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Major procurements of defence equipment by the Danish Ministry of Defence

1. Introduction and conclusion

1.1. Purpose and conclusion

1. This report concerns procurement of defence equipment by the Danish Ministry of Defence. The report investigates projects with a combined value of approx. DKK 11 billion, that concern procurement of major equipment such as armoured patrol vehicles for the Army, frigates for the Navy and radars for the Air Force.

2. The Danish defence agreement, covering the years 2024 to 2033, increased funding for the Ministry of Defence and allocated approx. DKK 190 billion for investment in new defence equipment over the next ten years. In the coming years, procurement undertaken by the ministry will be extensive and of significant financial value. It is therefore essential that the Ministry of Defence has established a process that supports the delivery of procurements on time, within budget (at the planned price) and in accordance with the content stated in the funding applications submitted to the Danish Finance Committee. Procuring the equipment is essential for the capability of the Danish Defence to perform its tasks, including enforcing the sovereignty of Denmark and meeting Denmark's obligations to NATO.

3. Rigsrevisionen has previously criticized the Ministry of Defence's procurement process, including the ministry's presentation of information on the economy of the procurements and its inadequate follow-up on the realisation of benefits. These issues were raised in our *report on the Danish Defence's procurement process for major defence equipment*.

Rigsrevisionen has also criticized the lack of transparency in how the Ministry of Defence managed the time and economy of large projects in the *report on the Ministry of Defence's financial management of the defence agreement funds in the period from 2018 to 2023* and the *report on the Ministry of Defence's establishment of a deployable brigade*. In a report published in 2023 by the Danish Centre for Military Studies at the University of Copenhagen, the lack of transparency is also highlighted. The report found that, in contrast to other small countries like Norway and Finland, the Danish procurement process was least formalized and transparent.

Defence Agreement 2024-2033

The government and a majority of parties in the Danish parliament are involved in the defence agreement 2024-2033 and have agreed to allocate approx. DKK 190 billion to Danish defence and security over the next ten years.

Time, budget and content

Time: The procurement project is completed at the time indicated in the funding application.

Budget: The price of the procurement is within the financial framework set in the funding application.

Content: The procurement meets the requirements indicated in the funding application (quantity and objective).

4. The Ministry of Defence has guidelines for procurement of defence equipment. The objective of the guidelines is to contribute to ensuring that procurement is timely, within budget and in accordance with the content stated in the funding applications submitted to the Danish Finance Committee. The process must assist the ministry in submitting the required applications for funding of equipment with a total value exceeding DKK 70 million, and it must facilitate the provision of an adequate foundation for the tender and formation of contract.

5. The purpose of the study is to assess whether the Ministry of Defence has procured major equipment in a satisfactory manner. Our assessment is based on an examination of 20 procurement projects completed during the former defence agreement period (2018-2023) to determine whether they were completed on time, within budget and in accordance with the content stated in the funding applications. Furthermore, we examined whether the ministry followed the procurement process guidelines.

Rigsrevisionen initiated the study in June 2023.



Conclusion

Major procurements by the Ministry of Defence are on average four years and six months behind schedule, and several of them do not meet the requirements stated in the funding applications. Moreover, it is unclear whether the projects are within budget, and the ministry is frequently not adhering to the procurement guidelines. Rigsrevisionen considers this to be unsatisfactory. It entails a risk that the Danish Defence may not be capable of accomplishing all its tasks in a satisfactory manner.

The Ministry of Defence has not completed major procurement of equipment on time and in accordance with the content stated in the funding applications. Moreover, it is unclear whether the projects are within budget

Nineteen out of 20 procurement projects examined by Rigsrevisionen were behind schedule, and two-thirds of the projects were delayed by more than three years. Furthermore, it is unclear whether the projects are within budget. The lack of clarity is attributed to the failure of the ministry to document the economic basis of the projects in the funding applications. Another reason is the fact that it is not clear if the ministry is following up on all the costs related to the projects.

Based on Rigsrevisionen's examination and subsequent communication with the Ministry of Finance, the Ministry of Defence has informed Rigsrevisionen that, with effect from mid-April 2024, it has changed its practice regarding the presentation of information on the economy of the projects in the funding applications. This change of practice will also have a bearing on the ministry's follow-up on the economy. Going forward, the ministry intends to add more costs items to the data on the procurements. In May 2024, the ministry informed the Finance Committee of the Danish parliament of this change of practice.

Generally, the Ministry of Defence has procured the agreed quantities of equipment. However, the content of several procurement projects has not been in accordance with the content stated in the funding applications. For example, equipment for F-16 fighter jets and armoured patrol vehicles was not operational upon delivery to the Air Force and the Army. Furthermore, the Danish Defence had to supplement its procurement of radios with additional parts to ensure that the radios would be operational over long distances.

The Ministry of Defence has not followed the guidelines on major procurement of defence equipment

The Ministry of Defence has not followed the guidelines for any of the 20 procurement projects. For instance, the ministry has not conducted market research on 11 of the procurements. The objective of conducting market research is to identify suppliers that are capable of providing the required goods and services at the right price. The date at which the ministry began to incur expenses for the procurements is obscured by the lack of clarity concerning the initiation of 13 of the procurement projects. This entails a risk that the process may not effectively facilitate that procurements are delivered on time, within budget and with the agreed content.