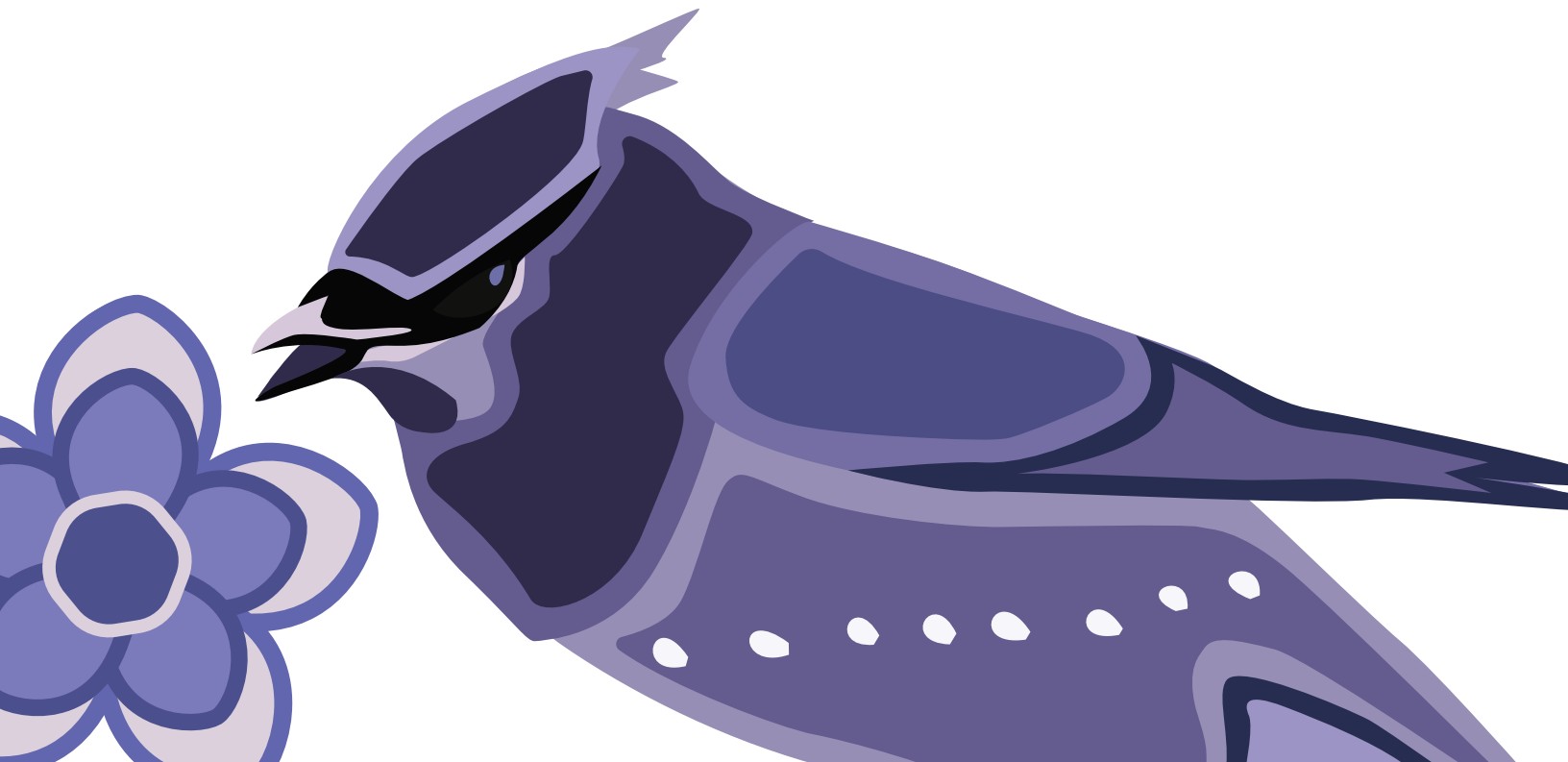
Métis entrepreneur: "Dedicate your time and effort to the areas that will have the greatest impact. You can spend enormous amounts of time and effort on things that will be unsuccessful, so you need to be measured about it."

RECCOMENDATIONS



1. ASSIST INDIGENOUS BUSINESSES WITH NAVIGATING ADMINISTRATIVE BURDENS, CERTIFICATIONS, AND COMPLIANCE REQUIREMENTS.

- Government, industry, and Indigenous organizations should collaborate to develop a uniform platform for sharing Canadian defence procurement opportunities to enable Indigenous businesses to identify and engage with them more readily.
- Government should modify experience requirements to recognize a broader range of experiences, not just defence-specific work, and break up larger contracts where possible to enable increased Indigenous engagement in direct procurement opportunities with DND and other relevant government agencies.
- Government should develop increased programming for Indigenous businesses to expand their knowledge of security clearance, controlled goods, and cybersecurity requirements and how to navigate them more effectively. This programming should be developed in partnership with and deployed through Indigenous organizations.
- Government should develop a mentorship program to support Indigenous businesses seeking to enter the defence sector. This could involve collaborating with industry and Indigenous organizations to provide this training and advice.
- Government should collaborate with Indigenous partners to develop a program for Indigenous companies to fast-track their security clearance where possible.
- Government should work with Indigenous partners to increase opportunities and provide additional support for Indigenous businesses to process security clearance applications on behalf of their employees.
- Government should explore opportunities to address challenges that Indigenous businesses have with insurance and bonding. This could involve reducing insurance and bonding requirements or providing Indigenous contractors with insurance from the government.



2. FACILITATE THE DEVELOPMENT OF RELATIONSHIPS AND ENGAGEMENT IN DOMESTIC AND INTERNATIONAL MARKETS.

- Government should explore mechanisms with Indigenous partners to support increased engagement by Indigenous businesses in foreign government procurement opportunities in the defence sector. This should involve the establishment of targeted delegations of Indigenous businesses to attend major domestic and international defence conferences with funding support. This should also involve the development of increased relationships between Indigenous businesses and organizations that can support accessing these opportunities, such as the Trade Commissioner Service (TCS), Canadian Commercial Corporation (CCC), and Export Development Canada (EDC).
- Government should work with Indigenous partners to establish marketing and awareness campaigns of Indigenous defence companies and their capabilities to assist in communicating the benefits of working with them.
- Government should work to increase active outreach and the development of relationships with Indigenous businesses. Indigenous organizations should facilitate this where possible.

3. SUPPORT THE CONTINUED DEVELOPMENT OF INDIGENOUS DEFENCE COMPANIES' CAPABILITIES.

- Government should provide increased support and incentives to strengthen Indigenous manufacturing capabilities further. An option to advance this is to explore the establishment of Indigenous foreign trade zones, as defined and regulated by Indigenous Peoples. An Indigenous-operated foreign trade zone would create incentives for partnering with Indigenous businesses and communities to develop new manufacturing capacity.
- Government should assist Indigenous economic development corporations in identifying non-Indigenous companies with manufacturing capabilities to add to their portfolios.
- Government should establish an investment tax credit for companies that invest in the development of Indigenous manufacturing capabilities on-reserve or in traditional territories.

4. INCREASE ACCOUNTABILITY, TRANSPARENCY, AND MEANINGFUL INDIGENOUS DEFENCE SECTOR ENGAGEMENT.

- Government should include an explicit Indigenous benefits requirement in all federal defence procurement, encompassing direct, indirect, and value proposition (as a rated requirement) elements of the Industrial and Technological Benefits Policy for projects greater than \$20M.
- Government should require reporting on the results of contractors' Indigenous engagement activities and publish the results.
- Government should increase multipliers for Value Propositions involving Indigenous supplier development, R&D, and skills development.



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