

# Defence Policy Brief

The Government of Canada spent an estimated \$22.2B on procurement contracts between 2018 and 2022. Approximately a third of this expenditure, \$6.9B, was spent by the Department of National Defence (DND). DND averages approximately 16,000 contracts annually, with the average value of these being over \$800,000 (excluding the contracts valued at under \$10,000). These facts, along with the announced increases to defence spending, make this an attractive opportunity for Indigenous businesses.

Although Indigenous businesses demonstrate their ability across many fields and serve a wide range of clients, they remain under-represented in the defence sector relative to their industry makeup and overall capabilities. There has been reporting on Indigenous procurement sitting well below the 5 per cent average, specifically 2.5 percent during the 2023-24 fiscal year.<sup>1</sup>

According to Statistics Canada, there are approximately 80,910 Indigenous businesses in Canada. 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. Supporting Indigenous business engagement in the defence sector requires recognition of their capabilities when participating in the defence supply chain. Many Indigenous businesses have also acquired security clearance, controlled goods, and cybersecurity certifications to further

support their ability to obtain contracts. There are two ways to approach this issue when their capabilities are not recognized to the full extent: one, funding Indigenous businesses ready to grow their organization, and two, supporting those in other areas to pivot and enter the sector.

*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."*

Other Indigenous entrepreneurs 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 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."*

## Recommendations (for Indigenous businesses, government, corporations, CCIB, and support organizations engaged in the Defence Sector):

1. Assist Indigenous businesses with navigating administrative burden, certifications and compliance requirements.
  - **Rationale:** Provide resources, specificities and general assistance to Indigenous businesses in the defence sector to help navigate opportunities and related documents to be able to be part of the supply chain.
  - **Expected Outcome:** More Indigenous businesses will be able to enter the defence sector without the further barriers of strenuous contracts, certifications and compliance requirements.
2. **Simplify application processes.** Government should undertake to simplify procurement of RFPs/applications and offer a centralized point of contact for businesses to get clear answers to questions. Desired deliverables and requirements should be at the front of the RFP and include a short (1–2-page) RFP brief or overview document that would streamline the procurement opportunity review and identification process. This lets bidders know what is required of them, so they are aware of whether or not they have the capabilities or interests.
3. **Provide support,** mentorship, and training where needed. Non-profits and NGOs can provide training, capacity building and administrative support to Indigenous businesses. Corporations should be required to commit to Indigenous procurement and offer sub-contractor training and onboarding support to Indigenous vendors. This should be required for any primary vendor contracts and should be part of their requirements to win the work (in excess of \$10 million).
4. **Give access to funding for administrative support.** The government should fund programs, policy reform and certifications to help guide and facilitate Indigenous businesses entering larger supply chains.
5. **Offer grants and subsidies for certification and requirement costs.** The government can solve this by offering certification pathways to help Indigenous businesses through community-based workshops, one-on-one advisory services, by eliminating that extra fee.

6. **Facilitate the development of Capacity Building in domestic and international markets.**

- **Rationale:** Many Indigenous businesses experience lack of meaningful engagement by the primary vendors (Primes) and government agencies in the defence sector. Support and collaboration needs to be implemented to provide the necessary investment and expertise to build this sector.
- **Expected outcome:** Working to facilitate these relationships and engagements will drive further development, and cooperation between parties for a more successful outcome.

7. **Increased support for the development of Indigenous manufacturing capabilities through investment and collaboration with Indigenous communities and enterprises.** The government can create 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.

**Primes:** Refers to a handful of huge defence companies that hold Canadian and international defence procurement contracts for major systems and programs (i.e. Lockheed Martin, Irving Shipbuilding, among others). May also be called Original Equipment Manufacturers (OEMs).

The government and existing Primes should collaborate with Indigenous partners, including CCIB and economic development agencies, to develop and present defence industry-specific training for Indigenous businesses.

Government and Primes should assist Indigenous businesses with direct engagement and networking opportunities to break into the sector through conferences, identifying opportunities involving IPPs and ITBs, as well as pre-qualification, standing offers, and supply arrangements.

**Indigenous Participation Plans (IPPs):**

Formal requirements in Canadian federal procurement, especially in defence contracts, to ensure meaningful inclusion of Indigenous peoples and businesses in government-funded projects.

**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 supplier development, and work force training, exports and regional growth.

The government should provide export readiness assessments, market research and entry strategies, and mentorship from experienced exporters. These tools would help Indigenous businesses to enter supply chains.



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