



Updates to the Industrial and Technological Benefits (ITB) Policy

Procurement Pathways
September 16, 2026



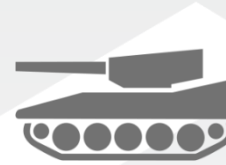
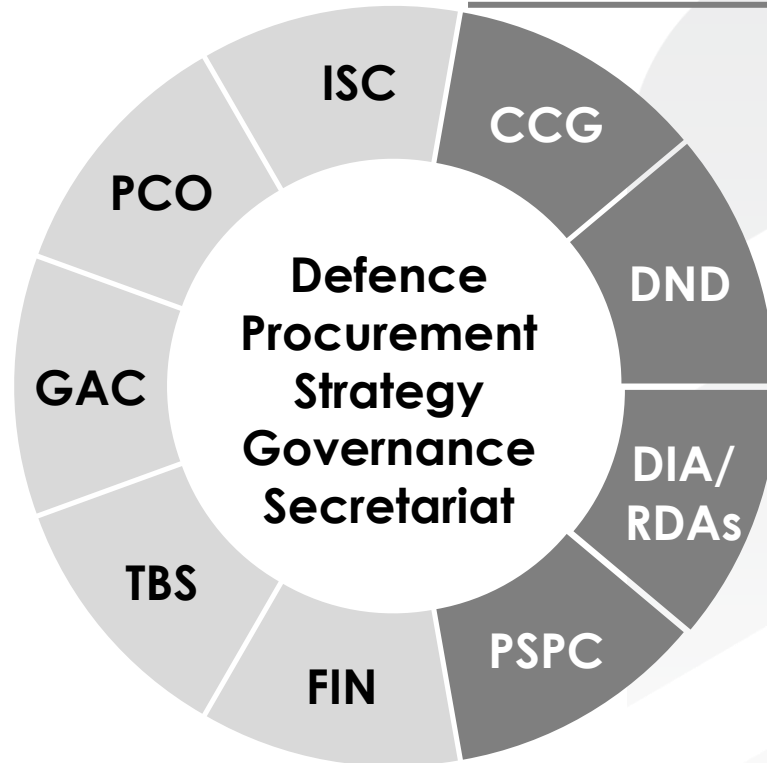


Economic Benefits from Defence Procurement

- Canada has leveraged defence procurements for economic benefits since the late 1970s – formalized in 1986 with the introduction of the Industrial and Regional Benefits (IRB) Policy
- Some foundational elements remain the same (e.g., economic benefits equal to contract value, contractual enforcement mechanisms); new tools and enhancements to improve economic outcomes have been made
- In 2014, the IRB Policy was transformed into the Industrial and Technological Benefits (ITB) Policy, which included the addition of the Value Proposition



Defence Procurement in Canada



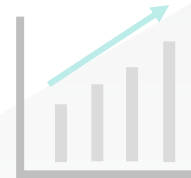
Capability - *DND/CCG*

Defines Canada's technical requirements for the platform or service being procured



Contracting - *PSPC*

Acts as the contracting authority, manages stakeholder engagement



Economic Benefits - *DIA*

Determines Canada's requirements for economic benefits



Updates to the ITB Policy



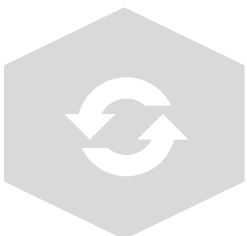
A modernized ITB Policy is a central pillar of the Defence Industrial Strategy's Build-Partner-Buy approach and supports growth, resilience, and competitiveness within Canada's defence industrial base



The modernization of the ITB Policy was announced by the Prime Minister at CANSEC 2026 and has been received positively from industry, associations, and government stakeholders



Responds to stakeholder feedback and recommendations from the Office of the Auditor General



On July 16, 2026, responsibility for the ITB Policy transitioned to the Defence Investment Agency (DIA), strengthening alignment between defence procurement, industrial policy objectives, and implementation



ITB Policy

Canada's main tool to **leverage defence procurements** for economic benefits

SUMMARY

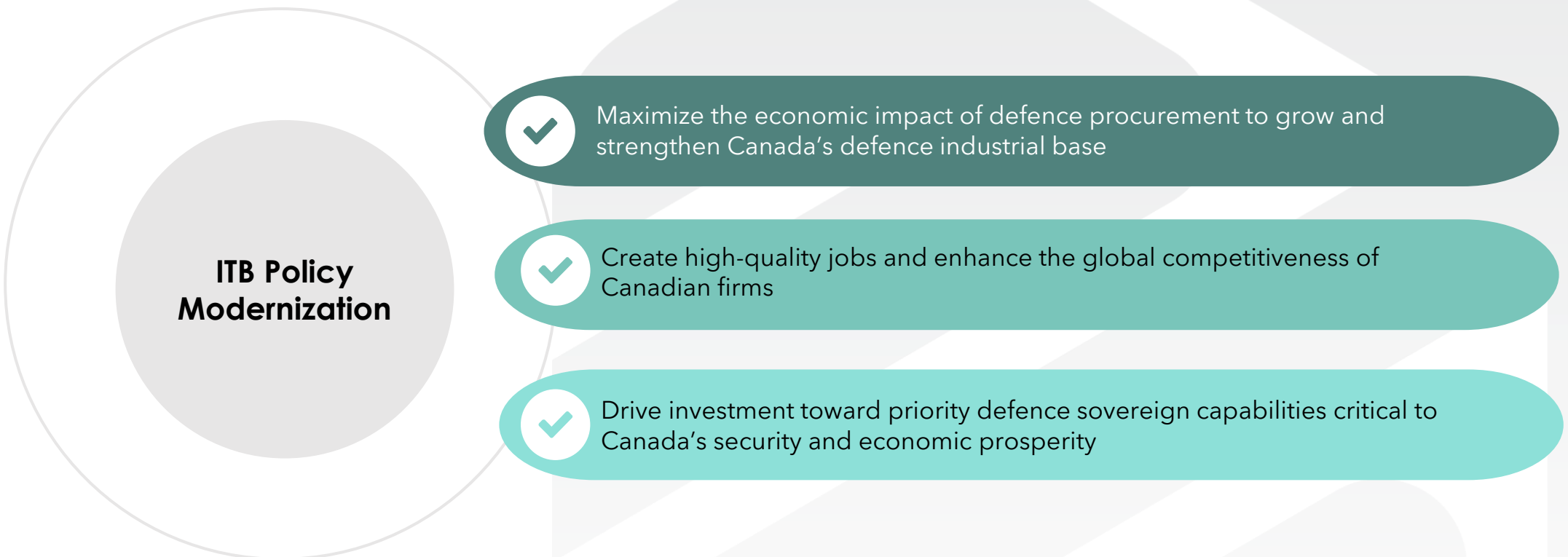
- Requires a firm awarded a defence procurement contract to undertake business activity in Canada equal to the value of the contract it has won (i.e., ITB obligation)
- A market sensitive approach that uses a Value Proposition framework to target business activities in specific areas that are identified through analysis and industry engagement
- Business activities resulting from an ITB obligation must meet specific eligibility criteria, including incrementality

QUICK FACTS

- Applicable for procurements not subject to trade agreements or when a National Security Exception is invoked
- Applies by default on eligible defence procurements over \$100 million
- Defence procurements between \$25-100 million are reviewed for the possible application of the ITB Policy
- Supports the long-term growth and sustainability of Canada's defence industry, Canadian small and medium businesses and Canadian innovation
- 2024 impact: contributed over \$5B to GDP, supported more than 40,400 jobs



Strategic Objectives



ITB Policy Modernization



Maximize the economic impact of defence procurement to grow and strengthen Canada's defence industrial base



Create high-quality jobs and enhance the global competitiveness of Canadian firms



Drive investment toward priority defence sovereign capabilities critical to Canada's security and economic prosperity

Modernization was undertaken within existing policy parameters, maintaining the 100% ITB obligation and the 15% SMB requirement



Summary of ITB Policy Changes

1. A **new Strategic Investment Transaction** to motivate investments that build Canada's defence industrial base

2. A **new Canadian Company Boost** to better incentivize direct work in Canada

3. **Enhanced SMB Tools** to accelerate potential for SMBs to scale

4. An **updated Future Sales Transaction Type** to stimulate investments that support growth of and future sales by Canadian companies

5. **Increased incentives for workforce development** to advance skills development for the defence sector

6. **Increased minimum discretionary threshold** for ITB Application to align with defence procurement expenditure authorities

7. **Alignment of Key Industrial Capabilities to Sovereign Capabilities**



Strategic Investment Transaction

A crediting tool for strategic investments made in advance of procurements to create or increase Canadian industrial capacity

Eligibility Requirements

- ✓ **New facility, expansion, capability development** or capacity in Canada (including R&D or commercialization)
- ✓ **Align with DIS priority areas**, Key Industrial Capabilities, or Sovereign Capabilities
- ✓ **Indirect transaction* only** and a minimum \$5M investment
- ✓ **Includes investments related to**, but not part of, the contract
- ✓ **No routine operations** (e.g., maintenance or equipment replacement)
- ✓ **No public-sector funding** (e.g., Government, post-secondary, and public research institution contributions)

Credit Multipliers

5x Multiplier

- Cash for establishment or expansion of a facility
- Cash for R&D or Commercialization Activities
- Cash for Canadian-owned IP development
- In-kind contribution of a transfer of IP ownership to a Canadian Company
- In-kind contribution of an exclusive licence to a Canadian Company for IP

4x Multiplier

- Cash to purchase, or in-kind transfer of, equipment

* Indirect Transactions involve activities that are not directly paid for by Canada under the procurement Contract but contribute to broader Canadian industrial outcomes.



Strategic Investment Transaction: Example

Details: “MapleTech Sensors Inc.” establishes a new AI-enabled sensor manufacturing facility in Winnipeg, combining advanced production capabilities with an on-site R&D hub focused on next-generation sensing technologies.

The project enables the company to scale domestic production while developing proprietary AI-driven applications for defence and autonomous systems.

By anchoring both manufacturing and innovation activities in Canada, the investment strengthens local supply chains, creates opportunities for Canadian SMBs, and supports potential export growth to allied markets.

- **Relevant KICs:** Advanced Manufacturing; Artificial Intelligence; Remotely-piloted Systems and Autonomous Technologies
- **Transaction Type:** Indirect
- **Value of Transaction:** \$12 million

Why it Qualifies

- New facility and R&D capacity in Canada
- Supports Key Industrial Capabilities (AI, Autonomous Systems, Advanced Manufacturing)
- Exceeds \$5M threshold
- Not routine operations (creates new capacity)

Investment Breakdown

- \$6M - Facility establishment (x5)
- \$3M - R&D activities (x5)
- \$2M - Equipment (x4)
- \$1M - IP transfer (x5)

Illustrative Credits

- \$12M investment → \$58M credits (with multipliers)
- 50% upfront + 50% over time (performance-based)



Canadian Company Boost

Boost crediting to encourage investment in Canadian companies with strong domestic capacity and competitiveness



Applicable only to **direct transactions*** to drive inclusion of Canadian companies on the procurement



After verification, Direct Supplier Development transactions** with confirmed Canadian Content Value (CCV) of **70%** or greater are **credited as 100% CCV**



Additionally, a **2x multiplier** will apply when recipients are **SMBs**

*Direct transactions involve activities that Canada pays for on the procurement Contract.

**Supplier Development refers to transactions with Canadian companies that are not agents or distributors of foreign goods and services, and not subsidiaries of the Contractor or an Eligible Donor.



Small and Medium-sized Business under the ITB Policy

Enhanced tools to accelerate potential for SMBs to scale

Expanded Access to Incentives

- Removal of \$1 million cap on transaction value for SMB credit boost

New Small Mid-Cap Category

- Supports firms scaling beyond SMB status
- Applies to companies with up to 500 employees (incl. affiliates)
- Provides +5 years of SMB crediting once exceeding 250 employees
- Excludes foreign agents and distributors



New SMB Self-assessment Tool

- To help companies determine their SMB and Small Mid-Cap eligibility before submitting documentation

Refined SMB Definition

- Targets genuinely small firms without significant affiliate support
- Aligns with OECD approach
- Includes no more than 250 employees (up to 500 incl. affiliates)
- Counts employees across affiliated entities
- Excludes foreign agents and distributors



Skills Development and Training

Address skills shortages for the defence sector and create stronger incentives for workforce development

Enhanced Incentives

- New **5x multiplier** for cash investments in skills development and training where the donor is not the recipient (complements existing 5x for cash investments in R&D)
- **Indigenous** workforce initiatives increased to **10x**
- The total credits issued for all Skills Development and Training on a project will not exceed 25% of the Obligation

Greater clarity on eligible activities

Eligible Activities

Cash/in-kind contributions involving:

- ✓ Training assets & resources
- ✓ Employee secondments for knowledge or technology transfer
- ✓ Co-ops, work placements
- ✓ Apprenticeship sponsorships (recognized programs)
- ✓ Personal certification of Canadian citizens/ Permanent Residents by recognized trade or professional bodies
- ✓ Skills development programs (incl. eligible charities, not-for-profits)
- ✓ Employee education & training costs (tuition, fees, in-Canada travel) that deliver new or upgraded skills and enhance employment or career potential

Ineligible Activities

- ✗ Government-funded contributions
- ✗ IP licensing (in-kind)
- ✗ General youth outreach without career pathways
- ✗ Activities without clear employment or career outcomes



Modernizing Governance and Policy Alignment

KEY INDUSTRIAL CAPABILITIES (KICS)

Transition from 17 KICs to 10 **Sovereign Capabilities** focused on national security priorities. Current KICs remain in effect until new Sovereign Capabilities are finalized

DISCRETIONARY THRESHOLD

Increase the minimum discretionary threshold for applying the ITB Policy from **\$20 million to \$25 million** to align with defence procurement expenditure authorities

SERVICE STANDARD

New **90 calendar day** service standard for **transaction approvals**; starts upon receipt of a complete submission and will end at final decision

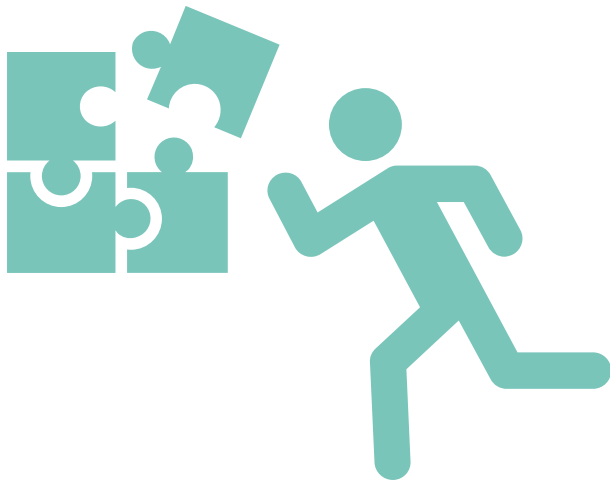
GOVERNMENT FUNDING

Specified that all government funding, whether repayable or non-repayable, is **ineligible for ITB credit**



What this Means for Industry

A shift toward earlier investment, stronger Canadian outcomes, and strategic alignment



FOR PRIMES

- Stronger incentives for direct Canadian work
- Expectation to invest ahead of procurements
- Increased scrutiny of corporate structure and affiliates

FOR SMBs

- Easier scaling (Small Mid-Cap; removal of \$1M cap on SMB boost)
- Expanded opportunities through supplier development and multipliers

FOR ALL FIRMS

- Greater emphasis on strategic alignment with governmental priorities vs transactional activity



Timing and Transition

May 27, 2026

**Applies to new procurements
and transactions only
(not retroactive)**

- Updated Terms and Conditions (Ts&Cs) in effect
- Announcement at CANSEC 2026 by the Prime Minister

- Only contracts that include the updated Ts&Cs can use the new incentives
- Existing contracts remain under their original terms
- For procurements already underway, draft RFPs will be updated to include the new Ts&Cs before the final RFP stage



What Industry Should Do Now

- ✓ Review pipeline projects for ITB applicability
- ✓ Identify opportunities (e.g., strategic investment, eligible Canadian suppliers)
- ✓ Prepare for requirements and documentation expectations
- ✓ Engage early with Regional Development Agencies



ITB – Learn About the Opportunities

Learn about what equipment and services DND and CCG are procuring

- DND's [Defence Capabilities Blueprint](#); CCG procurement projects under the [National Shipbuilding Strategy](#)
- Government procurement opportunities are posted on CanadaBuys.Canada.ca

Learn which companies are bidding on Canadian defence procurement

- *Canadian Defence Review's* annual Top 100 list, follow aerospace, defence and marine trade publications
- Study individual defence contractors through their websites, networking opportunities
 - Who are they, their defence business, what industry sectors they are working in beyond defence; understand their needs and priorities
- ITB website has a [Breakdown of current obligations by contractor](#) - provides information on which companies are working on what projects and status of ITB obligations



ITB – The RDA Role

Connecting firms that have ITB obligations to Prairie stakeholders

Promoting Prairie capabilities, as well as the PrairiesCan role

Convening industry engagement events

Pathfinding on ITB and related questions and issues

Advising on Prairie capabilities and perspectives





Key Takeaways

Be patient! It can take years to build relationships	Determine what industry domain(s) you want to focus on – air, land, marine, cyber (which KICs you align with)
Know who the top prime contractors and top tier suppliers in your target market	Register your company online on your target vendors' supplier portal, and participate in their industry engagements for upcoming tenders
Investigate whether your company needs specific credentials or certifications (e.g. ISO, CCGP)	Determine the Canadian Content Value of your product or service. This could be a key competitive advantage!
Visit CanadaBuys.Canada.ca regularly to see upcoming tenders and industry engagements	Talk to your Regional Development Agency (RDA) - let them know you are interested, take opportunities like this one to learn – ask questions
Visit the DND Defence Capabilities Blueprint webpage and browse by Key Industrial Capability (KICs) to identify projects that match your firm's capabilities	



PrairiesCan Defence Team Contact Information

Prairies Economic Development Canada (PrairiesCan)

PrairiesCan supports organizations by connecting western companies and research institutions to defence and security opportunities through the ITB Policy

For more information, visit PrairiesCan's website:
<https://www.prairiescan.gc.ca>

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Thank you.



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