



Credits, Grants and Incentives Newsletter

– Defence Edition

Defence and Dual-Use Innovation funding:
A Global Overview of Grants and Incentives



Contents

Foreword	3
Key Funding Amounts and Support Levels	4
Country Profile / Case	5
— Germany	
— Poland	
— Portugal	
— Spain	
— USA	
— Canada	
— Singapore	
— Additional funding available to EU countries	
Conclusions	15
How can we help	16

Foreword

Defence and security have moved to the forefront of political and business agendas. Geopolitical tensions and Russia's invasion of Ukraine are forcing governments to rethink how they fund and organise their defence ecosystems – not only through higher budgets, but by engaging the private sector more directly.

Globally, the debate is moving beyond traditional deterrence towards building an integrated, innovative and resilient defence ecosystem, with stronger industrial cooperation, secure supply chains and critical technologies in cyber, space, AI and advanced manufacturing.

Yet, while headline defence budgets are well known, comparable information on how much support reaches private companies through grants, incentives and tax reliefs remains limited. This newsletter, based on a global KPMG survey, provides a structured overview of examples of who funds what – and how – in the evolving defence and dual use funding landscape, giving businesses and investors a practical starting point for identifying relevant opportunities in selected countries.



Key Funding Amounts and Support Levels

Available figures indicate that leading economies are committing multi-billion funding envelopes to defence and dual-use capabilities that can be accessed by private companies, even if the exact private-sector share is not always separately reported.

At EU level, instruments such as the European Defence Fund (around EUR 1 billion per year) and industrial programmes like ASAP (EUR 500 million) and EDIP (EUR 1.5 billion for 2025–2027) together create a large pool for collaborative R&D and industrial projects. The Connecting Europe Facility (CEF) adds roughly EUR 33 billion in 2021–2027 for transport, energy and digital infrastructure, opening further opportunities for companies active in critical infrastructure and secure communications^{1 2}.

Nationally, Poland's Security and Defence Fund (PLN 11 billion, ~EUR 2.5 billion)³ and schemes such as STEP and SMART (budgets of about PLN 34 billion, ~EUR 8 billion for 2021–2027, with support up

to 70% for investments and 80% for R&D⁴, plus R&D tax relief up to 200% CIT deduction) create a strong domestic framework. Spain's PITSD pipeline is expected to mobilise around EUR 34 billion by 2037, complemented by more than EUR 1.8 billion in innovation schemes and EUR 790 million in dual-use venture funds, while Portugal 2030 combines grants totalling up to EUR 23 billion with support levels reaching 80% of eligible costs and very generous R&D tax credits⁵. Germany plans to deploy over EUR 100 billion in a special defence fund for Bundeswehr modernisation and in 2025 spent over EUR 24 billion from the fund and earmarked EUR 1.19 billion for defence R&D and testing, supported by KfW's dedicated financing offer.

Outside the EU, the numbers in selected countries are similarly substantial. Canada's Defence Industrial Strategy includes CAD 6.6 billion in dedicated funding, and its AI and innovation programmes add around CAD 2.3 billion more in potential support

for defence-related projects. In the United States, SBIR and STTR schemes alone are channelling around USD 4 billion to smaller firms.

Taken together, these figures show that tens to hundreds of billions in public funding are available across major markets, underscoring how central grants, incentives, tax reliefs and procurement-linked mechanisms have become for mobilising private-sector investment and innovation in defence and dual-use domains.

¹ [About the Connecting Europe Facility - European Climate, Infrastructure and Environment Executive Agency](#)

² [Connecting Europe Facility - European Health and Digital Executive Agency \(HaDEA\)](#)

³ [MFIPR i BGK uruchamiają inwestycję w bezpieczeństwo i obronność – Portal Funduszy Europejskich](#)

⁴ [Poradnik Fundusze Europejskie dla Nowoczesnej Gospodarki – Fundusze Europejskie dla Nowoczesnej Gospodarki](#)

⁵ [Homepage - Portugal 2030](#)

Country Profile / Case

Germany

In Germany, the funding is estimated at around EUR 100 billion from the special defence fund for 2025–2027, with 2025 procurement and R&D amounting to approximately EUR 8.2 billion in the core budget and EUR 24 billion from the special fund, with EUR 1.19 billion earmarked for defence R&D and testing.

Funding priorities focus on munitions, armoured vehicles, ships and naval assets, aircraft, personal equipment, other vehicles, and communications/satellite communications, alongside advanced digital communication with AI, data-management for command and control, and unmanned aerial vehicles and loitering munitions to strengthen combined-arms and cyber capabilities.

Programme / Instrument	Eligibility	Supported project types	Typical funding size
Cyber Innovation Hub / Cyberagentur / IT für Deutschland	Start ups and companies developing cyber solutions, including dual use	Disruptive cyber defence solutions, advanced digital communication, AI enabled data management for C2, unmanned aerial systems and related technologies	Funding via programme specific budgets and direct contracting (exact amounts not specified)
KfW Development Bank – security and defence financing	Security and defence companies and their suppliers	Commercial financing for security and defence projects (investment, innovation, capacity expansion)	Commercial financing terms; specific amounts not specified

Poland

Poland's defence and security funding landscape spans direct military modernization, dual-use industrial scaling, and high-impact R&D. While direct equipment acquisition is driven by the Armament Agency and targeted funds, commercial enterprises and research entities can leverage non-dilutive support across EU-backed instruments (FENG) and national mechanisms.

Key vehicles include FENG – SMART Path (R&D and first industrial deployment) and the newly deployed STEP Defence priority (large-scale production of critical and dual-use technologies). At the sovereign level, projects qualify through the Governmental Grant Programme for strategic CAPEX and specialized instruments such as the Security and Defence Fund, which channel targeted capital into strategic manufacturing, sovereign supply chains, and domestic industrial resilience.

Programme / Instrument	Eligibility	Supported project types	Typical funding size
FENG – STEP (Strategic Technologies for Europe Platform) – Defence	SMEs, Mid-Caps, Large Enterprises, Research Consortia	Large-scale manufacturing, scale-up, and industrial capacity expansion for critical defence technologies, dual-use components, aerospace, and sovereign supply chain inputs.	Typically PLN 10–150+ million (grant intensity up to 50–70% depending on enterprise size and regional aid status).
FENG – SMART Path (R&D and R&D Implementation)	Enterprises (SMEs, Large Companies) individually or in consortia	End-to-end innovation cycles: Industrial R&D, prototyping, and initial industrial deployment/CAPEX for commercializing dual-use products and software.	PLN 3–150 million total project value (R&D module grant up to 80%; implementation module via non-repayable/repayable grant up to 70%).

Governmental Grant Programme

Large enterprises and key strategic investors (domestic & foreign)

Major strategic industrial CAPEX, establishment of new production facilities, and job creation in high-priority industrial sectors (including automotive, electronics, and defence-adjacent manufacturing).

Cash grant covering **up to 50%** of eligible CAPEX (typically **PLN 10–100+ million**), subject to individual negotiation and inter-ministerial resolution.

Security and Defence Fund

Polish defence sector companies, state-owned entities, strategic private industrial suppliers

Strategic capital investments, recapitalization, infrastructure modernization, and capacity ramp-up for critical munitions, military hardware, and sovereign security systems.

Equity injections or soft loans ranging from **tens to hundreds of millions PLN**, tailored to national security priorities.

Portugal

Portugal's defence and dual-use innovation landscape is evolving rapidly, driven by EU priorities, increased geopolitical awareness and national strategic repositioning. Recent investments have focused on unmanned systems (particularly UAVs and advanced aerial mobility solutions for logistics, surveillance and emergency response), as well as space observation and satellite-based communications, aeronautics and naval industries, cybersecurity

and secure communications, AI, IoT and data-driven systems, advanced manufacturing and materials for high-performance components, and advanced textiles and protection equipment.

The table below summarises some of the most relevant funding programmes in Portugal for defence and dual-use projects.

Programme / Instrument	Eligibility	Supported project types	Typical funding size
Portugal 2030 (including R&D&I STEP – defence sector)	Companies and research entities (individual and consortium projects)	Capex investments (facility construction, productive equipment) and R&D projects from TRL 2–8, including combined R&D + capex and dedicated defence sector projects	Projects up to EUR 10–25 million; grants typically 30–80% of eligible investment, with defence-sector calls expected to reach up to 50–80% co-funding
Productive Innovation – defence sector (2026)	Companies (NUT II Algarve region)	Capex investment (facility construction, productive equipment), usually over 2 years	Maximum investment per project expected to be EUR 25 million; grants typically up to 50% of eligible investment (rate to be confirmed)

Spain

Spain's defence funding and innovation landscape is characterised by rising spending and a strong industrial focus. The cornerstone of government priorities is the Plan Industrial y Tecnológico para la Seguridad y la Defensa (PITSD), approved in April 2025 with EUR 10,471 million mobilised that year and a broader pipeline of Special Modernisation Programmes expected to mobilise around EUR 34 billion through 2037.

Most programmes have civilian or dual-use applications, emphasising artificial intelligence, quantum computing, advanced

connectivity, satellites, and radar. Spanish firms are also being pushed towards autonomy and unmanned systems, cyber, energy, biotechnology, space, naval and underwater warfare, C4ISR/MIDS, infrastructure, chiplets and naval propulsion, reflecting national strengths in shipbuilding, space and electronics.

The table below provides an overview of the key funding programmes and instruments available in Spain to support defence and dual use projects.

Instrument	Eligibility	Supported project	Typical funding size
CDTI national programmes, including:	Tech based companies, start ups, SMEs and large firms	Dual use and defence capability R&D, including projects that build companies' capacity to bid in defence/security	Up to EUR 1,817M in 2026
• Misiones Ciencia e Innovación			Up to €145M
• Neotec			Up to EUR 40 million for tech start ups; partially repayable loans cover up to 85% of budget with a non-repayable tranche of 10–33%
Coincidente	Companies and research organisations	R&D delivering a demonstrator with real military functionality answering a concrete need	Project ceilings around EUR 620,000
Innvierte and Spanish dual use venture funds	Early stage and growth dual use companies	Equity to create, scale and consolidate technology companies	Around EUR 790 million in 2026 in direct co investment and funds

USA

In the United States, defence relevant and dual use funding is closely tied to AI and cloud driven data centre infrastructure, supported by a mix of state incentives and federal tax credits rather than classic defence grants. However, this landscape is tightening as some states pause programmes or add conditions such as mandatory green energy use or carbon neutrality.

Programme / Instrument	Eligibility	Supported project types	Typical funding size
State Data Centre Incentives	Companies investing in data centres	Large capex projects (AI, cloud, digital infrastructure)	Relief on sales, utility and property taxes; capex thresholds ~USD 30–250 million
New Markets Tax Credit (NMTC)	Investors in economically distressed areas	Equity investments in projects with clear community benefits	39% tax credit over seven years

Canada

Canada's recent national strategies in defence and artificial intelligence signal a coordinated, long-term commitment to strengthening domestic capacity, resilience and sovereignty, focusing on strategic industry partnerships, domestic production, innovation and workforce development, supply chain security and

nationwide collaboration in areas such as aerospace, advanced manufacturing, drones and dual use systems. The table below provides an overview of the key funding programmes and instruments available in Canada to support defence and dual use projects.

Instrument	Eligibility	Supported project	Typical funding size
Defence Industrial Strategy	Defence & dual use companies, supply chain actors	Industrial capacity, aerospace, manufacturing, drones	CAD 6.6bn dedicated within CAD 81.8bn defence increase
Strategic Response Fund / Defence Industry Assist / Regional Defence Investment Initiative	Defence & dual use firms, regional projects	Capacity building, innovation, regional defence investments	Programme specific
Defence Investment Agency (DIA)	Industry engaged in defence procurement	Streamlined procurement, leveraging defence spend	Structural / institutional
AI for All + AI Compute Access Fund + SR&ED tax credit	AI/dual use firms, R&D performers	AI adoption, talent, commercialization, R&D tax relief	>CAD 2.3bn plus SR&ED credits

Singapore

Singapore's defence funding and innovation landscape is largely state-led and mission-driven, with The Ministry of Defence planning and investing for the long term and maintaining defence budget growth of about 3-4% a year. The focus is shifting from pure platform modernisation towards a broader capability mix centred on AI, autonomy, cybersecurity, drones and resilient supply chains, with strong emphasis on manned-unmanned teaming, cyber defence, resilient systems and faster innovation cycles.

Public funding flows primarily through defence budgets, public R&D institutions, procurement, experimentation and targeted financing, rather than broad commercial grant schemes, and includes investment in defence R&D and new operational concepts. The landscape is best described as publicly funded, mission-driven and increasingly open to dual-use innovation, but not focused on generic grant mechanisms for companies.



Additional funding available to EU countries

The EU is rapidly moving from fragmented, purely national defence spending towards a more coordinated, industrially focused funding framework that combines collaborative R&D with

industrial scale up and joint procurement. Below are the most relevant EU level funding sources currently available to defence and dual use companies across Member States.

Programme / Instrument	Eligibility	Supported project types	Typical funding size
European Defence Fund (EDF)	Cross-border consortia of companies, SMEs, research organisations and other entities in EU Member States or associated countries; EU ownership and security requirements	Collaborative defence R&D and capability development (cyber defence, space, air and missile defence, naval and ground systems, sensors, AI, secure comms, EW, autonomous systems, disruptive technologies)	Annual work programmes ~EUR 1B; projects from several to tens of millions of euros
European Defence Industry Programme (EDIP)	Defence industry; Member States (procurement-linked aspects)	Common procurement, industrial scale-up, manufacturing readiness, security of supply, cooperation with Ukraine's defence industry	Foreseen at EUR 1.5B for 2025–2027
Horizon Europe	SMEs, start-ups, research organisations, universities, consortia	Collaborative R&D, enabling technologies, pilot infrastructure, testing facilities	Multi-million-euro collaborative research and infrastructure projects
Digital Europe	SMEs, start ups, public and private entities	Digitalisation, cybersecurity, enabling digital infrastructure	Project sizes vary; EU grants

Other highly relevant EU-level programmes include Act in Support of Ammunition Production (ASAP), EDIRPA, the EU Defence Innovation Scheme (EUDIS) and the Hub for EU Defence Innovation (HEDI), as well as innovation and finance instruments such as the European Innovation Council Fund, the European Investment Bank Group (EIB, EIF) and InvestEU. Companies can

also benefit from defence- and dual-use-oriented accelerators and facilities like the EUDIS Business Accelerator and NATO DIANA, and from broader enablers such as SAFE – Security Action for Europe, the European Regional Development Fund (ERDF), and EU space-related programmes.



How Ukrainian companies can participate

Although most EU defence funding instruments are primarily intended for entities established in EU Member States or associated countries, Ukrainian companies have increasing opportunities to participate through partnerships with eligible EU organisations. They may join collaborative consortia under programmes such as the European Defence Fund (EDF) (subject to programme eligibility rules), participate in Horizon Europe, and

benefit from initiatives under the proposed European Defence Industry Programme (EDIP) aimed at strengthening cooperation with Ukraine's defence industry. Establishing a subsidiary or partnering with companies and research organisations in EU Member States can further facilitate access to EU funding, defence supply chains, and joint R&D and procurement opportunities.

Conclusions

The findings show that defence and dual-use innovation funding has moved decisively to the centre of policy agendas across the EU and key global markets. In Europe, instruments such as the EDF, ASAP, EDIP, and SAFE, alongside national schemes, create a multi-billion funding environment that spans the full pathway from early-stage R&D through industrial scale-up and joint procurement. Outside the EU, coordinated strategies in Canada, state and federal incentives in the United States, and mission-driven funding in Singapore add tens of billions more, underlining how central grants, incentives, tax reliefs and procurement-linked mechanisms have become for mobilising private-sector investment in defence and dual-use capabilities. Across all regions, the strongest support is directed

towards AI-centred, data-driven and dual-use technologies that address urgent capability gaps, strengthen readiness, and reduce strategic dependencies.

For companies, the landscape offers significant opportunity but also increasing complexity. Accessing funding now requires more than responding to isolated calls: it demands alignment with capability priorities and strategies. Successful players are those that build cross-border consortia, combine grants with tax incentives and scale-up finance, and treat procurement and compliance as core strategic disciplines.

Looking ahead into the 2027–2030 horizon, companies should expect more structured, strategy-driven frameworks.

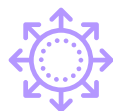
EU, national and global instruments will increasingly form a coordinated framework that links research, industrial scale up, security of supply and joint procurement, intertwining defence, industrial and innovation policy. Businesses and investors need to start preparing now by aligning technologies with clearly stated priorities, building European and international partnerships, clarifying eligibility and ownership structures, and designing credible routes from innovation to procurement and production – If they wish to turn today's funding opportunities into sustainable positions in the evolving defence and dual-use ecosystem.

How can we help



KPMG's global network brings together specialists across member firms to support both public and private sector organisations in navigating the evolving defence funding landscape. We help clients identify and secure grants, incentives and tax reliefs using dedicated tools such as our **Incentives and Credits Opportunity Navigator** (ICON).

ICON helps you quickly find, manage, and track credits, grants, and incentives worldwide—so you can unlock savings, support growth, and stay compliant in a fast-changing regulatory environment.



Optimize opportunities across your current footprint

Assess existing locations and activities to uncover, prioritize, and better realize available incentives.



Stay Apprised of New Incentives

Get notified when new relevant programs are released.



Quickly Assess Incentives for New Investments

Rapidly evaluate potential credits, grants, and incentives when entering new markets or planning new investments.

ICON combines KPMG's global CGI expertise with AI-driven matching to identify tailored incentives based on an organization's footprint, investments, and activities.

The Key Benefits of Global CGI Services with ICON:

- Dedicated client site
- Tailored list of matched incentives to their location & industry
- Dedicated CGI coordination
- Access to 1,200+ CGI experts
- Only global database of 5,000+ Tax Credits, Grants & Incentives

Our team can support you throughout the entire project lifecycle – from the initial concept stage, through funding opportunity mapping, application preparation and evaluation, to the correct settlement and reporting of incurred expenditures.

We invite you to contact us to discuss how we can support your organisation in accessing defence and dual use funding in a responsible and efficient way.

Contact

EMA

Rakesh Lad, Partner, Rakesh.Lad@kpmg.co.uk, Tel: +44 (0)207 6943203

Kiejstut Żagun, Partner, kzagun@kpmg.pl, Tel: +48 664 080 040

Gerard Campbell, Senior Manager, Gerard.Campbell@KPMG.co.uk, Tel: +44 7775 702668

North America

Richard Marcos, Principal Tax, rmarcos@kpmg.com, Tel: +1 213 817 3188

Alexis Marz, Manager, amarz@kpmg.com, Tel: +1 214-207-7873

Mexico

Roberto Cardona Zapata, Partner Tax, rcardonazapata@kpmg.com.mx, Tel: +52 (55) 22991162

Ana Maria Garcia, agarcia3@kpmg.com.mx, Tel: +52 (55) 63938213

South America

Fernando Santos, Gerente Senior, fdsantos@kpmg.com.br, Tel: +55 (11) 39405846

William Calegari, Tax Partner, wcalegari@kpmg.com.br, Tel: +55 (11) 957740195

ASPAC

Bo Han Lee, Partner, bohanlee@kpmg.com.sg, Tel: +65 65085801

Gillian Yap, Manager, gillianyap@kpmg.com.sg, Tel: +65 62133388

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