



What is the State of Canadian Defence Spending?

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This study was commissioned by the Centre for Civic Engagement. The CCE is a non-partisan Canadian charity dedicated to conducting original research on public policy issues related to Canadian prosperity, productivity, and national flourishing. The CCE's research informs an active program of policy seminars, events, conferences, and lectures all aimed at providing the policy making community with actionable insights that encourage informed decision making on issues that matter to Canadians.

Introduction

The current state of Canada's military and defence spending has been the subject of international criticism and a source of growing isolation from key allies.¹ In a world of evolving geopolitical tensions and new and emerging threats, Canada's underinvestment in national defence represents a major vulnerability.

Canadian policymakers seem to increasingly understand this point. Last week, former Conservative defence minister Jason Kenney was critical of his past government for failing to boost defence spending.² However, while the recent federal budget earmarked incremental spending—though it was back-end loaded—Canada will still fall short of the NATO target of 2 percent of GDP.

One of the inherent challenges to policy thinking concerning Canadian defence policy and military spending is that, as previous Auditor General reports have noted, it's quite challenging to understand the state of defence spending due to various factors, including the Department of National Defence's unique accounting.

The purpose of this DeepDive is to situate trends with respect to defence spending in a historical context as well as to discuss the state of Canada's military capabilities and present some of the challenges that the Canadian government will face as it seeks to increase defence spending in an increasingly turbulent world.

¹ "Canada's miserly defence spending is increasingly embarrassing," *The Economist*, July 24, 2023, <https://www.economist.com/the-americas/2023/07/24/canadas-miserly-defence-spending-is-increasingly-embarrassing>; Stephanie Carvin and Thomas Juneau, "Why AUKUS and not CAUKUS? It's a Potluck, not a Party," *International Journal* 78, no.3 (2023): 359–374.

² Paul Wells, "Jason Kenny's mea culpa," podcast, *The Paul Wells Show*, 2024, <https://paulwells.substack.com/p/jason-kenneys-mea-culpa>.

What Is the 2-Percent Target?

Historically, Canada was a relatively large spender on national defence. After the end of the Korean War in the early 1950s, Canadian military expenditures peaked at over 7 percent of Gross Domestic Product (GDP) before steadily falling to roughly 2 percent of GDP in the 1980s.³

Things however began to change with two episodes of fiscal consolidation, first under the Chrétien government in the 1990s and then under Harper government in the 2000s. As a result, defence expenditures fell from 2.11 percent in 1986 to roughly 1 percent of GDP by 2014. At the same time, the size of the Canadian Armed Forces (CAF) was cut by 30 percent from 90,000 active troops in 1990 to 62,000 in 2005. The force size has remained mostly unchanged ever since.

However, 2014 wasn't just an important year for being a low point in post-WWII defence spending. It's also the year when NATO implemented its much-discussed 2 percent of GDP defence spending target, marking this as the starting point for our analysis.

The origin of the 2-percent target dates back to 2006 when the notion of a precise spending goal was first mentioned in a NATO document.⁴ Yet, a spending pledge would not be formalized until the 2014 NATO summit in Wales, which came on the heels of Russia's invasion of Crimea in the same year.

While the focus is often on the overall defence spending target, two spending commitments were actually made in the NATO Wales Summit Declaration.⁵ Specifically, NATO members pledged to spend both 2 percent of the GDP on defence while also ensuring that 20 percent of their defence budgets are spent on major new equipment purchases, including expenditures related to Research & Development. The overall goal of the two commitments was to ensure that all NATO allies recognized the need to:

reverse the trend of declining defence budgets, to make the most effective use of our funds and to further a more balanced sharing of costs and responsibilities. Our overall security and defence depend both on how much we spend and how we spend it. Increased investments should be directed towards meeting our capability priorities, and Allies also need to display the political will to provide required capabilities and deploy forces when they are needed.

³ Philippe Lagassé and Justin Massie, "Don't Count on Us: Canada's Military Unreadiness," *War on the Rocks*, April 11, 2024, <https://warontherocks.com/2024/04/dont-count-on-us-canadas-military-unreadiness/>.

⁴ Murray Brewster, "NATO's two per cent spending target — where it came from, what it means," *CBC*, April 21, 2023, <https://www.cbc.ca/news/politics/nato-military-spending-canada-trudeau-1.6817309>.

⁵ "Wales Summit Declaration," *North Atlantic Treaty Organization*, September 5, 2014, https://www.nato.int/cps/en/natohq/official_texts_112964.htm.

While the spirit of the NATO commitment was laudable and necessary, the notion of spending targets is not without criticism. The main criticism is that while the 2-percent target may be beneficial as a political rallying point, it's merely an input metric that tells us nothing about defence outputs like operational readiness, capabilities, tactics, strategy, and overall competency.⁶ Instead, critics argue that the alliance and its members should focus more on ensuring that there is adequate force planning, readiness, and fighting capability among alliance members.

A more recent criticism is that the 2-percent target itself is too low in an increasingly dangerous world. For example, Polish President Andrzej Duda has argued that NATO's spending target should be upped to 3 percent of GDP, given growing concerns about Russian attacks on NATO members.⁷ Likewise, last week, UK Defence Secretary Grant Shapps stated that the UK now thinks that the NATO target should be 2.5 percent of GDP.⁸

⁶ Kathleen J. McInnis and Daniel Fata, "2 Percent Defense Spending Is a Bad Target for NATO," *Foreign Policy*, June 10, 2022, <https://foreignpolicy.com/2022/06/10/2-percent-defense-spending-nato-budget-bad-target/>; Anthony H. Cordesman, *NATO "Burden Sharing": The Need for Strategy and Force Plans, Note Meaningless Percentage Goals*, (Washington D.C.: Center for Strategic International Studies, 2018), http://csis-website-prod.s3.amazonaws.com/s3fs-public/publication/180816_NATO_Burden_Sharing_O.pdf

⁷ Karen Gilchrist, "'Alarm bells are ringing': Poland's president says NATO must urgently ramp up defense spending," *CNBC*, March 19, 2024, <https://www.cnn.com/2024/03/19/russia-ukraine-poland-says-nato-must-urgently-ramp-spending.html#:~:text=Polish%20President%20Andrzej%20Duda%20said,alliance%20within%20the%20coming%20years>.

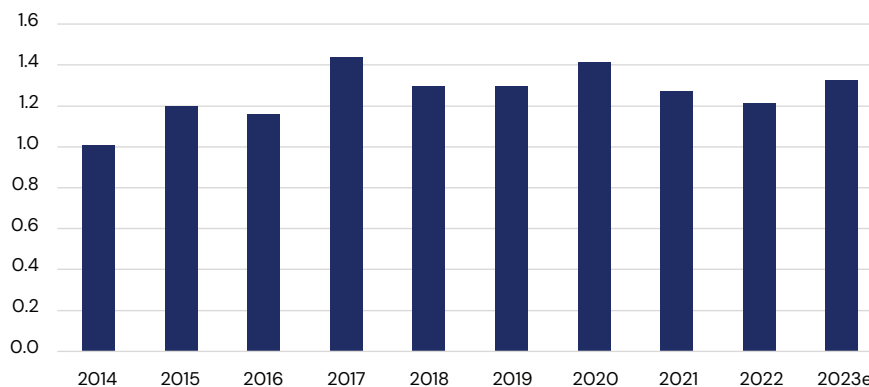
⁸ Noah Keate, "UK wants NATO defense target upped to 2.5 percent," *Politico*, April 24, 2024, <https://www.politico.eu/article/uk-wants-nato-defense-target-2-5-percent-shapps-sunak/>.

How Much Does Canada Spend on Defence?

Although the NATO spending pledges are not without controversy, they are, nevertheless, what alliance members agreed to and thus serve as a baseline for spending analysis. The question then is, how does Canada stack up?

Figure 1 displays Canadian defence spending from 2014 to 2023 using figures directly from NATO.⁹ Across this period, Canadian defence spending has risen from 1 percent of GDP in 2014 to 1.3 percent by 2023. In real dollar terms (2015 constant prices), Canadian defence spending rose from \$19.9 billion in 2014 to \$29.9 billion in 2023. Some of the increased spending, however, needs to be taken with caution. Early in this period, NATO revised its definition of defence spending, making it more flexible to include spending items that were not previously allowed, such as veterans' pensions and benefits.¹⁰ These definitional changes partly explain the increase in Canada's absolute spending.

Figure 1: Canadian Defence Spending as Share of GDP, 2014 to 2023



Note: Figures for 2023 are estimates

Source: https://www.nato.int/cps/en/natohq/news_223304.htm

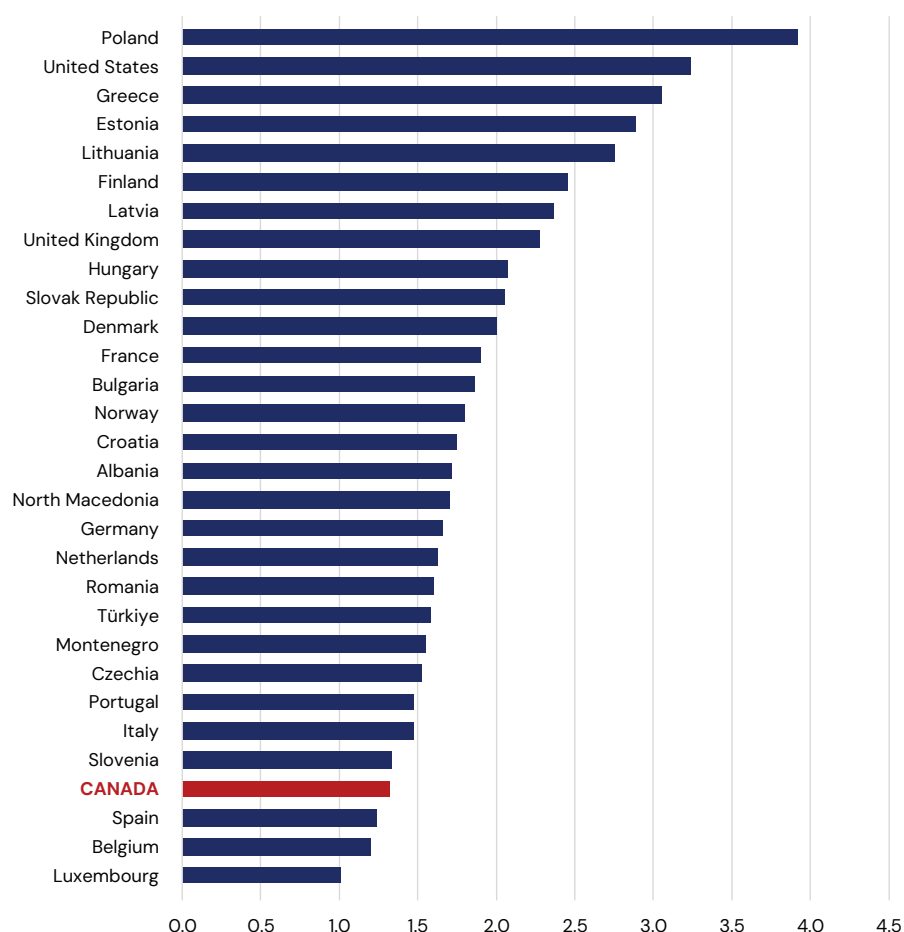
How does Canada compare to the rest of the NATO membership on defence spending relative to the size of their economies? As **Figure 2** shows, quite poorly. Out of 30 NATO members for which there is data (Iceland and Sweden are not included in the NATO spending figures), Canada ranks the fourth lowest in terms of defence spending relative to the size of its economy, only ahead of Spain, Belgium, and Luxembourg. Based on the 2023 estimates, only 11 NATO members were meeting the 2-percent target. However, this is quickly changing, and it could mean that Canada will look even more like a laggard relative to alliance membership. In February 2024, NATO Secretary General Jens Stoltenberg reported that 18 alliance members, more than half, were on track to meet the 2- percent threshold by the end of the year, representing a six-fold increase since 2014.¹¹

⁹ "Defence Expenditures of NATO Countries (2014–2023)," *North Atlantic Treaty Organization*, last modified July 7, 2023, https://www.nato.int/cps/en/natohq/news_216897.htm.

¹⁰ Christopher E. Penney, *Canada's Military Expenditure and the NATO 2% Spending Target*, (Ottawa: Office of the Parliamentary Budget Officer, 2022), <https://distribution-a617274656661637473.pbo-dpb.ca/2e61c150ee17ee7fc0594b3c01632c13ffb4dcb4d848b9f259a81a318d997a3c>.

¹¹ Stuart Lau, "More than half of NATO countries hit defense spending target," *Politico*, February 14, 2024, <https://www.politico.eu/article/more-than-half-of-nato-countries-hit-defense-spending-target/>

Figure 2: NATO Real Defence Expenditures, 2023 (% of GDP)

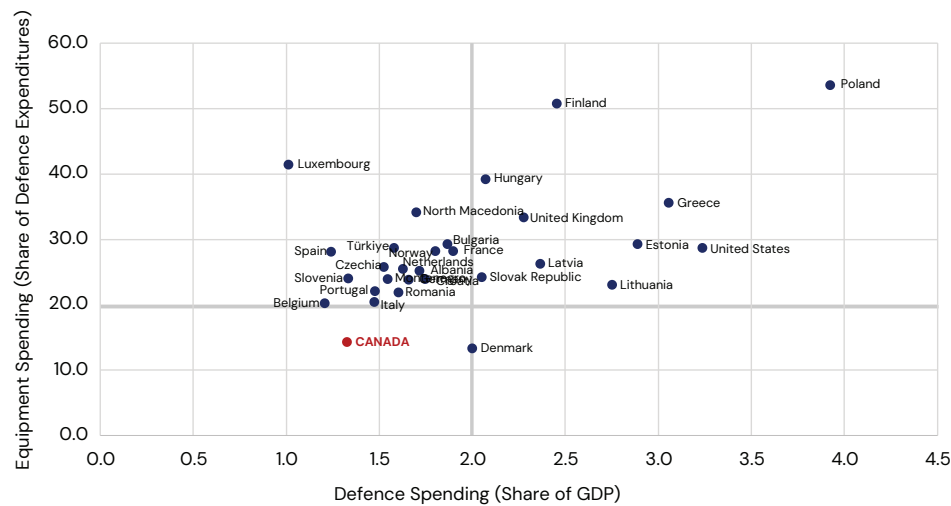


Source: https://www.nato.int/cps/en/natohq/news_223304.htm

Canada's performance is even worse if one considers both the 2 percent spending target in conjunction with the 20 percent of defence expenditures going to new equipment target. As can be seen in **Figure 3**, Canada is in the unenviable position of being the *only* NATO member in 2023 to neither meet its 2 percent overall defence spending target nor the 20 percent equipment spending target. Ten members currently meet both. It should be noted that NATO lacks a formal accountability mechanism to ensure that members meet the targets. Informally states can suffer reputational costs and the recipients of naming and shaming exercises by other alliance members if they don't meet the targets. For example, in February 2024, NATO Secretary-General Jens Stoltenberg admonished Canada for not meeting the targets stating, "I expect Canada to deliver on the pledge to invest two per cent of GDP on defence, because this is a promise we all made."¹²

¹² Spencer Van Dyk, "NATO secretary-general expects Canada to give timeline to meet defence spending target," *CTV News*, February 20, 2024, <https://www.ctvnews.ca/politics/nato-secretary-general-expects-canada-to-give-timeline-to-meet-defence-spending-target-1.6776386>

Figure 3: NATO Total and Equipment Spending, 2023



Source: https://www.nato.int/cps/en/natohq/news_223304.htm

The fact that Canada is the only member of the alliance to not meet either spending target represents both a threat to its international reputation as well as its own defence and security. It prompts the obvious question: what would it have taken for Canada to at least make the 2 percent of GDP defence spending pledge every year since 2014?

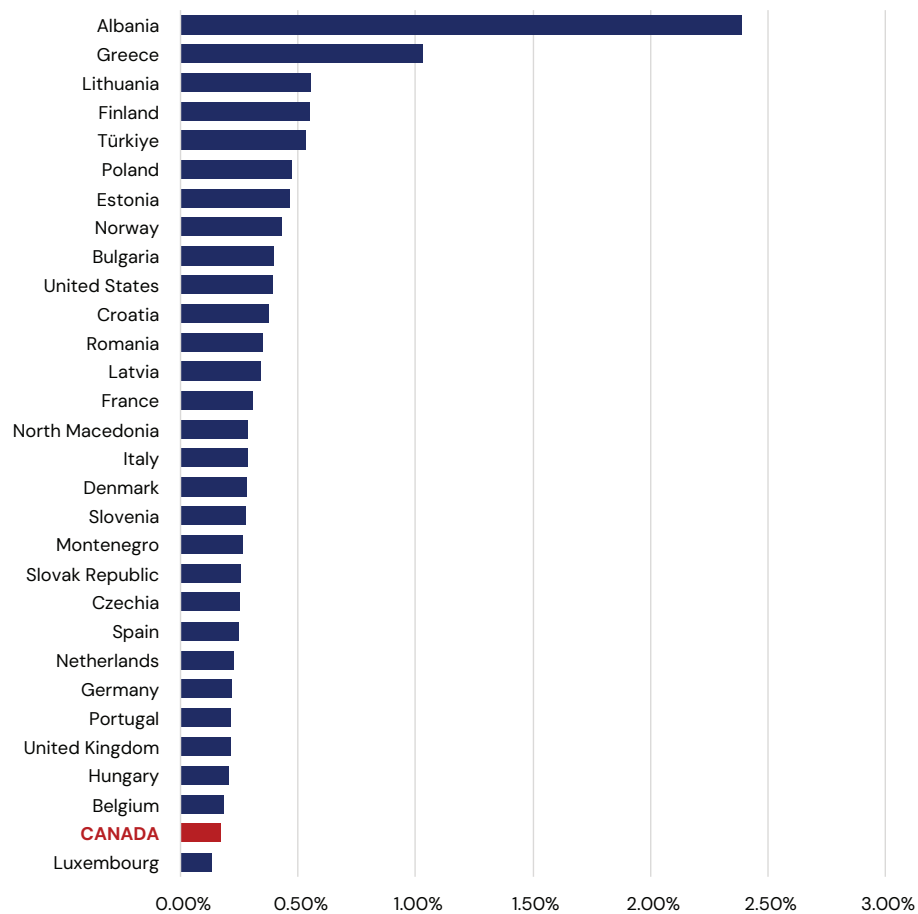
Using Canada's defence spending levels and estimates of Canadian real GDP, we estimate that the cumulative real value of Canada's NATO spending gap from 2014 to 2022 is approximately \$150 billion (in 2017 dollars). That is to say, real spending on defence would have needed to be \$150 billion higher in total between 2014 and 2022 to meet Canada's NATO spending pledges in each year, or approximately \$16.7 billion each year on average. To put this into perspective, based on the Parliamentary Budget Office's Ready Reckoner tool, which provides estimates of revenue impacts of tax changes, a 1.5-percentage point increase to the GST produces an additional \$15 billion in incremental revenues each year, less than what would be required to fund the average annual increase in real defence spending.¹³

¹³ "Ready Reckoner," Office of the Parliamentary Budget Officer, last updated July 2023, <https://www.pbo-dpb.ca/en/research--recherches/tools--outils/ready-reckoner--simulateur-budgetaire/index>

From Spending to Operational Issues

Canada's defence spending woes are increasingly manifesting as operational issues. Consider first the total size of the CAF. According to estimates provided to NATO, Canada's armed personnel stood at just shy of 67,000 in 2023, making it the 10th largest force among NATO members.¹⁴ However, things look different if you consider force size relative to population. **Figure 4** presents these estimates. Here we use 2022 military personnel figures to match with the most recent population data available for each member from the World Bank.¹⁵ When looking at military personnel as a share of the total population, Canada ranks second last.

Figure 4: Military Personnel as Share of Total Population, 2022



Source: https://www.nato.int/cps/en/natohq/news_223304.htm

¹⁴ "Defence Expenditures of NATO Countries (2014–2023)," *North Atlantic Treaty Organization*, last modified July 7, 2023, https://www.nato.int/cps/en/natohq/news_216897.htm.

¹⁵ "Population, total," *The World Bank*, n.d., <https://data.worldbank.org/indicator/SP.POP.TOTL>.

Indeed, not only is the size of Canada's armed forces small when scaled by population size compared to other NATO members, but internal documents from the Department of National Defence (DND) are also starting to raise concerns. For example, 2023 documents obtained by the CBC stated that the CAF were short 15,780 members when considering both regular and reserve forces relative to their targets.¹⁶

More troubling in those documents was the internal assessment of equipment readiness. Regarding the navy's frigates, submarines, arctic and offshore patrol ships, and maritime coastal defence vessels, 54 percent were deemed not serviceable, meaning that they were in no state to deploy. For the airforce's fighters, maritime aviation, search and rescue, tactical aviation, and transport aircraft, 55 percent were not serviceable. Finally, in the case of the army's armoured fighting vehicles, artillery, combat support vehicles, logistics equipment, combat support vehicles, and logistics equipment, 46 percent were not serviceable.

The report noted that the biggest challenge to having equipment serviced and ready to deploy is personnel, in addition to older equipment being more difficult to maintain. As *The Hub's* defence expert Richard Shimooka has written: "[Recent funding announcements] are being layered onto a military that has haemorrhaged much of its key personnel. Many individuals, who are already overtasked, rightly wonder who will be there to integrate, operate, or sustain these new capabilities."¹⁷

To begin to address some of Canada's defence spending and operational issues, the Trudeau government has pledged to increase defence spending through its 2024 budget and Canada's recently released defence policy update titled *Our North, Strong and Free*, Canada's first defence policy update since 2017's *Strong, Secure, Engaged*.¹⁸

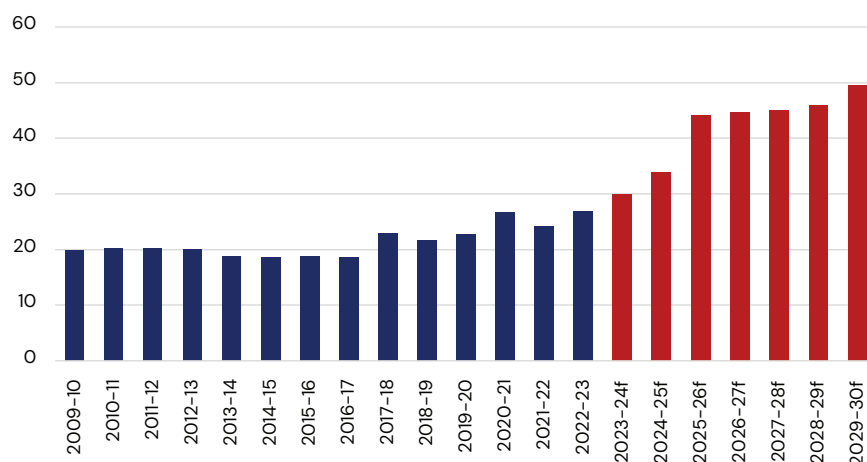
Beginning with the 2024 Budget, the government plans to increase spending directly for DND from \$26.9 billion in 2022–23 to \$49.5 billion in 2029–30 (see **Figure 5**). This increase in defence spending includes commitments like \$30 billion over 20 years for NORAD modernization and \$11.5 billion over 20 years for Canada's contribution to increasing NATO's common budget and establishing a new regional office in Halifax for NATO's Defence Innovation Accelerator for the North Atlantic. It should be noted that using the nominal GDP projections in the budget, the 2028–29 spending of \$46 billion is estimated to be about 1.3 percent of Canada's projected GDP in 2028. This demonstrates the degree to which meeting NATO targets will need to either come from increases in DND's budget or defence-related spending in other ministries.

¹⁶ Murray Brewster, "State of Canadian Armed Forces' combat readiness growing worse, government report warns," *CBC*, March 7, 2024, <https://www.cbc.ca/amp/1.7135390>.

¹⁷ Richard Shimooka, "If you care about Canada's security, 2023 was a year of substantial disappointment," *The Hub*, December 21, 2023, <https://thehub.ca/2023-12-21/richard-shimooka-if-you-care-about-canadas-security-2023-was-a-year-of-substantial-disappointment/>.

¹⁸ Finance Canada, *Budget 2024*, (Ottawa: Government of Canada, 2024), <https://budget.canada.ca/2024/home-accueil-en.html>; Department of National Defence, *Our North, Strong and Free: A Renewed Vision for Canada's Defence*, (Ottawa: Government of Canada, 2024), <https://www.canada.ca/en/department-national-defence/corporate/reports-publications/north-strong-free-2024.html>.

**Figure 5: Department of Defence Spending, 2009-10 to 2029-30
(Billions of Dollars, Cash Basis)**



Note: f denotes forecasted figures
Source: <https://budget.canada.ca/2024/home-accueil-en.html>

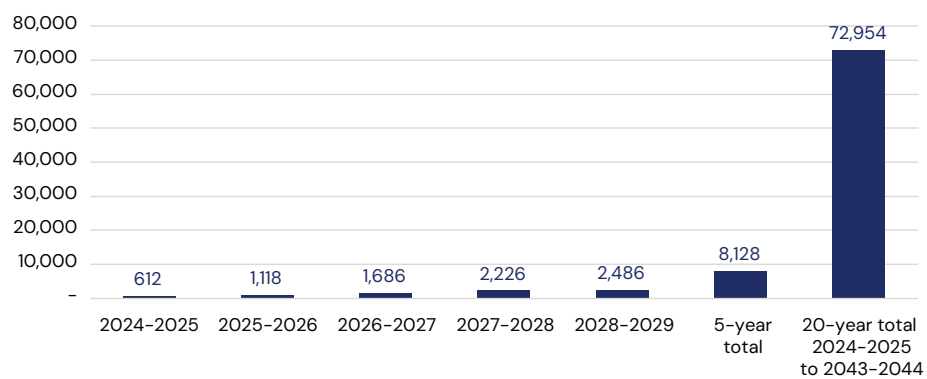
The government's recently released defence policy similarly doesn't include a plan to meet NATO targets. Indeed, the government is only projecting to spend 1.76 percent of GDP by 2029-30 while indicating that it will meet the 20 percent equipment spending target.

More specifically, the recent defence policy update commits to investing \$8.1 billion over the next five years and \$73 billion over the next 20 years to Canadian defence. While several of the initiatives in the defence policy update are laudable, including efforts to increase recruitment and retention, as well as crucial investments in new equipment, a few things stand out. First, the 1.76 percent of GDP figure is difficult to verify based on what is in the defence policy and the 2024 budget. For example, while the government provides a fact sheet attempting to explain the 1.76 percent figure, roughly 15 percent of Canadian defence spending in 2029-30 is expected to come from other government departments.¹⁹ Yet, it is unclear which departments and which programs are included. The government would do well to be clearer and more transparent about how Canada is planning to get there by the decade's end. Second, most of the planned spending is in the out years, despite Defence Minister Bill Blair stating in early March that Canada's armed forces are in "a death spiral" when it comes to recruitment.²⁰ Only \$612 million in incremental spending is earmarked for the 2024-25 fiscal year, with an additional \$1.1 billion coming in the following year. The majority of the incremental \$8.1 billion announced in the defence policy update is not expected to be spent until later years. In addition, of the nearly \$73 billion that is to be spent on defence over the next 20 years, only 11 percent is planned to be spent in the next five years. Given the severe concerns about the diminished size of the CAF and its operational readiness raised above, the investments in this plan appear inadequate to make a significant difference in the near term.

¹⁹ *Ibid.*

²⁰ Aaron D'Andrea, "Canada's military facing 'death spiral' on recruitment, minister says," *Global News*, March 7, 2024, <https://globalnews.ca/news/10341588/canadian-forces-recruitment-death-spiral/>.

**Figure 6: Gross New Funding in 2024 Defence Policy Update
(Millions of Dollars, Accrual Basis)**



Source: <https://www.canada.ca/en/departement-national-defence/corporate/reports-publications/north-strong-free-2024.html>

Challenges to Increasing Defence Spending

Unfortunately, there are also reasons to question whether the projected increases in defence spending will occur as planned, particularly when focusing on major equipment purchases. It is one thing to earmark spending increases in government spending documents, but it's another to ensure that there is adequate state capacity to turn those investments into the personnel and equipment that Canada's armed forces desperately need.

Consider the reaction from seasoned defence policy officials when shown the equipment readiness figures by the CBC's Murry Brewster. Canada's former ambassador to NATO, Kerry Buck, responded that she was "shocked but not surprised" by the figures.²¹ She added that the report should "set off alarm bells" and that "[i]t means that Canada's falling further down the rank of allies. It means that the gap is growing between our international commitments and our capacity...[i]t impacts our credibility at NATO for sure, but it impacts our security interests, too. It's in our security interest to be a credible contributor to NATO."

Consider the reaction as well from former commander of the navy, vice-admiral Mark Norman, who said that Canada's defence spending woes and atrophied armed forces were an outcome that was "decades in the making."²² The additional analysis from Norman is insightful of the problems that could plague future efforts to address our spending and capability gaps. As Brewster reported:

The bureaucratic and political culture in Ottawa, he said, defaults to "risk managing" and avoiding problems rather than confronting them. The approach within DND, he said, has been to assume that things are not that bad and some level of risk can be accepted for a few years. "This perpetual risk management approach is so dangerous because it pushed off problems until it's somebody else's problem," said Norman. "Well, guess what? It's 2024 now, and most of those problems are now here, and they're literally kicking us in the face."

A lot has been written on the reasons behind Canada's successive defence procurement fiascos. These include a lack of accountability, partisan politics that intervenes to ensure defence spending results in partisan "wins," problems with institutional design in the procurement system, misalignment between project costs and defence policy objectives, and bureaucratic politics that sees different ministries and armed forces branches pitted against each other, often with misaligned incentives.²³

²¹ Brewster, "State of Canadian Armed Forces' combat readiness growing worse, government report warns."

²² *Ibid.*

²³ Jeffrey F. Collins, *Canada's Defence Procurement Woes*, (Cham, Switzerland: Palgrave Macmillan, 2024); Douglas Dempster, "Capability Acquisition and Canadian Defence Policy: Programme Achievability and Resilience?," in *Canada Defence Policy in Theory and Practice*, eds. Thomas Juneau, Philippe Lagassé and Srdjan Vucetic (Cham, Switzerland: Palgrave Macmillan, 2020), 331–350; Philippe Lagassé, "Defence Policy and Procurement Costs: The Case for Pessimism Bias," in *Canada Defence Policy in Theory and Practice, Volume 2*, eds. Thomas Juneau and Philippe Lagassé (Cham, Switzerland: Palgrave Macmillan, 2023), 133–150.

The situation has gotten so dire that a 2019 Senate report revealed that based on DND's own analysis, procurement times had reached 16 and a half years by 2010–11, which was 66 percent greater than in 2004.²⁴ Unfortunately, several recent reports from Canada's Auditor General give little reassurance that much has changed, finding that several recent initiatives were delayed, over budget, and not meeting timelines (see **Box 1**). With the state of CAF and Canada's international commitments in peril, long procurement times mean that the Canadian military will not have the personnel and equipment needed for the threats they face for decades to come. Despite Canada's poor record in meeting its NATO commitments, the situation could get worse in the short term if planned investments are not realized in a timely manner.

Box 1: Findings from Recent Auditor General Reports

National Shipbuilding Strategy (2021)²⁵

- "Overall, we found that during the audit period, the National Shipbuilding Strategy was slow to deliver the combat and non-combat ships that Canada needs to meet its domestic and international obligations. The delivery of many ships was significantly delayed, and further delays could result in several vessels being retired before new vessels are operational. National Defence and the Canadian Coast Guard have implemented measures to maintain their operational capabilities until new ships are delivered, but interim capabilities are limited and cannot be extended indefinitely."

Supplying the Canadian Armed Forces (2020)²⁶

- "Overall, we found that poor supply chain management often prevented National Defence from supplying the Canadian Armed Forces with materiel when it was needed. The military received materiel such as spare parts, uniforms, and rations later than the requested date half the time. Delays were frequently due to stock shortages. When stock is unavailable, materiel needs to be located elsewhere and transported to the right location, requiring additional steps in the supply chain and delaying deliveries. We found that a third of some 1 million requests were rerouted. Rerouted requests resulted in increased use of commercial transportation, which is often more costly than other options."
- "We also found that a large portion of the high-priority materiel requests were submitted as high priority without justification. Unjustified priority requests put an excessive burden on the supply chain and incur extra costs. National Defence did not have performance indicators to measure whether materiel was stocked at the right warehouses, or whether warehouses had sufficient stock to meet the needs of the military bases and units they were tasked with supporting. These weaknesses create uncertainties and delays in the supply chain, which prevent National Defence from making the most efficient use of its resources to supply the Canadian Armed Forces."

²⁴ The Standing Senate Committee on National Finance, *First Interim Report on Defence Procurement: Summary of Evidence*, (Ottawa: Government of Canada, 2019), https://sencanada.ca/content/sen/committee/421/NFFN/reports/Defence_Procurement__Web_e.pdf.

²⁵ Auditor General of Canada, *Report 2—National Shipbuilding Strategy*, (Ottawa: Office of the Auditor General, 2021), https://www.oag-bvg.gc.ca/internet/English/parl_oag_202102_02_e_43748.html.

²⁶ Auditor General of Canada, *Report 3—Supplying the Canadian Armed Forces—National Defence*, (Ottawa: Office of the Auditor General, 2020), https://www.oag-bvg.gc.ca/internet/English/parl_oag_202007_03_e_43574.html.

Operating and Maintenance Support for Military Equipment (2016)²⁷

- “Overall, for the selected equipment we examined, we found that National Defence did not adequately manage support in a cost-effective manner and paid for a higher level of service than it used. National Defence had made some initial planning assumptions that overestimated equipment use, underestimated support costs, and under-resourced personnel requirements. These assumptions led to higher costs and reduced equipment availability for training and operations. However, National Defence has taken some steps to make improvements, such as renegotiating an equipment support contract to improve its value for money.”

A separate yet related issue is the complexity of DND's own budgeting. It's an opaque combination of cash and accrual budgeting that has made it virtually impossible for Canadians and even most Canadian policymakers to understand. The adoption of accrual budgeting and accounting has been described by defence policy expert David Perry as “making it essentially impossible to compare actual defence capital expenditures against budgetary plans using public documents.”²⁸ We noted something similar above when we questioned the opacity of how the government would meet its stated plan to increase defence spending to 1.76 percent of GDP by the end of the decade, which was not clear from the available information. Moreover, the defence budgeting does not always allow fund to be carried forward if unspent, rather the funding is lost and returned to the Treasury. In addition, accrual accounting doesn't completely account for inflation, so that when there are project delays, as is frequently the case in Canadian defence procurement, purchasing power of funds diminishes.

This last point is something that was highlighted by the Parliamentary Budget Officer (PBO) in their 2024 analysis of capital spending for the previous defence plan, *Strong, Secure, Engaged*.²⁹ The PBO raised concerns that spending in later years, potentially related to project delays, is influenced by greater discounting from inflation, which is added to by general increases in defence procurement inflation. In the same report, the PBO also raised concerns that the government may struggle to manage increased procurement activity, that could result in delays, and this was before the new defence strategy added \$8.1 billion in spending over the next 5 years.

Even the government's last defence policy review conceded this problem, stating the following:

...different parts of the defence budget were managed according to differing, complicated and sometimes arbitrary rules. This made it challenging to spend all of the resources provided to National Defence and even more difficult to manage the funding associated with complex, multi-year projects with long lead times. Not only did this prove challenging for National Defence, but the management and expenditure of the defence budget was difficult to explain to Canadians and Parliamentarians.³⁰

As the government seeks to update Canada's defence policy, more budgeting transparency is something that should be acted on.

²⁷ Auditor General of Canada, *Report 7—Operating and Maintenance Support for Military Equipment—National Defence*, (Ottawa: Office of the Auditor General, 2016), https://www.oag-bvg.gc.ca/internet/English/parl_oag_201611_07_e_41836.html.

²⁸ Dave Perry, *A Primer on Recent Canadian Defence Budgeting Trends and Implications*, (Calgary: School of Public Policy, 2015), <https://www.policyschool.ca/wp-content/uploads/2016/03/canadian-defence-budgeting-perry.pdf>.

²⁹ Albert Kho and Christopher Penney, *Planned Capital Spending under Canada's Defence Policy: 2024 Update*, (Ottawa: Office of the Parliamentary Budget Officer, 2024), <https://distribution-a617274656661637473.pbo-dpb.ca/8605cd9a403c2ce58502a9134a356cadf28632becc316a61a7b6f267f603b608>.

³⁰ Department of National Defence, *Strong, Secure, Engaged: Canada's Defence Policy*, (Ottawa: Government of Canada, 2017), <https://www.canada.ca/en/department-national-defence/corporate/policies-standards/canada-defence-policy.html>.

Key Takeaways

One of the barriers to addressing the challenges of low defence spending and personnel and equipment issues within the CAF is that, in the past, Canadian voters placed little political value on seeing these issues solved. Successive governments have responded to the lack of political incentives for change with ambivalence towards defence policy. However, the politics of defence policy may be changing. According to polling from Angus Reid in March 2024, a majority of Canadians (53 percent) favour either increasing defence spending to meet our NATO commitments or going beyond them.³¹ This compares to only 43 percent holding those views in November 2019. Likewise, 29 percent of Canadians feel that focusing on military preparedness and presence on the world stage should be our top foreign affairs priority, compared to only 12 percent in 2015.

As we highlighted above, Canada currently does not meet its spending targets, and the CAF is in dire need of new personnel and equipment. Despite new spending promises, Canada will still not meet its spending targets by the decade's end, and there will also likely be several headwinds to realizing those spending goals. However, given the shifting priorities among Canadian voters, it may be time for Canada to work towards ensuring that it meets its international commitments and address the internal challenges that will stand in the way of realizing those goals.

³¹ "Canadians prioritise importance of military readiness," *Angus Reid Institute*, March 5, 2024, <https://www.angusreid.com/intelligence/canadians-prioritise-importance-of-military-readiness/>.

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