



RIKSREVISIONEN

Summary:

Savings in the materiel supply of the Swedish
Armed Forces

RiR 2012:5

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Summary

The Swedish National Audit Office (Swedish NAO) has examined the savings within the materiel supply of the Swedish Armed Forces that were carried out following proposals put forward by what was known as the “Implementation Group” in 2008. This group had been appointed by the government, and consisted of civil servants from the Government Offices and representatives of the government parties. It was necessary at the time to make savings in the national budget, and the government’s opinion was that it should be possible to make savings within the Armed Forces. The Implementation Group was given the task of drawing up proposals for reducing expenses and increasing efficiency within the materiel supply of the Armed Forces. Based on proposals from the Implementation Group relating to cancelling or scaling down a number of material projects, the government, with the support of the Riksdag, decided on savings of approximately SEK 2.8 billion over a three-year period, to start in 2009. In this audit the Swedish NAO has examined the effects of the savings that the government decided, and has examined what information that was presented to the Riksdag.

Background to the audit

Motives: The creation of an Implementation Group within the Government Offices in order to achieve savings within the materiel supply of the Swedish Armed Forces is a deviation from the normal distribution of responsibility and tasks that is prevalent between the government and government agencies. Statskontoret (The Swedish Agency for Public Management) has previously shown that the governance of the Swedish Armed Forces is relatively extensive and detailed. The Implementation Group constitutes a clear example of such detailed governance. Rapid savings that affect the procurement of materiel by the Armed Forces may have consequences for the operational activity of the Armed Forces. The Armed Forces have also, on various occasions, pointed out that short-term savings create a risk that the long-term operations and planning of the Armed Forces will be made more difficult. A prestudy carried out by the Swedish NAO provided preliminary evidence that the changes that were made in the materiel supply have brought with them certain negative consequences, not only with respect to economy, but also with respect to operational capability. It is, therefore, important to examine these savings, in order to determine whether this is an efficient manner to govern the Swedish Armed Forces. The audit is also motivated in order to investigate the extent to which the Riksdag was informed about the consequences of the government’s changes to the materiel supply of the Armed Forces.

The aim: of the audit is to investigate the government’s reductions in materiel projects within the Armed Forces during 2008 and to analyse both the economic and operational consequences of these changes. The aim of the audit has also been to investigate whether the government’s changes in the materiel supply of the Swedish Armed Forces has been reported to the Riksdag in a transparent manner.

Execution: The Swedish NAO has used qualitative methods of analysis during the audit. The majority of the members of the Implementation Group have been interviewed in order to determine the background, mission and working methods of the group. Representatives for the Swedish Armed Forces and for the Swedish Defence Materiel Administration (FMV) who were active during the work of the Implementation Group have also been interviewed. Document studies have been carried out, including the final report of the Implementation Group and documentation submitted by the Armed Forces to the Ministry of Defence.

Interviews have also been carried out with representatives for the defence authorities in order to follow the consequences of the savings. The Swedish NAO has audited background documentation from the Armed Forces and from FMV in order to analyse the economic and operational consequences of the savings. This includes

extracts from the materiel plan drawn up by the Armed Forces. The Swedish NAO has not itself assessed how the savings have affected the operational capability of the Armed Forces, instead the Armed Forces have presented an assessment of this. During the factual examination of the report, the Ministry of Defence has not raised any objective opinions concerning the assessment of operational capability presented in the report. The Ministry has, however, pointed out that the assessment is closely connected with the Armed Forces' interpretation of which subordinate capabilities are required in order to solve the overall task.

Publicly available documents such as annual reports, budget calculations and policy documents have also been studied. Representatives from the office of the Committee on Defence have been interviewed in order to determine what information the Riksdag has received about the savings carried out.

Results of the audit

The savings resulted in various outcomes

The Implementation Group selected 32 materiel systems that were to be cancelled or scaled down in order to create reduced costs within the materiel supply of the Armed Forces. Further, the Implementation Group identified, among other factors, the potential for efficiency increases in the support operations within the Armed Forces and recommended this to be further investigated. It was the opinion of the government that a certain amount that was to be released from the materiel appropriation should be transferred to the unit appropriation. Important starting points for the savings were not only to apply the new materiel supply strategy of the government and reduce the proportion of development projects, but also to influence the operational capability of the Armed Forces as little as possible. It is the assessment of the Swedish NAO, however, that these factors have played a limited role in the selection of projects that were to be cancelled or scaled down.

The savings have had a negative influence on the possibility of the Armed Forces to maintain certain subordinate capabilities that the government agency has assessed to be important for its operational capability. It is the assessment of the Swedish NAO that the government was aware of the risks created with respect to the operational capability of the Armed Forces, during the savings process.

The Swedish NAO has also determined that the savings carried out are not in full agreement with the principles of the materiel supply strategy of the government, since only a minor part of the cancelled or reduced projects consist of development projects. Materiel projects that concern the direct acquisition of materiel have also been cancelled, in order to achieve the savings.

The audit also shows that the government savings in certain cases have created new costs and poor use of resources. There are examples of how the cancellation of a materiel project has led to increased costs due to the need to carry out new acquisitions, or due to the costs of maintenance increasing. The acquisition of a tactical unmanned aerial vehicle (TUAV) is a clear example in which the changes have not been long-term. The project was interrupted in accordance with the government decision in 2009, but was restarted during the same year, following a new government decision. The costs for the TUAV turned out to be somewhat higher than they would otherwise have been, according to the original plan.

The working method affects the opportunity for insight and the possibility to assign responsibility

The audit shows that one reason for the government's choice of working method was a desire to ensure that the funds saved should become available rapidly. The government wanted to take control of the materiel supply, and made the assessment that the Armed Forces themselves would not be able to carry out sufficiently large savings in the short time that was available. The government had previously decided to carry out cost reductions in order to achieve a redistribution of resources within the Armed Forces. The government pointed out in the budget bill for 2008 that work remained to be done within the materiel process before the Armed Forces would be able to achieve the cost reductions that had been decided. It is possible that the government's choice of working method was justified, and that low confidence in the government agency led the government to feel compelled to carry

out the task itself. It is, however, the opinion of Swedish NAO that the form of governance and the method by which the savings have been drawn up have influenced the opportunity for insight and the possibility to assign responsibility.

The work of drawing up the savings is characterised by deficient documentation, and fundamental requirements for documentation have not been followed. The Swedish NAO has determined that important control signals from the government to the Armed Forces have been given informally, without documentation, and that this has created a lack of clarity in the governance. It has also hindered follow up. Written terms of reference for the Implementation Group are not available, and thus it is not possible to determine what the status or task of the group was. This further hinders follow up of the work of the group.

The defence authorities were not represented in the Implementation Group, but were requested to answer questions and submit information concerning a number of specific materiel projects. The Swedish NAO, however, questions whether the expert knowledge of the government agencies was sufficiently carefully managed, given the working method that the government chose to use. It is the assessment of the Swedish NAO that the government has not carried out sufficient consequence analyses in association with the savings. The Swedish NAO has not found evidence that the Armed Forces took their own initiative to influence the savings at an early stage, despite the leadership of the Armed Forces having the responsibility for the activities, with respect to, for example, personnel, economy and operational ability.

The audit also shows that the Armed Forces cannot describe in a simple manner how specific materiel systems influence the operational capability of the Armed Forces. It is the opinion of Swedish NAO that this illuminates a potential for improvement within the materiel planning of the Armed Forces.

It would have been possible for both the government and the Armed Forces to ensure that the savings were implemented in a more efficient manner, through a more highly developed collaboration during the decisions concerning these savings. It is the assessment of the Swedish NAO that the government has not created the preconditions for efficient use of resources.

Swedish NAO believes that the government's choice of working method, in which it drew up the savings itself, creates problems concerning how responsibility can be subsequently assigned. Since it is the government that has decided on the savings that are to be made, the government will be responsible for the deficiencies that arise as a consequence of these savings. This deviates from the currently prevalent division of responsibility and makes it more difficult to assign responsibility.

The Riksdag has not been given a clear picture of the significance of the savings

The government informed the Riksdag about the savings within the materiel supply of the Swedish Armed Forces in the budget bill for 2009. There the government proposes a reduction in appropriation, and specifies the materiel systems that are to be cancelled or scaled down in order to achieve the savings. The starting points for the choice of materiel systems were stated to be a shift in the materiel supply strategy towards fewer development projects, and that the operational capability of the Armed Forces should be influenced to as small an extent as possible. It is the assessment of the Swedish NAO, based on the findings of the audit, that the information received by the Riksdag about the savings and their overall significance is not satisfactory.

Recommendations of the Swedish National Audit Office

The Swedish NAO presents a number of recommendations to the government, based on the results of the audit.

Recommendations of Swedish NAO to the government

Materiel planning is by nature a long-term activity, and it is therefore difficult to find rapid savings within this field. A long-term perspective must be taken when planning materiel supply, in order to achieve cost-effectiveness. The responsibility for achieving this lies both with the government and the defence authorities (the Armed Forces and FMV). It is important to avoid as far as is possible economic situations that require rapid savings of the type that the Implementation Group was charged with carrying out. If an economic situation

arises in which it is necessary to carry out rapid savings, the forms in which these are carried out should be carefully considered. Deviations from the normal routines can, as the audit has shown, make the assignment of responsibility difficult. It is also the opinion of the Swedish NAO that the requirements for documentation must be satisfied in order to ensure traceability.

The Swedish NAO is aware that the government is working to develop its accounting to the Riksdag, but – even so – would like to point out the importance that the government ensures that the Riksdag knows about the consequences of reductions in appropriation, such that it can reach well-founded and conscious decisions.

Thus, the Swedish National Audit Office recommends that government:

- ensures traceability and follow up of the governance through satisfactory documentation
- ensures that impact analyses are carried out for major changes in the materiel supply
- ensures that the expert knowledge of government agencies is efficiently used during important changes in the materiel supply
- ensures that the Riksdag receives the information it needs to make decisions.