



# German Ministry of Defense

## Shaping the future of military procurement

A major review by a KPMG-led consortium is having a profound influence on the way procurement projects are managed, which should have a highly positive impact on the nation's defense capabilities.

### The challenge

In the face of pressure on public sector budgets, an increasing desire for transparency, and a need an independent assessment, the German Federal Ministry of Defense (MoD) chose to review its major armament projects. The aim was not only to create transparency internally, but also for both parliament and public. This comprehensive survey and risk analysis was a precursor to an in-depth examination of the Ministry's procurement management processes.

The MoD represented by Federal Office of Bundeswehr Equipment, Information Technology and In-Service Support (BAAINBw), selected KPMG in Germany to carry out the review as part of a consortium consisting of KPMG Rechtsanwalts-gesellschaft mbH (KPMG Law Germany) and Taylor Wessing (as subcontractors) and P3 Group, a partnership group of engineers.

The review covered nine defense projects with a total value of more than 50 billion Euro (55 billion US dollars (US\$)), comprising of:

- Infantry fighting vehicle PUMA
- Military transport aircraft A400M
- Eurofighter
- NATO multirole Helicopter NH90
- Support helicopter TIGER
- F125-class Frigate
- Joint forces radio equipment
- Tactical air defense system
- EUROHAWK succession

### The approach

This was the first ever external assessment of these projects, so the consortium had to create an evaluation process from scratch, with just 3 months in which to review large amounts of documentation and activities. Working on the client premises in an extremely high-security environment, we sought ways to improve both the projects themselves and the overall procurement and project management.

Our review maintained a strong focus on the financial, technical and legal aspects of the projects, and included surveys and risk analysis of major armaments, interviews and workshops, and desk-based assessments.

We coordinated a large, multi-disciplinary team of more than 30 consultants, lawyers and engineers, working in parallel work streams. Although we collaborated closely with the MoD and its in-house consultants, offering support and coaching, we also remained fully independent and unbiased at all times.

In October 2014, within the agreed time scale, the consortium delivered a 1500-page analysis to the German Minister of Defense, Dr. Ursula von der Leyen.

### The results

Our thorough review of German military weapon procurement identified 150 concerns and future risks and a similar number of recommendations for improving the MoD's project and procurement management.



**[The report] provides a good basis from which to look at the weak points and the need for action, which will be a tough management task for weeks and months to come.**



**Dr. Ursula von der Leyen,  
German Minister of Defense**



The report, which called for “an urgent improvement in the management of national and international projects,” has gained unprecedented media coverage for KPMG Germany. It is now publicly known as the ‘KPMG-Gutachten’ (KPMG report) and continues to be quoted and referred to in defense conferences, articles and publications.

Some of the key recommendations are:

- a need to focus on current risks and problems, enabling the MoD to prevent future issues
- establishing a new process in which project managers report risks directly to the State Secretary

- increasing transparency of armament project and risk management
- strengthening operational readiness, by identifying and managing interdependencies between projects
- making a number of essential organizational changes

During the project, the Defense Minister showed her commitment to change by nominating a new State Secretary for armaments. The report has also influenced the current armament agenda (‘Agenda Rüstung’), developed by the State Secretary to further improve the management of armament projects.

## Lessons Learned

1. Periodical, external, third party analysis of internal structures and processes can help to deliver unbiased reporting and optimize financial management.
2. A high quality review is dependent upon a well-coordinated and smoothly functioning multi-disciplinary team of external experts.
3. Projects involving multinational activities are particularly challenging, and require a central point of contact and control (e.g. a lead country).

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