

The U.S. Small Business Administration and the U.S. Department of War have announced a new initiative aimed at strengthening the nation's defense industrial base. Through a Memorandum of Understanding signed on August 25, 2026, the two agencies established the Smaller War Plants Commission, a coordinating body designed to expand American military production capacity by investing in small business suppliers.

Small businesses make up more than 70 percent of the defense industrial base, and the Commission is intended to put federal resources behind the manufacturers, suppliers, and innovators that support the military. The effort focuses on expanding production, removing regulations that slow small manufacturers, accelerating innovation, and providing targeted capital and support.

SBA Administrator Kelly Loeffler said the partnership would help small firms expand, innovate, and hire while delivering Made in America capabilities to warfighters. Secretary of War Pete Hegseth described the Commission as a historic commitment to build an arsenal that can outproduce and outlast any adversary, restoring the industrial strength that defined American military power in the twentieth century.

The Commission takes its name from the Smaller War Plants Corporation, a World War II era predecessor whose credit and contract authorities were eventually transferred to the SBA in 1953. The new body will build an inventory of small business production capacity through the Civil Reserve Manufacturing Network and work to clear regulatory and operational bottlenecks.

Priority sectors include munitions, drones, microelectronics, critical minerals, shipbuilding components, sensors, batteries, castings, and textiles. Eligible manufacturers can also access SBA's Made in America Loan Guarantee, which offers a 90 percent federal guarantee compared with the standard 75 percent under the flagship 7(a) program.

The agencies plan to mobilize strategic capital, map the industrial base, cut red tape through joint teams, and deliver regular reports to the President on supply chain readiness. Officials say the goal is long-term resilience and sustained military readiness backed by domestic manufacturing.