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Planned Capital Spending under Canada's Defence Policy: 2025 Update



OFFICE OF THE PARLIAMENTARY BUDGET OFFICER
BUREAU DU DIRECTEUR PARLEMENTAIRE DU BUDGET

The Parliamentary Budget Officer (PBO) supports Parliament by providing economic and financial analysis for the purposes of raising the quality of parliamentary debate and promoting greater budget transparency and accountability.

This report analyzes planned capital spending by the Department of National Defence under Canada's defence policy, Our North, Strong and Free, with updates current to June 2025.

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Highlights

With the April 2024 release of *Our North, Strong and Free: A Renewed Vision for Canada's Defence*, the Department of National Defence (DND) established a new 20-year planning horizon for capital spending from 2024-25 to 2043-44. The total capital envelope for this period is estimated to be \$322.9 billion, with annual spending projected to peak at \$25.7 billion in 2030-31.

The increase in planned capital spending reflects the addition of new projects as well as revisions to existing projects under the updated defence policy. The Government's commitments to meet North Atlantic Treaty Organization spending targets contributes to this increase, though this report does not assess the capital plan relative to those targets.

Preliminary figures indicate capital expenditures of approximately \$10.6 billion in 2024-25, suggesting that DND has started to increase spending toward planned levels. For 2025-26, total authorities requested under Vote 5 remain below planned capital spending, indicating that additional authorities may be required.

Over the period 2017-18 to 2023-24, actual capital spending fell short of planned amounts by a total of \$18.5 billion.

Summary

The Parliamentary Budget Officer (PBO) has tracked the Department of National Defence's (DND's) planned and actual capital expenditures since 2018. This report presents findings from an updated accounting of all capital projects provided to the PBO by DND as of June 2025.

Under the new plan, [Our North, Strong and Free: A Renewed Vision for Canada's Defence](#) (ONSAF), DND's projected capital spending totals \$322.9 billion (on a cash basis) over the 20-year period 2024-25 to 2043-44. Relative to our [2024 report](#), this represents an increase of \$108.1 billion from \$214.8 billion in the previous planning period under Strong, Secure, Engaged (SSE) which covered 2017-18 to 2036-37. Annual capital spending is projected to peak at \$25.7 billion in 2030-31 and exceed \$10 billion every year except 2043-44. That said, future defence spending plans will likely increase expenditures in the later years of the planning horizon. Overall, the updated plan outlines higher defence capital spending than in any comparable period in recent decades.

New spending reflects the inclusion of additional projects under Canada's updated defence policy as well as adjustments to existing projects. The Government's commitments to meet North Atlantic Treaty Organization (NATO) spending targets contributes to this increase, though this report does not assess the capital plan relative to those targets.

Previous PBO analyses of DND's capital spending plans have shown that actual expenditures have consistently fallen short of projected amounts, resulting in the re-profiling of significant funding to later years. Under Strong, Secure, Engaged, Canada's previous defence policy, the total shortfall as compared to initial projections totalled \$18.5 billion over 2017-18 to 2023-24. Our analysis of DND's new capital plan indicates a continuation of this pattern.

Increased spending in the later years of the planning horizon is subject to greater discounting from inflation and is further compounded by expected increases in defence procurement inflation as identified in [previous PBO reports](#).

Background

In April 2024, the Department of National Defence (DND) released [Our North, Strong and Free: A Renewed Vision for Canada's Defence](#) (ONSAF), the latest update to Canada's defence policy. The policy introduced additional spending on a cash basis beyond the previous framework, [Strong, Secure, Engaged](#) (SSE). Each successive policy update established a revised capital spending profile; under ONSAF, DND set out a new 20-year planning horizon from 2024-25 to 2043-44.

DND manages capital expenditures through the Capital Investment Fund (CIF). PBO has tracked DND's planned and actual capital spending since 2018 using regular CIF updates. This report presents findings from the most recent accounting of all capital projects provided to the PBO by DND in June 2025.

Our analysis incorporates all measures introduced in ONSAF along with additional measures announced subsequently. Since the policy's release, the Government has also committed to meet the NATO spending target of 5 per cent of gross domestic product (GDP) by 2035, comprising 3.5 per cent for core defence activities and 1.5 per cent for related security and resilience measures. Given the timing of DND's data releases, [some measures](#) required to meet this new target may not be reflected in the June 2025 CIF submission. This report does not assess the capital plan relative to the NATO targets.

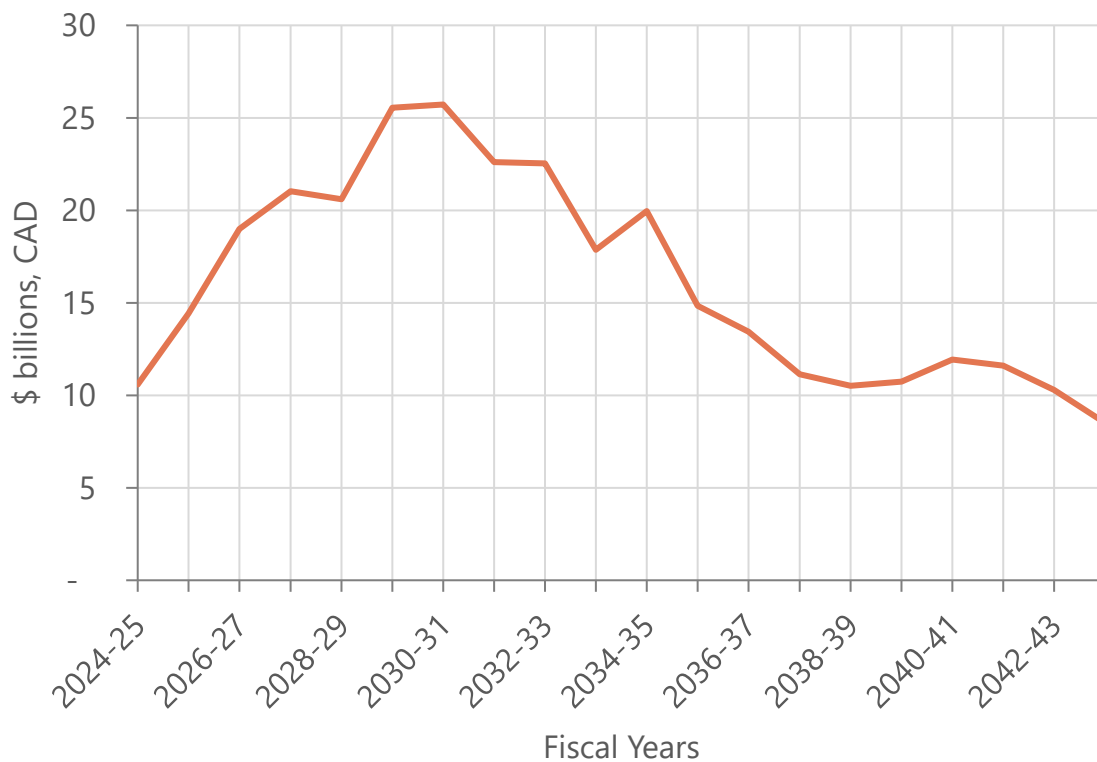
Changes to the CIF are part of DND's normal course of operations and are expected to continue as Canada adjusts its plans to meet NATO targets. The CIF data reviewed in this report does not include items related to the Canadian Coast Guard following its transfer to DND under [Order in Council of September 2, 2025](#). We will continue to monitor and report on future updates to DND's capital spending plans.

Results

As of June 2025, DND's planned capital spending on a cash basis totals an estimated \$322.9 billion over the 20-year period 2024-25 to 2043-44 (Figure 1). Relative to our [2024 report](#), this represents an increase of \$108.1 billion from \$214.8 billion in the previous planning period under SSE which covered 2017-18 to 2036-37. The increase reflects the addition of new projects under Canada's updated defence policy as well as revisions to existing projects. Annual capital expenditure is projected to peak at \$25.7 billion in 2030-31 and exceed \$10 billion every year except 2043-44. That said, future defence spending plans will likely increase expenditures in the later years of the planning horizon. Overall, the updated plan outlines higher defence capital spending than in any comparable period in recent decades.

Figure 1

DND 20-year planned capital spending (cash basis), billions of dollars



Source:

Department of National Defence and Office of the Parliamentary Budget Officer.

Patterns in past and projected capital spending

PBO has tracked DND's capital expenditures since 2018. Regular updates from DND since 2018 provide a consistent basis for assessing changes in the Department's capital spending plans over time. All figures in this report are presented on a cash basis, consistent with how Parliament appropriates funds to the Government.

Our analysis of DND's recent capital spending history reveals two key observations.

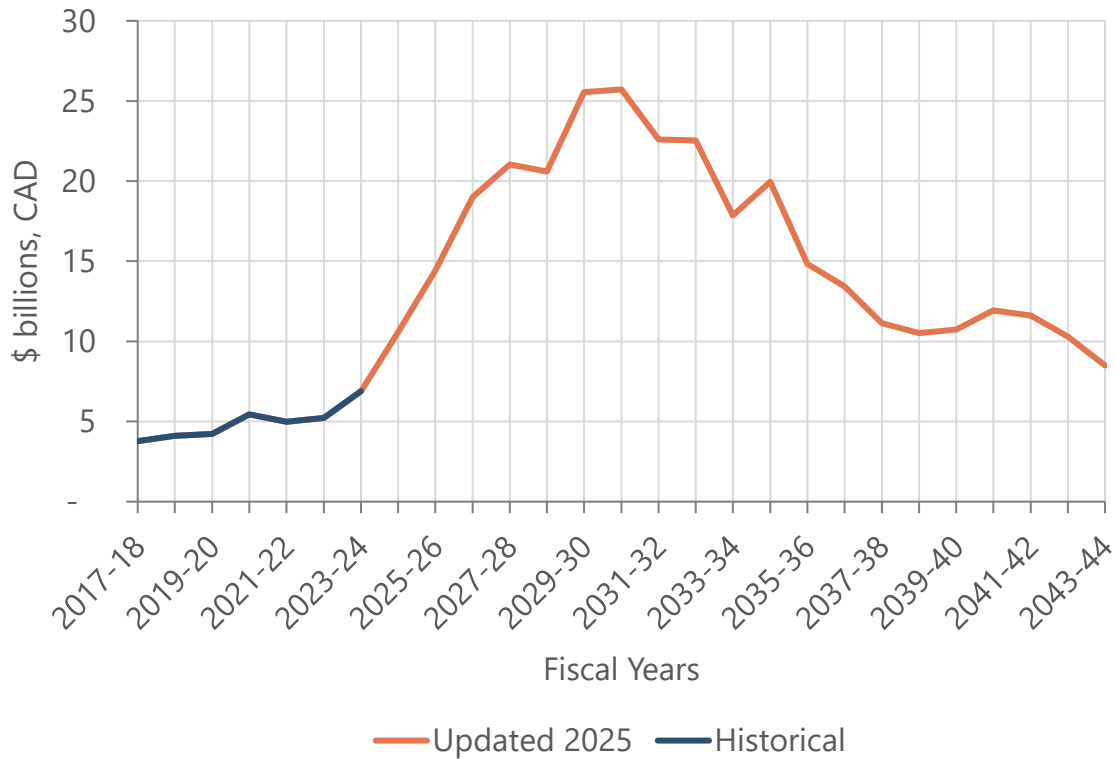
DND is planning to spend more than ever before

Over the period 2017-18 to 2023-24, DND's annual capital spending through the Capital Investment Fund (CIF) ranged from \$3.8 billion to \$6.9 billion.¹ Under the current plan, annual spending is projected to exceed \$10 billion every year except 2043-44. This represents a marked and sustained increase in planned capital outlays (Figure 2).

The scale of the planned increase raises questions about the Government's capacity to manage a higher volume of procurement activity and the domestic defence industry's ability to support it over an extended period. It may also result in additional pressure on operating expenditures associated with the management of new and ongoing capital projects.

Figure 2

DND planned and historical capital spending (cash basis), billions of dollars



Source:

Department of National Defence and Office of the Parliamentary Budget Officer.

DND has consistently underspent relative to previous capital spending plans

Under Canada's previous defence policy, Strong, Secure, Engaged, there was a cumulative shortfall of \$18.5 billion between planned and actual capital spending over 2017-18 to 2023-24. On an annual basis, the gap ranged from \$1.4 billion to \$4.2 billion, averaging \$2.6 billion (or approximately 35 per cent) in unspent funds relative to the initial projection. Table 1 presents the gap between planned and actual cash expenditures in both absolute and percentage terms.

Table 1**Expenditure gap between initial projection and actual spending**

Fiscal Year	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	Total
Billions of dollars	2.9	2.6	1.4	2.0	2.7	2.7	4.2	18.5
% of initial projection	44%	39%	25%	27%	35%	34%	38%	35%

Source:

Department of National Defence Office of the Parliamentary Budget Officer.

Appropriation concerns

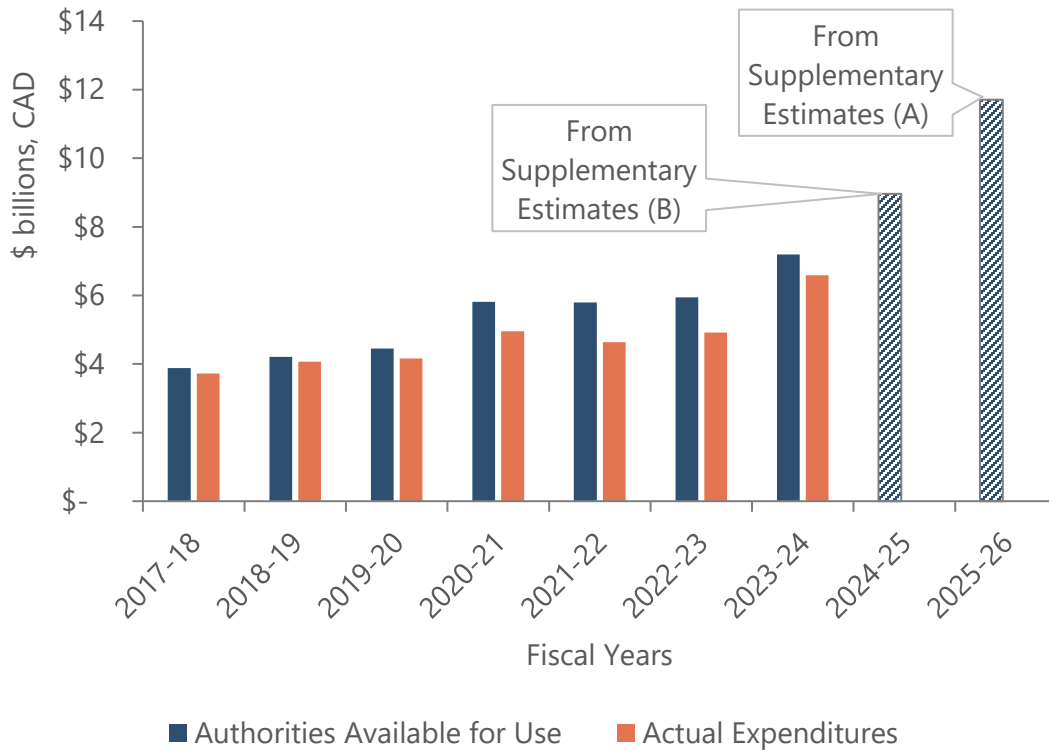
All DND capital expenditures require annual approval by Parliament under Vote 5 of the Estimates.² DND requests Vote 5 authorities through the Estimates process, and their final disposition is reported in the Public Accounts of Canada.

Actual capital expenditures under the CIF and authorities approved under Vote 5 are closely linked.³ Spending less than the amount requested, referred to as “lapsed” spending, is a regular occurrence across government departments, including DND. Lapses do not necessarily reduce long-term planned spending—DND has previously acknowledged the need to reprofile capital funding from time to time to account for changes in project scope, schedule delays, or revised cost estimates.⁴

Figure 3 presents DND's total approved authorities under Vote 5 and actual expenditures. Amounts for 2024-25 reflect all Estimates approved by Parliament, while 2025-26 includes the Main Estimates and Supplementary Estimates (A).

Figure 3

DND Vote 5 authorities: available versus actual expenditures, billions of dollars



Source:

Public Accounts of Canada and Office of the Parliamentary Budget Officer.

Note:

Amounts for 2024-25 and 2025-26 are estimated based on the latest respective Estimates document available in each fiscal year (that is, Supplementary Estimates (B) for 2024-25 and Supplementary Estimates (A) for 2025-26).

DND's latest capital spending plan includes expenditures of \$10.6 billion in 2024-25. While these figures remain subject to revision, they suggest that capital spending is increasing in line with DND's stated plans. This amount contrasts with the \$9 billion in total authorities requested under Vote 5, which would be insufficient to support the planned level of capital spending reported in the CIF. Final expenditure amounts, to be published in Canada's 2025 Public Accounts, will provide further clarification.

For 2025-26, DND has requested \$11.7 billion in total authorities requested under Vote 5, again below the \$14.4 billion in planned capital spending outlined in the CIF. Additional authorities would therefore need to be sought through Supplementary Estimates (B) and (C) to fully align with the Department's planned expenditures.

Notes

¹ Historical amounts may vary between updates for several reasons. However, the Public Accounts of Canada figures are considered final. For DND capital spending, this applies to fiscal years 2017-18 through 2023-24.

² For additional detail, see the Library of Parliament's publication, [The Parliamentary Financial Cycle](#).

³ Some amounts may be recorded under authorities other than Vote 5 when directly related to capital acquisition activities. For instance, personnel costs associated with an acquisition would fall under Vote 1. Consequently, total capital expenditures for a given fiscal year may exceed the corresponding Vote 5 authorities reported in the Public Accounts of Canada.

⁴ See [Strong, Secure, Engaged](#) pages 98-100 for discussion on reasons for, and examples of, project re-profiling.

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