DANISH DEFENCE AGREEMENT 2013-2017

Copenhagen, 30 November 2012

The Danish coalition government (the Social Democrats, the Social-Liberal Party and the Socialist People's Party) and the 'Venstre' (the liberal party), the Danish People's Party, the Liberal Alliance and the Conservatives have entered into the following agreement regarding the Danish defence for the period 2013-2017.

Introduction

The future role of the Danish armed forces and the security policy framework

The primary purpose of the Danish defence is to enforce the sovereignty of the Kingdom of Denmark and to ensure the continued existence, integrity and safety of the nation. The threats against Danish interests can occur anywhere in the world, and they are unpredictable and complex. Our contributions to international operations in recent years have given Denmark significant international recognition. Along these lines the Danish defence will continue to contribute to safeguarding Danish foreign and security policy interests, while also our national security is safeguarded by international deployment of military capabilities.

In the light of the security policy development of recent decades, the Danish defence is also assuming an ever-increasing part as one of several important instruments of a pro-active Danish foreign and security policy, contributing to the prevention of conflicts and war, in respect of democracy, freedom and human rights.

The Danish armed forces will be organized with the purpose of continuing to contribute with well-armed and well-trained military forces to all types of international missions, from actual combat as part of a larger coalition, to peacekeeping and humanitarian operations. In this respect it is crucial that the Danish defence is organized in order to be able to participate in short as well as protracted international operations.

The Danish defence will continue to have the capacity to deploy multiple smaller or larger contributions for shorter periods of time, as well as the capability to deploy force contributions at short notice in connection with crisis management, humanitarian disasters, evacuation operations, demonstration of solidarity, NATO's commitment, etc. This is ensured by our participation in NATO's expeditionary forces. According to the Defence

Commission report of 2008, the demand for Danish contributions to international operations will not decrease, and we will often be dealing with protracted operations. This emphasizes the need for sufficiently robust and durable collective operational capabilities of the Danish defence as a whole, in order to support and maintain a sustained international commitment.

NATO remains a cornerstone of Danish security and defence policy, and is a crucial framework for the close transatlantic cooperation. Denmark's sovereignty is secured in a strategic perspective through NATO's Article 5 commitment to collective defence of Alliance territory. At the same time, NATO provides a framework for the participation of the Danish defence in international missions. The defence will continue to provide its share to NATO by being able to contribute to international efforts and to maintain and develop the appropriate military capabilities. As a leading nation, Denmark also remains committed to the ongoing transformation of the Alliance and the military forces of its member states, including strengthening of the requirements of the Alliance for the usability of military forces, and the feasibility of the NATO Smart Defence initiative to seek still greater operational effect. Thus, Denmark will continue to focus on maintaining our position as a NATO core member state.

An active Danish engagement in the UN is another cornerstone of Danish security and defence policy. Denmark should therefore work to ensure that the UN (Security Council) continues to constitute the foundation of the international system as the source of global legitimacy.

Within the framework of the UN Charter, and in accordance with the principle of responsibility to protect (R2P), the Danish defence will also continue contributing to international operations, whenever a coalition of nations deems it necessary to carry out a military intervention.

The security policy challenges mean that a strong international rule of law, adherence to international humanitarian law and effective multilateral cooperation remain a Danish priority.

The continued proliferation of weapons of mass destruction and long-range missiles, as well as the threat in cyberspace from governmental and non-governmental actors alike, represent an increasing security risk for Danish society and the Danish armed forces.

Furthermore, an increased focus has been put on the Arctic within the past few years. Here, climate change is gradually leading to increased geographic accessibility, resulting in larger commercial and scientific activity in the area. This also implies increasing awareness of the right to extract natural resources in the Arctic.

Level of ambition
The focus of future international capabilities for the Danish defence will be the ability to react quickly in relation to international deployments in a UN, NATO or other relevant setting, in order to contribute to maintaining international peace and security. At the same time, the defence must retain the ability to establish major contributions to sustained international operations.

In order to safeguard Danish interests, the Danish defence must be able to participate in the full range of international missions, from high-intensity combat operations, stabilization tasks and international law enforcement, to preventive interventions, capacity-building, and evacuation of Danish citizens from abroad, as well as international rescue and disaster relief.

Alongside national tasks, which include surveillance, assertion of sovereignty and rescue operations, the defence is required to continue solving international tasks.

The tasks of the Danish defence point towards an increased focus on the ability for transverse planning, and to deploying the capabilities of the Danish army, navy and air force in a joint services framework, incorporating the capabilities of the Danish home guard and the Danish Emergency Management Agency (DEMA).

Continued cross-services prioritization, also in order to perform the aforementioned tasks, will enable the defence to contribute to capacities for international operations and efforts within the framework of the UN and NATO, among others, of the following nature:

- Force contributions set up across defence and government agencies, such as a task force for humanitarian operations.
- The army will have the capacity to deploy a battalion combat command (typically from abt. 300 and up to abt. 800 soldiers) on short notice, either for short or sustained missions.
- Up to two large units from the navy deployed at short notice, or a large unit from the navy deployed in a sustained mission.
- Up to three simultaneous military air contributions at short notice consisting of, for example, transport aircraft, helicopters, combat aircraft, and capabilities in monitoring and warning systems. Some of these deployed to sustained[1] missions.
- Special operations forces as well as capabilities from the rest of the Danish armed forces in support.
- Tactical planning staffs from the army, navy and air force.
- Contributions from the army, navy, air force and home guard to the military capacity-building, and military support to the civilian capacity building. The contribution must be adaptable into a comprehensive approach together with civilian elements in the combined effort.
- Other smaller contributions from the army, navy, air force and home guard, including single person deployments to international staffs, etc.

As mentioned, the above listing is merely examples of possible force configurations due to on-going cross-services prioritization.

In this context, NATO's recommendations to Denmark on the availability of specific types of capabilities will be given special attention.

Alongside the contribution of the defence to international operations and task solutions, the defence will continue to carry out national tasks, including surveillance, assertion of sovereignty and rescue operations, and ultimately engage in a collective defence within the framework of NATO.

Due to the development in the Arctic, the defence must have the capability to carry out all current tasks in the Arctic. This includes a series of civilian tasks, which the defence attends to by its presence in and around Greenland, as it supports other authorities in their solution of these tasks. The defence will further be able to deploy capabilities from the entire ambit to the Arctic.

[1] For the army, sustained means missions lasting more than eighteen months.

The defence must have the capability for military operations in cyberspace, including the ability to protect own network infrastructure, and also to affect opponents' use of cyberspace.

Overall financial framework for the Danish defence
Denmark is facing a time of economic challenges, and a continuity of public finances must be secured. The political parties behind the Defence Agreement (hereinafter referred to as the Parties to the Defence Agreement) agree that the defence must also contribute to this continuity. At the same time it is crucial that Denmark continues to have an effective and usable defence that can flexibly and speedily solve the tasks decided upon by the government and the Folketing (the Danish Parliament).

In the light of this, there is agreement that the annual defence spending[2] is to be reduced by DKK 2.5 billion in 2015, DKK 2.6 billion in 2016, and by DKK 2.7 billion in 2017, see Table 2. The gradual phasing in of measures to improve efficiency and development initiatives entails that a total of DKK 2.4 billion is to be released in 2013 and 2014. The defence budget is reduced correspondingly, and the released funds of DKK 2.4 billion are used according to a separate agreement in the Ministry of Finance between the Parties to the Defence Agreement, see Appendix on released funds.

The defence has a solid platform for these cost reductions. In the Defence Agreement 2010-2014, the Parties to the Defence Agreement agreed that the financial management of the defence should be strengthened. On basis of this, among other things, the defence has, implemented strict financial management, and improved the possibilities for prioritization through an improved overview of the defence finances. For instance, through strict financial management, the Danish defence has enjoyed positive economic results in 2010 and 2011. The total accumulated financial reduction carried over in the defence budget totalled abt. DKK 1.8 billion at the beginning of 2012, of which about DKK 1.5 billion in the Danish armed forces.

In addition to this, based on the Defence Agreement 2010-2014, a series of comprehensive budget analyses of the defence have been conducted. The overall conclusion of these suggest that comprehensive measures to improve efficiency may be implemented without affecting the operational capability of the defence. Thus the measures to improve efficiency do not target the military operational capabilities of the defence (aircraft, ships, etc.).

At the end of 2012, the defence is expected to have accumulated significant savings. Of these savings in the defence area in Section 12 of the Danish Finance Act, a total of abt. DKK 1.2 billion is carried over to a new agreement. This is based on the present estimation. Of this sum, DKK 0.5 billion is not earmarked for equipment projects or the like. The funds are carried over under Section 12 "The Ministry of Defence", and their use will take place in accordance with the provisions concerning expenditure limits, etc.

The Danish defence is therefore well prepared for the adjustment to a reduced financial framework.

The remaining savings are to be used according to a separate agreement in the Ministry of Finance between the Parties to the Defence Agreement, see Appendix: released funds.

[2] The defence budget includes the main areas 1 and 2 of Section 12 of the Danish Finance Act 2012. Besides the armed forces, it includes the Ministry of Defence, the Defence Internal Audit, the Defence Intelligence Service, the home guard and the Danish contribution to NATO joint-funded budgets.

The Parties to the Defence Agreement note with satisfaction that the measures to improve efficiency of the defence are not going to affect the future operational capability of the Danish Armed Forces.

There is also agreement that the Danish defence must be adapted to and prepared for future tasks and challenges. Among other things, this must take into account the upcoming end of actual combat operations in Afghanistan, development in the Arctic and the development of operations in cyberspace.

For this reason, it is agreed to adopt a new agreement for the period 2013-2017, which replaces the last two years of the Defence Agreement 2010-2014.

Measures to improve efficiency
The committee for analyses of the Danish armed forces has, pursuant to the Defence Agreement 2010-2014, carried out a number of comprehensive budgetary analyses of defence activities.

In continuation of this, there is consensus in the Parties to the Defence Agreement that during the agreement period, the defence will implement the measures to improve efficiency of the support structure and adjustment of wage and employment conditions to general national practice, which are identified in the efficiency analysis.

There will be no change towards remuneration by State Education Grant (SU) for the basic officers' training programs. Instead, an accreditation model will be introduced for officers' training. The model aims to achieve accreditation of basic officers' training programs at a diploma level, which means that the defence will be able to provide regular wages during training. It is set as a target that 1/3 of those admitted will henceforth be admitted on the basis of a civilian education at bachelor level. In addition to this, as is the case today, there must also be recruitment for the new officers' training from among suitable regular personnel.

This is a major change of the officers' training, so initially it will be introduced as a trial scheme to be evaluated in connection with the recruitment/selection, midway in the process, and again when the training period is completed for the first teams. The new training model and evaluation system are detailed in the Appendix.

The initiatives in the budgetary analyses and the restructuring of officers' training will provide combined total revenues of abt. DKK 2,4 billion a year at full phase-in in 2017.

The efficiency improvement measures will lead to structural changes and staff reductions in the support structure, and in some ways it will change the current wage and employment conditions, including, for example, abolition of public servant appointments to the largest possible extent, and targeting of health benefits. The initiatives are detailed in the Appendix.

The measures to improve efficiency and other adaptations are to be implemented without reducing the operational capabilities that the defence may provide in a national or international context.

National Service
For the agreement period 2013-2017, the Parties to the Defence Agreement have agreed that the national service is retained in all the three services, but adjusted to the current

needs of the Danish armed forces. The total number of conscripts in the Danish defence is to be reduced from a total of abt. 5,000 in 2012 to a total of abt. 4,200, see below.

The adjustment should not be seen as a reflection of a gradual phasing-out of national service as an institution. Therefore the Parties to the Defence Agreement also agree that national service in the defence is retained until 2020.

The Minister of Defence is authorized to increase the intake, in case of a changed need for conscripts in the defence.

The total defence force is maintained, but adjusted to the reduced intake. The regional command structure is retained, but adjusted according to the adjustment of the total defence force and the total defence regions.

The Parties to the Defence Agreement have agreed to keep the Day of the Defence as a compulsory information day for all men in the year they turn 18. The compulsory information day is considered to have a positive effect on the knowledge of and interest in the training programs of the Danish defence.

Women will continue to be employed on conscription-like terms. Apart from the type of employment, they are on equal terms with men.

The above-mentioned adaptation of the national service will result in a revenue of DKK 60 million in 2013, increasing to DKK 132 million annually from 2014, as compared to the current national service model in the Danish armed forces, see Table 1.

Table 1. Revenue in million DKK at the 2013 level for the Danish defence by adjusting the existing national service scheme

Reduced national service intake	2013	2014	2015	2016	2017
Revenue	60	132	132	132	132

Financing international operations – phasing out of the Afghanistan effort
In step with the gradual redeployment of Danish combat units from Afghanistan during 2013 and 2014, costs of the Afghanistan effort are reduced. After 2014, it is expected that we still have a Danish military commitment in Afghanistan. However, the level of spending is expected to be lower than the current, which means that the current annual incremental costs of abt. DKK 1 billion can be re-prioritized:

- The Parties to the Defence Agreement have agreed, as of 2015, to use DKK 300 million a year of the current additional costs to Afghanistan for the financing of the development initiatives of the agreement. This re-prioritization does not imply to any significant degree that the ability of the defence to participate in international operations will be reduced.

- It is agreed that as of 2015, DKK 200 million annually of the previous additional costs of the Afghanistan effort will be used for exercises, etc., in the domestic structure. The purpose is to ensure that the combat units of the defence maintain their professional level and deployment capability, even if the defence is not deployed in high-intensityoperations. To some extent, this expenditure will be releasable from the domestic structure in case of new international deployments.

- It is agreed that as of 2015, DKK 500 million annually from the previous additional costs to Afghanistan will be placed in reserve within the general military budget for use to cover the additional costs associated with new international operations and efforts, including training and direct contributions to Afghanistan after 2014. Based on an annual individual assessment, also in the light of the introduction of spending limits, unused funds in the reserve for international operations will either be carried over or be made forfeit in connection with the annual settlement of appropriation accounts.

This means that new operations are financed within the reduced economic framework of the defence, where several options for financing and thus flexibility are available. First and foremost, the resources that are already allocated to a given capacity could be redirected towards a specific deployment. Furthermore, additional costs could be financed by the aforementioned reserve, by adjusting the readiness of non-deployed capabilities according to political priorities, through prioritizations in the field of management, and by releasing funds from other ongoing international operations, etc. In addition to this, the political parties of the parliament can decide to allocate further resources to the operations concerned, when deciding on an international deployment.

According to the new ambition level, the defence maintains its ability to conduct international operations in the next agreement period.

Development initiatives

In recent years, the Danish defence has undergone a number of major reorganizations, and therefore now possesses relevant and contemporary capacities. However, a number of factors will lead to altered requirements for the capacity development of the defence. In general, it is judged that it will be necessary to be able to deploy military forces quickly and flexibly, with a focus on short as well as sustained missions. The continued transformation of the international effort in Afghanistan will gradually reduce the need for military ground contributions to the ISAF mission. In addition to this, there will be new challenges in the Arctic and in cyberspace, which the Danish defence must be able to handle. This in turn will strengthen the ability of the defence to execute tasks in these areas, by the addition of new capabilities, among other factors.

There is therefore agreement on developing capacities in all the armed services, including the special operations forces, so that in the future they can be deployed at short notice in a broad spectrum of operations. The Parties to the Defence Agreement further agree that the tasks which must be solved by the capacities of the armed services, demand an increased focus on the ability to plan and deploy across the capacities of the Danish army, navy and air force, as well as the Danish home guard and the Danish Emergency Management Agency, including development and reinforcement of the capacity for international capability building.

It follows that the capabilities of the defence must continue to be up-to-date, robust and flexible, and the personnel must be well trained and issued with modern equipment, including precision weapons and sensors that may help further minimize the risk of civilian casualties.

Where possible, the capacities should furthermore partly contribute to alleviating NATO’s general lack of capabilities, and partly meet the specific military targets that NATO sets for Denmark, including contributing to NATO's smart defence initiatives, and actively take part in multinational cooperation, also in a Nordic context.

Focus on transverse planning and deployment of capabilities, challenges in the Arctic and in cyberspace, as well as the adaptation of not least the army, will dominate the development of the defence.

A financial overview of development initiatives is detailed in the Appendix.

Army

Subject to an ongoing transverse prioritization in the Danish armed forces, the army will be able to contribute with capabilities for international operations and efforts in the framework of the UN and NATO, among others, of the following nature:

- The army must command the necessary capacities to be able to on short notice to deploy a force of up to battalion combat command size (typically from abt. 300 and up to abt. 800 soldiers), either for short or sustained missions.
- Contribution to a joint force from across defence and government agencies, such as a task force for humanitarian operations or support for special operations forces.
- A tactical planning staff.
- Contribution to military capacity-building and military support to civilian capacity-building.
- Other minor contributions, including single person deployments to international military staffs, etc.

The army's capacities must be flexible and ready for deployment, and thus be deployable at short notice, while also entirely retaining the ability to be deployed in sustained missions. There is therefore consensus on joining and strengthening existing capacities into three battalion combat commands that are assigned combat, intelligence, combat support and support capabilities, according to the mission. These capacities are established and trained in a number of military professional centres, ensuring a highly professional training and force generation environment.

Permanent battalion combat commands

The Army's current six combat battalions are to be restructured into three larger standing battalion combat commands with the ability to increase force generation, and thus the ability to support a protracted commitment with a large contribution, such as a battalion combat command.

One standing combat command will be in a state of high preparedness. The level of preparedness will be adapted to the situation. The combat command - or parts of it - can at short notice be deployed as a self-sustained military ground contribution or as a contribution to a task force for humanitarian missions, for instance.

Sustained deployments

The ability is maintained to make the transition to force generation in support of a protracted commitment. The necessary capabilities for a battalion combat command can be provided through a combination of standing and generated forces. It is essential to set a robust procedure for a timely set-up, training and deployment of subsequent groups. An example of force generation is shown in the Appendix, demonstrating that the first five groups can be composed from standing units.

The army`s tank capability which was previously entered as tank sub units in the basic set-up, will also be able to transform to deploying contributions in longer missions.

Centre and establishment structure
The Parties to the Defence Agreement have agreed that the army capacities must be established and trained in a number of military professional centres, which will ensure a high-quality professional training and force generation environment. Thus the army's new structure is divided into five centres:

• Army International Centre
• Army Combat Centre
• Army Combat Support Centre
• Army Support Centre
• Army Special Centre

The army's garrisoning is currently characterized by geographically dispersed establishments with unused capacity. This is inconvenient from a military, practical and operational point of view. Furthermore, in the current establishment structure, the full professional benefits of the army's new centre structure cannot be obtained.

Thus there is potential to optimize the establishment structure. Based on this fact, among others, and on the establishment analysis in the first quarter of 2013, the chief of defence - in cooperation with the chief of the home guard – will make his recommendation regarding establishment-related changes in the area of the defence and the home guard. The Parties to the Defence Agreement have agreed that the recommendation from the chief of defence should be the foundation of the political decision regarding the field of military establishments. See the Appendix concerning the army centre structure.

Navy
Subject to an ongoing transverse priority in the Danish armed forces, the navy will be able to contribute with capacities for international operations and efforts of the below nature in the framework of the UN and NATO, among others:

- Up to two major units from the navy deployed at short notice or one large unit from the navy deployed in sustained missions.
- Contribution to a joint force from across defence and government agencies, such as a task force for humanitarian operations or support for special operations forces.
- A task group staff
- Contribution to the military capacity-building and military support to the civilian capacity-building.
- Other lesser contributions, including single person deployments to international military staffs, etc.

There is consensus to maintain the navy's existing capacities for national and international tasks.

Reinforcement of present crews
The navy continues to retain two full crews and a maintenance crew for the three frigates. This is still considered an appropriate utilization of the total capacity, in that all three frigates are used to maintain the level of ambition stated above for the navy. The navy's capacity for international operations is strengthened through the commissioning of frigates and the coming new maritime helicopters.

In continuation of this, the current crews of support ships and frigates are reinforced with a view to ensuring a robust capacity and longer endurance of the units, particularly in relation to conducting longer and more intensive international operations. The reinforcement primarily affects the areas of tactical command, technical control, combat information and weapons safe handling.

Maritime surveillance centre
The domestic land-based surveillance structure is to be optimized and the maritime surveillance centres in Frederikshavn and on Bornholm are to be closed down. This, however, should be viewed in conjunction with the analysis regarding a possible merger of the operational commands into a single joint military operational command.

Maritime Surveillance Centre North in Frederikshavn is to be closed and disposed of completely, except for the operation of the naval radio receiving station which will be preserved. The remaining personnel and functions of Maritime Surveillance Centre South on Bornholm are expected to be placed at, for instance, Almegård barracks. This will make way for the closure and complete disposal of the facilities of Maritime Surveillance Centre South in a foreseeable future. However, this decision is pending a further analysis.

Coastal lookout service
The coastal lookout service is to be closed down due to enhanced use of remote sensors by extending an ongoing project regarding electronic surveillance.

Merging the naval schools, etc.
The Naval Specialist School and the Naval NCO and Basic Training School are merged into one school, as the acquisition of external training for relevant parts of the present structure is included as part of the overall streamlining. The new school is called the Naval School.

The establishment of the Naval School means that the staff at the Naval Specialist School at Holmen is discontinued, and that the Naval Damage Control School, the Naval Weapons School, the Naval Diving School, and the Naval Warfare School are transferred to the Naval School, while the program of the Naval Technical School will be handed over to external suppliers to the greatest possible extent.

New inspection vessel
The navy's ability to perform tasks in the Arctic is further developed according to plans with the replacement of the last ocean patrol cutter "TULUGAQ" with a modern new ocean patrol vessel of the KNUD RASMUSSEN class, possibly with marine environmental capability. Among other tasks, the ship will be able to occasionally support research activities in the Arctic. The replacement, originally scheduled after the agreement period 2010-2014, is brought forward to 2014, where the expenditure is kept within the acquisition budget.

Operation of distress, urgency and safety radio services
There will be a reorganization of the maritime distress and safety services in Denmark and Greenland. The task is divided into the operation of radio networks and operation of radio rooms, respectively, in Denmark and Greenland.

In this respect, the state will assume the task of operating the radio rooms from 2015 and not put them out for competitive tendering. As a result, the defence assumes the task of operating the radio room in Denmark from 2015 and onwards. As far as the radio room in Greenland is concerned, the outcome awaits the interpretation of the EU Court regarding the EU directive’s applicability to Greenland (expected in 2014).

Air force

Subject to an ongoing transverse priority in the defence, the air force will be able to contribute with capabilities for international operations and efforts of the below nature in the framework of the UN and NATO, among others:

- Up to three simultaneous military air contributions at short notice consisting of, for example, transport aircraft, helicopters, combat aircraft, and capabilities in surveillance and warning systems. Some of these are deployed in longer missions.
- Contribution to a joint force from across defence and government agencies, such as a task force for humanitarian operations or support of special operations forces.
- A tactical staff.
- Contribution to the military capability building and military support to civilian capability building.
- Other smaller contributions, including single person deployments to international staffs etc.

The air force must maintain flexible and deployable capabilities that are deployable at short notice in both domestic and international operations.

Combat aircraft

The Parties to the Defence Agreement have agreed that by summer 2015, a decision must be made regarding combat aircraft. The Defence Commission report was reflected with broad political consensus in the Defence Agreement 2010-2014. The report concluded that Denmark must continue to have a combat aircraft capacity, which on a short view is made up of the current F-16 aircraft, but on a longer view will involve the acquisition of new combat aircraft.

The purpose of the process leading towards the type selection is to provide the best possible basis for a political decision on the preferred combat aircraft among the participating combat aircraft candidates. The type selection alone provides the basis for initiating negotiations with the selected candidate regarding a subsequent purchase. It also establishes the basis, partly of defining the most favourable economic and operational phase-out and phase-in times for combat aircraft, and partly of initiating discussions on multinational cooperation and the level of ambition. In addition to this, the type selection will establish optimal conditions for Danish industry to concentrate its efforts and resources on the full contract potential for one candidate.

The type selection process is estimated to last abt. two years, before a collective basis for a decision is established. And in continuation of this, there must be the necessary time for relevant political discussions prior to the final type selection. The type selection process must thus be initiated as soon as possible with a view to a political decision on the type selection before the end of June 2015.

There is consensus that combat aircraft acquisition must be kept within the defence budget. An annual DKK 25 million from 2013 to 2014 is earmarked for the implementation of the type selection process, as well as an annual DKK 25 million from 2015 to 2016 for the type selection and acquisition process.

New maritime helicopters
To replace the current Lynx helicopters of the air force, it has been decided to acquire nine new type MH-60R SEAHAWK helicopters. With this acquisition the ability to support the navy's tasks is reinforced, also in the Arctic. The helicopters are expected to be delivered from 2016 to 2018, and are expected to completely take over operational tasks as of abt. 2019.

The joint services sphere
Joint military academy
In order to strengthen the joint services perception already in the training of new officers, an organizational merger of the military academies of the three services under the Danish Defence Academy will be implemented from mid-2014. If there is a sufficient basis for it, including a sufficiently attractive economic basis, there may subsequently be made a decision on joining the military academies in one location. The organizational merger will strengthen the joint services training, while the aspects of the individual services can and must be retained in the curriculum.

Joint services special operations forces
The current special operations forces of the defence are made up of the Jaeger Corps and the Frogman Corps. There is a need to strengthen and increase the overall future Danish special operations capacities, including the capacities of the air force in order to establish a future robust special operations capability.

Subject to an ongoing transverse priority in the Danish armed forces, the special operations forces of the defence will - be able to contribute with capabilities for international operations and efforts in the framework of the UN and NATO, among others, as independent contributions, or participate in a national or multinational task force.

The Parties to the Defence Agreement have agreed that synergy can be obtained for continued development of special operations and the training of special operations forces, as well as increased flexibility for deployment in operations uniting the Jaeger Corps and the Frogman Corps in a joint special operations force capability. The starting point is also in the future to target the special operations forces to the strategic challenges, rather than the present tactical focus. The special operations forces will be organized under a permanent Special Operations Command and placed immediately under the chief of defence. The Special Operations Command must define policy and doctrine, as well as define training needs, resource management and administration, defence procurement, personnel management, and logistics responsibility. The organization shall be robust in terms of size and be fully able to carry out the tasks described. In management level terms it should match an operational command. The key is to establish a joint services strategic special operations environment, cover the operational support functions, and secure short and clear chains of command between the upper level of responsibility and operational special operations capacities.

The Parties to the Defence Agreement are fully committed to the establishment and initiation of the Special Operations Command. They will be informed every six months about the status and progress of the development of the joint command and control structure. The structure of the Special Operations Command will be initiated in 2013 and is expected to be fully established in 2017. DKK 50 million a year is earmarked upon full implementation.

The Parties to the Defence Agreement have therefore agreed to merge the two special operations forces under a single command and control structure. On the basis of the overall determined limits and directives, the Special Operations Command is responsible for preparing the foundation, i.e. demands and conditions for training, and the criteria for ensuring training of support units of the defence. This will enable the units to be deployed in support of special operations, such as transport aircraft, helicopters, command support units, and logistic units to a relevant extent in relation to being part of a joint services operational force.

A detailed analysis will be conducted of, among other things, the establishment-related conditions with a view to identifying the advantages and disadvantages of a physical merger of the two special operations units, as well as an analysis of which relevant parts of the other capabilities in the area of the Ministry of Defence, on a permanent basis, or as needed and in certain periods of time, may be a part of the combined capability, and be placed physically together with the special operations units, not least the support functions. The analysis and any initiatives will be financed within the reduced economic framework.

Task force for humanitarian deployments, among other aims
As stated in the Defence Agreement 2010-2014, the defence has analyzed the options of assembling a task force on the basis of existing military capabilities, including tactical command staffs. The analysis has uncovered the situational options of the defence for combining force contributions across the services, and with the involvement of other capacities of the area of the Ministry of Defence to a task force - led by a military staff set up for the purpose - for deployment to humanitarian operations, among others. The concept of this will be developed and trained as an integral part of future exercise activities, in order to include predictable types of tasks into the planning and training activities.

Joint services military police
The three services all have military police capacities to varying degrees. There is consensus that synergy can be obtained by a merger of the capacities of the defence in this area.

Consequently, a joint military police capability is to be established. The framework for the future joint services military police capacity will be the army's military police battalion in Aalborg.

Joint services planning and command capacity
Each of the three services has a tactical staff capacity at their disposal which will be able to establish a planning and command capacity to enable participation in multinational tactical staffs. As stated in the Defence Agreement 2010-2014, the defence has analyzed the options for establishing a planning capability for insertions in the framework of the UN, among other things. Based on the situation and the tasks, the defence will be able to establish a Danish planning and command capacity to head capacities of the defence and of the combined civilian emergency preparedness, for instance in connection with humanitarian missions, evacuation operations, and deployment of the Arctic response force.

Joint services command support
The parties agree to analyze, in the course of 2013, how to establish a joint services command support capacity, based on the present command support capacities of the air force and the army.

The merging of agencies of the defence
In view of the extensive streamlining process that has been initiated in the Danish defence, an analysis must be conducted of the possibilities of an organizational merger of some of the current Level II agencies of the defence, in order to exploit synergies between authorities, and achieve operational streamlining, as well as create a clearer management structure to effectively support the business model.

Analyses will be carried out with the involvement of external consultants. See the Appendix regarding the organisational merger of several of the agencies of the defence.

Judge advocate corps
The Parties to the Defence Agreement have agreed to ensure an effective advocate office, which delivers quality investigations, as well as a speedy handling of cases. By the end of May 2013, an external analysis must be conducted of options for integrating the two present judge advocate offices under the same management in Copenhagen or in Karup. The analysis results will be discussed by the Parties to the Defence Agreement in June 2013, at the latest.

The home guard
The Parties to the Defence Agreement have agreed that the home guard's overall structure, including the relationship between the home guard districts and police districts, as well as existing capacities of the national and international tasks, is to be retained, but continually sought to be made more efficient and developed. The role of the home guard in relation to supporting and assisting the defence in both national and international tasks must be strengthened.

The Total Defence Region of Funen and Southern Jutland, the Total Defence Region of Northern and Central Jutland, and the Total Defence Region of Zealand will be merged to form, respectively, Total Defence Region West covering Denmark west of the Great Belt, and Total Defence Region East covering Denmark east of the Great Belt. The home guard district structure will be further streamlined.

The home guard supports the collective search and rescue service. The home guard is to contribute to the maritime effort in the coastal zone by providing a command and communication structure to support the emergency services of other actors, and support efforts in general. In cooperation with the Danish Emergency Management Agency, the home guard will also man and operate shallow water vessels inshore where environmental ships cannot operate. The air force home guard capabilities are also used in the combined marine environmental effort in the coastal zone, among other places.

The home guard will provide a capacity-structuring unit to carry out its contribution to the military capacity structure, civilian reconstruction, and other international contributions.

With respect to establishment-related conditions of the home guard, please see above in "centre and establishment structure".

The development of the home guard is funded within the current framework of the home guard.

The Arctic

Climatic change in the Arctic has led to increased geographic accessibility, which has resulted in increasing awareness of the right to extract natural resources, and in a generally larger commercial and scientific activity in the Arctic. The Parties to the Defence Agreement have agreed that the capacity of the defence to perform tasks in the Arctic needs to be adjusted in the light of this development. This includes both the assertion of sovereignty and the civilian-related tasks, where the defence, through its presence in and around Greenland, supports other authorities in their task solution. In this context, the defence seeks cooperation in performing its tasks, including the involvement of the citizens of Greenland to reinforce the core tasks of the defence in the Arctic in accordance with the 'Kingdom of Denmark Strategy for the Arctic 2011-2020'.

The adaptation of the presence of the Danish defence should be seen in the context of the challenging geographic and climatic conditions of the Arctic, including very large distances, and extreme weather and sea conditions. Thus the Parties to the Defence Agreement appreciate that for example the contribution of the Danish defence to the search and rescue services in Greenland - regardless of its reinforcement - will continue to be challenged by the harsh conditions. The preparedness will therefore not be comparable to the preparedness in Denmark, for instance, and it will not be possible to provide assistance to an extent that allows for a comparable level in relation to a similar emergency situation around Denmark.

Arctic Command
The North Atlantic operational commands are amalgamated into a joint services Arctic Command in Nuuk, Greenland. At intervals, the Arctic Command prepares for upgrading with additional staff in the form of planning officers and experts to support the planning and execution of major operations, as in connection with the deployment of an Arctic preparedness force.

In connection with the establishment of the Arctic Command in Nuuk, a study of the possibilities for a joint placement of the three current rescue coordination centres in Greenland has been initiated.

Joint Arctic preparedness force
As described in the Defence Agreement 2010-2014 an Arctic preparedness force is established in order to complement the efforts of the defence in the Arctic, and also to be able to assist the preparedness in Greenland, when needed. By 2013, the defence must draw up a concept for the arrangement, training and exercise activities, as well as for deployment.

This approach involves, among other factors, ensuring adequate education and training, as well as implementing the necessary training sequences to maintain the capacity for deployment in the Arctic region. This measure should be considered in conjunction with the increased focus on joint services initiatives.

Analysis of future tasks and surveillance tests in the Arctic
During the agreement period, a comprehensive analysis of the future tasks of the defence in the Arctic will be carried out. Additionally, surveillance tests in the Arctic area will be conducted through 2013 and 2014, including testing of unmanned aircraft vehicles (UAV), see the Appendix.

The above analyses and tests will form the basis of a future dimensioning of the capacities of the defence in the Arctic within the reduced economic framework.

To finance analyses and tests, up to DKK 40 million will be earmarked annually in the period 2013-2014, followed by DKK 20 million in 2015. In order to be able to follow up and to implement initiatives as a consequence of the above analyses and tests, the Parties to the Defence Agreement have agreed to earmark abt. DKK 120 million annually from 2015 to 2017.

Hydrographical survey in Greenland
The Parties to the Defence Agreement have agreed to emphasize the importance that hydrographical survey remains a priority.

New ocean patrol vessel
As mentioned in the section on the navy, the ocean patrol cutter TULUGAQ is to be replaced with an ocean patrol vessel of the KNUD RASMUSSEN class and modified with maritime environmental protection capability to the extent possible. The planned vessel is designed so that it can also occasionally be used for research purposes.

Maritime helicopters
As mentioned in the section on the air force, the current Lynx helicopters are to be replaced with nine new maritime helicopters, reinforcing the task solution of the defence in the Arctic.

Missile defence capacity
The Parties to the Defence Agreement note that the NATO summit in Chicago was a milestone for the development of NATO's missile defence capability. Denmark works for the widest possible development of the missile defence plans in a close and confident cooperation with Russia. The Danish attitude to a possible role will be possible, once a clearer picture of the system design becomes apparent.

Cyber security and defence
With society's increased dependence on a properly functioning ICT infrastructure[3] and an appropriate level of information security, there is an increased need for higher protection against cyber attacks. Consequently, the government has already decided to establish a Centre for Cyber Security under the Ministry of Defence. The Parties to the Defence Agreement have agreed to further strengthen the centre, and abt. DKK 35 million will be earmarked annually in addition to the already allocated funding.

Military capacities are dependent on a well-functioning ICT infrastructure, and in the Defence Agreement 2010-2014 it has already been decided to earmark around DKK 40 million a year for the establishment and operation of a Computer Network Operations (CNO) capability in order to provide a capacity that can execute defensive and offensive military operations in cyberspace. In order to strengthen this effort, it has been agreed to provide additional resources for this capability, so that the total earmarked amount in 2013 is DKK 75 million, DKK 90 million in 2014 and 2015, and DKK 150 million annually in 2016 and 2017.

The organization and affiliation of the military computer network operations capacity is currently being analysed in a working group under the Ministry of Defence. The analysis will be presented to the Parties to the Defence Agreement in 2013.

The civilian tasks of the defence

[3] ICT Infrastructure: Network infrastructure (Telecom network, mobile network, satellite communication and related hardware, etc.), systems that manage the network and hardware, as well as programs and services.

There is agreement that the Danish defence must continue to execute two types of tasks of a civilian nature. These are the dimensioning tasks, which are mere regulatory functions under the area of responsibility of the Ministry of Defence, such as the national maritime environmental surveillance, the national pollution control at sea, and the occasional tasks where society's civilian resources in the relevant area are not sufficient or not as suitable as the capacities of the defence. It is agreed that in connection with civilian tasks, a further utilization of home guard resources can be put to further use, for example in relation to environmental surveillance.

The Parties to the Defence Agreement have agreed, particularly with regard to the support of the Danish defence to the police, that a Danish collection of experience from Utøya, among others, may affect the preferred available level of support .

Maritime capacity
The combined maritime capacity of the defence and the home guard should continue to be given priority.

A study of maritime emergency capacity has been conducted earlier. The study uncovered a need to strengthen the Danish environmental resources in the coastal zone, i.e. in the shallow water close to shore and on shore. It should further be noted that the four large environmental ships of the SUPPLY class and SEA TRUCK class are over 30 years old and ready for replacement. Similarly, the Challenger aircraft of the Danish armed forces is in demand for the solution of a number of tasks in addition to the maritime environmental surveillance, including efforts to combat piracy and surveillance in the Arctic.

In the light of this, the maritime capability will be adapted and developed during the period as follows:

- The current ship-based maritime capacity to combat pollution, as well as the airborne maritime surveillance, will be put out for competitive tendering in order to identify whether outsourcing on the whole is an advantage for the defence. The competitive tendering process must be completed by June 2015.
- The possibilities for utilizing the home guard's airborne units for maritime environment surveillance will be analysed.
- The capability to combat oil pollution in shallow water - close to the coast – will be reinforced by the establishment of a so-called shallow water capacity. This capacity is established with the involvement of the home guard and the Danish Emergency Management Agency. In this connection, the home guard will strengthen the maritime activities in the coastal zone by providing a command and communication structure in support of the other actors of the emergency service and the effort in general. The home guard in cooperation with the rescue preparedness will man and operate shallow water vessels inshore, where environmental ships cannot operate. The air force home guard's capacities are also to be used in the overall maritime environmental effort, among other places in the coastal zone.

The home guard's equipment management frame is adjusted accordingly.

The Danish Emergency Management Agency will have the capacity to contribute to the combined pollution preparedness in the coastal zone and - in cooperation with the home guard - to man and operate shallow water vessels inshore, as per the recently settled agreement regarding the emergency preparedness area.

Other Issues

Smart Defence

The Parties to the Agreement have agreed that NATO's Smart Defence initiative should be utilized to achieve greater operational effect with the same or fewer resources. This should be achieved through bilateral and multinational cooperative relations, clearer priorities and specializations.

The Danish defence is already part of a number of large- and small-scale multinational collaborations. The purpose of much of this collaboration is to achieve large-scale operation advantages and joint operational capacities, as has been the case, for example, in Afghanistan and through the F16 cooperation. The ability to provide substantial capacities that Denmark would otherwise not have had available on its own, must also be achieved through multilateral cooperation, in NATO and in the Nordic setting, among others. An example of this, among others, is Denmark's re-entry into the NATO Alliance Ground Surveillance (AGS) project, which is based on the use of unmanned aircraft.

Furthermore it is agreed that efforts must be made in order that specialization or division of labour is carried out in a coordinated and conscious manner, so that tasks are performed efficiently, the way it is done in the air policing task above the Baltic countries.

Finally, it should be examined whether there should be the option - in accordance with NATO's expectations of Denmark - to develop the Multinational Corps North East (MNC NE) operational capacity to be able to carry out "Smaller Joint Operations", by linking the Air Force Expeditionary Air Staff and the Naval Task Group closer to the corps, and thus to the NATO force structure, among others.

Within the next agreement period, assessments will be conducted of the experience from and potential for bilateral and multinational cooperation on acquisition of equipment, and on operation and maintenance. In relation to this, any key barriers will be examined. The Parties to the Agreement will be kept abreast of the assessment results.

Outsourcing of driving schools

The Danish armed forces will pursue an outsourcing model for driving schools and in this way ensure a financially sound operation, while at the same time increasing flexibility for the defence. Outsourcing will result in revenues of abt. DKK 6 million annually.

Concentration of the Danish Intelligence Service in one domicile

In order to implement a reinforcement of intelligence activities, the activities of the service are to be placed together in one domicile in the Copenhagen area. The current scattered locations are both unsuitable for performing tasks and costly. Through a more centralized and concentrated siting, the intelligence service could improve its overall task performance. This will include the establishment of the new cyber capacities, which will be developed in the frame of the Defence Intelligence Service. In 2013-14, abt. DKK 40 million a year is earmarked for this, and in 2015, another DKK 20 million.

The green area

Climatic changes and scarce resources is one of the major global challenges. The Danish defence must lead the way of how modern armed forces can carry out a green transition for the benefit of climate and environment, as well as defence of economics and operational activities. In the defence area, awareness of energy and environment not only leads to resource savings. It may also affect the safety of operations, for example in terms of reduced hazardous and vulnerable fuel shipments to mission areas.

There is consensus that the resource awareness and focus of the defence on reducing its overall strain on climate and environment in both Denmark, the Arctic and in international mission areas has to be strengthened. This will be done through increased cooperation and exchange of experience with armed forces of other nations, private companies, public authorities and research institutions, among others, regarding both the operational and operative challenges in the area of energy and environment.

As a large public sector purchaser with many diverse activities, the defence has a special obligation to promote green innovation and lead the way for climate and environmentally friendly solutions. The Ministry of Defence has prepared a Climate and Energy Strategy as well as an Environment and Nature Strategy 2012-2015.

In addition to this, energy, resource and environmentally optimized establishments are to be set up in cooperation with relevant companies, foundations, interest groups and educational institutions. The project will run for two to five years and may provide inspiration for the environmental and energy effort at the other establishments of the Ministry of Defence.

The Ministry of Defence will also continue its effort to put the Danish defence, environment, climate and security on the international agenda, including in NATO and the UN.

The Parties to the Agreement agree that climate change and energy efficiency initiatives in the establishment area as a starting point must be self-financing, based on a calculated repayment term for each project.

In addition to the resources used for climate and energy optimization in the establishment area, support of innovation and green solutions are given priority - not least in the area of operations – with up to DKK 100 million annually for development projects and investments that combine a reduction of resource consumption, consideration for the environment and climate, as well as better and more cost-effective operational solutions. In this way, safety-related operational advantages can be achieved as well as savings on resources. The projects are sought out where deemed appropriate, and carried out in cooperation with the armed forces of other nations, private companies, or public authorities and research institutions.

Personnel

The defence and the home guard must continue to focus on personnel as their key resource. The defence and the home guard should be a meaningful workplace, where the necessary operational capabilities are retained, and tasks continue to be performed in a professional manner. The defence and the home guard should be able to recruit, train and retain the necessary personnel.

The HR strategy of the Danish armed forces

The defence has drawn up a new comprehensive HR strategy. The HR strategy of the defence shall create an overall strategic coherence in the HR efforts within the defence and the home guard.

The Danish defence HR strategy encourages innovation and significant changes in the field of HR, and helps increase the flexibility of the defence and the home guard in relation to wage, employment and training conditions, among other factors. The defence HR strategy

takes into account the initiatives and streamlining identified and described in the budget analyses in the area of personnel, and can be implemented within the reduced framework.

In the field of education, the HR strategy aims at greater flexibility in relation to the civilian educational system. The education of military personnel of the defence should be approaching the civilian educational options. This will enhance an individual's ability to switch between the military and civilian job market and vice versa. In this way, Danish defence personnel will be able to avoid any educational dead end.

Full-time equivalent reductions
Streamlining and development initiatives will affect the defence personnel and the regional distribution of national workplaces. The location and distribution of national workplaces requires a collective consolidation due to a large number of mutual dependencies and prerequisites between the various streamlining and development measures, establishment restructurings, and changes to the current national service.

In connection with the adjustment of personnel, the defence will be a responsible employer and take into account all relevant considerations, including launching a series of personnel policy initiatives that can be allowed within the generally applied national rules.

As mentioned, adjustments of pay and employment conditions to the general national practice will be implemented. It is also agreed that Annotation No. 101 of the Danish Finance Act, Section 12, on the allocation of specially beneficial pension conditions upon redundancies, etc., to a defined group of civil servants, is not to be carried over and preserved.

It should be noted that a large part of the Danish armed forces military personnel are public servants. Public servants are obliged to accept a transfer to another appropriate position in their current employment area, which basically is the whole of Denmark. If it is not possible to find a suitable position, public servants are made redundant with redundancy pay for up to three years. The incurred related expenses are kept within the reduced framework of the defence.

Reserve personnel
Reserve officers and other personnel of the reserve represent both an important personnel reserve of the defence and the home guard - including the international commitment of the defence - and a valuable capability that can help strengthen the ties between the defence and the rest of society. The use of reserve officers and other reserve personnel is therefore to continue in the next agreement period, and it is integrated into the Danish armed forces HR strategy, see above.

An analysis is to be conducted of the future use of reserve personnel in the Danish defence. The analysis should incorporate experience from international missions and be based on an efficient use of resources. Results of the analysis are to be presented to the Parties to the Defence Agreement in spring 2014.

Veterans' policy
The official Danish veterans' policy was published in October 2010 and is anchored in the Ministry of Defence. Relevant ministries, authorities and organizations have been involved in the preparation of the veterans' policy and will therefore be involved in the evaluation of the policy which was initiated in 2012. The purpose of the evaluation is to assess the effect of the initiatives of the veterans' policy. Where possible, evaluation findings should be

implemented during the agreement period, and will be financed within the reduced economic framework. The assessment will be presented to the Parties to the Defence Agreement by June 2013, at the latest.

A pool totalling DKK 10 million will be earmarked during the agreement period to support veteran initiatives undertaken by volunteers, etc. The pool is administered and distributed by the Veterans' Centre. The existing grants to the Blue Berets (De Blå Baretter) and the operation of ex-servicemen's homes of the Danish Ex-servicemen's Association (Danske Soldaterforeningers Landsraad)are to continue on the current conditions.

The practice for the acknowledgement of injuries falls under the Ministry of Employment. In connection with the acknowledgement and support for veterans, it is important also to focus on the veterans who suffer psychological injuries. The treatment of veterans' work injury compensation cases, both physical and psychological, must be dealt with on an informed and medical basis. In this regard it is important to consider the particular difficulties of documenting traumatic events during service in an international mission, which have taken place many years earlier.

The Parties to the Defence Agreement note that the minister for employment, on the basis of the SFI report on "Danish Soldiers Return Home", and other reports and expert statements, has asked the Danish National Board of Industrial Injuries to provide a report of the latest research on Post Traumatic Stress Disorder (PTSD) as soon as possible. If the study demonstrates medical evidence that symptoms of PTSD can occur more than six months after a traumatizing influence, the practices will be adjusted accordingly. A changed policy regarding the acknowledgement of PTSD will lead to the resumption of cases decided according to the current practice, so that they can be resolved according to the new practice. In connection with any such new practices, any revised documentation requirements will also be viewed positively in light of the fact that a number of soldiers - despite the fact that they have documented symptoms – have not previously sought medical help.

By summer 2013, when the report is available, the government will discuss the conditions of the acknowledgement of veterans' PTSD and other psychological injuries with the Parties to the Defence Agreement.

The Parties to the Agreement have agreed that the defence must continue to pay compensation to veterans with permanent injury, among others, in accordance with the applicable rules of the Danish armed forces special damages and compensation scheme.

Danish defence equipment

The economic disposition and payment framework for defence procurement is maintained at a largely unchanged level. As has been practice up till now, the minister of defence seeks appropriation powers from the Parliamentary Finance Committee (Folketingets Finansudvalg) to major defence procurement. In addition to this, materiel maintenance is carried out as before. This covers maintenance of equipment, procurement of munitions, weapons, etc. A streamlining of the area of procurement and maintenance will be implemented, see Appendix.

Abt. DKK 100 million annually will be reprioritized from the procurement of equipment to green development projects and investments, see above.

Each year – at the latest in October - the Parties to the Defence Agreement are presented with the defence procurement for the coming year. Furthermore, the Parties to the Defence Agreement are informed on an ongoing quarterly basis of the development of defence procurement and operational projects that have already been initiated.

Also see the Appendix concerning Danish armed forces equipment.

Open for business
The Parties to the Agreement have agreed to prioritize cooperation between the defence industry sector and related industry and trade associations, the Trade Council of the Ministry of Foreign Affairs, and the Danish defence, in order to align and communicate initiatives to support Danish export.

The Parties to the Agreement have agreed to positively encourage business promotion initiatives for increased cooperation between Danish companies and the defence in order to ensure utilization of the Danish defence know-how, etc. In this regard it is decided that the defence can support the establishment of a Danish test centre for unmanned aircraft (UAV) and the like.

Financial management and reporting
Financial direction
The Parties to the Defence Agreement consider it essential that the defence retains and continues to reinforce the positive trend in its financial direction, so that the financial management becomes even more sound, comprehensive and effective. This will secure the basis for making clear prioritizations and rationalizing performance on an informed and transparent basis.

Financial principles
Two principles of financial management must still be met:

- Procurement or other costly initiatives can only be initiated with the assurance of their funding on a short and long view.

- For decisions on new procurement or other costly initiatives, the funding must be indicated, such as in the form of measures to improve efficiency.

For reasons of transparency of the finances of the defence, as of the Danish Finance Act 2014, the defence appropriation structure will be split into abt. sixteen new key accounts.

Incentive structures
The financial management of the defence is organized in such a way that also on the operational levels there are economic incentives to perform the tasks in the most efficient and cost-conscious way.

Lean
The experience with Lean processes in the defence is positive. Lean can be an important tool in the ongoing streamlining and optimization of workflows. Based on this experience, it is agreed to further strengthen the Lean expertise and the Lean culture.

The Danish defence multi-annual budget and planning tool, and the expenditure model
The Defence Command has prepared a new multi-annual budget and planning tool, and an expenditure model, thus creating greater transparency in relation to the link between the capabilities, operations and resource consumption of the defence, including an improved basis for prioritizing the overall resource spending of the defence.

With the expenditure model it is possible to achieve the objective of being able to quantify defence expenditure related to force generation, force readiness, etc., including at different levels of ambition for readiness, deployments, etc.

The above tools were first introduced into service in connection with the Danish armed forces annual program and budget for 2013.

General principles of multi-annual agreements
Like other state institutions, in the agreement period, the Danish defence is subject to general technical corrections and general cross-organization efficiency initiatives, adopted in connection with the finance act processes, etc. Each year the spokespersons on defence and finance of the Parties to the Defence Agreement will receive a report on the implementation of the efficiency measures.

Access to carry forward a financial surplus or deficit to the coming fiscal years
The access of the defence to carry forward a financial surplus or deficit to the coming fiscal years is aligned with the rest of the government. This entails a limit of two percent of the budget to carry forward additional expenditure, while the current limit on carrying forward a decrease of consumption is abolished. Discussions on forfeiture of unspent means will continue to take place in the usual manner in connection with the annual settlement of appropriation accounts.

Analyses
In the agreement period, a number of major studies and analyses will be carried out regarding optimization and streamlining opportunities within the area of responsibility of the Ministry of Defence, see the Appendix. The overall objective of the analyses is to ensure the ongoing optimization of the ministry's agencies, and to investigate whether further measures to improve operational efficiency may be identified, including through competitive tendering of relevant parts of the support structure, on the basis of a prior internal optimization.

Reporting to the Parties to the Defence Agreement
Once a year - in May and June - a status meeting is held, where the annual reports of the defence and the home guard are presented to the defence and finance spokespersons for the Parties to the Defence Agreement. The annual reports outline the context for both the operational and the financial results achieved. Further at the status meeting, a separate annual reporting on the implementation of the efficiency measures in the defence agreement will also be presented to the defence and finance spokespersons for the Parties to the Defence Agreement.

The purpose of the status meeting is to inform the Parties to the Defence Agreement about the implementation of the Defence Agreement and, as needed, discuss possible adjustments for the remainder of the agreement period. This will ensure that the Parties to the Defence Agreement have an opportunity to discuss the state of affairs of the defence and the home guard in relation to current developments in the security policy situation, the participation of the defence and the home guard in international missions, and the

development in the overall operational activities of the defence and the home guard, as well as the development of the financial situation of the defence and the home guard.

In addition to this, the defence spokespersons for the Parties to the Defence Agreement will receive a quarterly briefing on the progress in the currently most important areas regarding the implementation of the agreement.

The establishments of the Danish armed forces

In order to maintain an effective defence, it is important that the defence at all times only upholds the establishments that are necessary for the execution of tasks, also to reduce unnecessary resource consumption in operation and maintenance. In preparing the analysis of the long-term needs of establishments of the defence, the home guard and the national emergency services, the state of maintenance of the establishments, as well as their operation and need for future investments, are included in the parameters examined, together with their applicability.

In order to ensure an appropriate level of maintenance, it is important to assess the use and purpose of individual establishments and buildings to achieve an appropriate maintenance standard. The maintenance as such will be given priority in a ten-year plan for the overall operation and maintenance of the establishment area. The plan will reflect the future needs and priorities of the defence and the home guard.

The defence will ensure optimal utilization of its building stock, whether owned or rented.

The Danish defence is to think energy and green solutions into the establishment stock as well. Therefore the possibilities for energy optimization will be included in future operation and maintenance considerations. In order to gain the necessary experience, two energy resource and environmentally optimized establishments will be created in cooperation with relevant companies, foundations, interest groups and educational institutions.

Sale of property

The revenue of the defence from the sale of property can only be used according to the so-called one-to-one principle, i.e. that from the revenue, only expenditure related to the sales can be effected. This includes the acquisition of property for relocation, relocation costs, alterations, environmental cleanup, etc. In this context, sales which are a consequence of the effected establishment analysis, are regarded as one-off situations, and at the same time as being completely extraordinary.

In the agreement period it will be analyzed, whether there will be resource-related or other benefits by transferring the operation and ownership of the building stock of the defence or parts thereof to the Danish Building and Property Agency (Bygningsstyrelsen), and possibly the Danish Agency for Palaces and Cultural Properties (Styrelsen for Slotte og Kulturejendomme).

Nyboder

The Nyboder residential quarter represents an important heritage, while at the same time in a continuous span of abt. 400 years having served as housing for defence personnel, including when they are in process of training in the Copenhagen area. The Parties to the Agreement have agreed that as far as possible, a solution should be sought regarding the building condition of Nyboder through cooperation with private foundations. In this way it will be possible to continue the renovation which began with a pilot project, and which could play

a significant role in the further work with the training programs of the defence, in that rental for students will be given priority. Such a solution would require that Nyboder remains in the sphere of the Danish armed forces and is used for activities within the defence. The initiatives etc. regarding Nyboder will be financed within the reduced framework.

Other areas

Annual security policy review and debate in parliament

The Parties to the Agreement have agreed that the Folketing (parliament) on an ongoing basis should be discussing the substance of the Danish security policy strategy. For the purpose of these discussions, the government should continue to work out an annual review on Danish security policy. In step with the increasing effect of the security policy on Danish society, such a review should highlight the objectives and resources of the Danish security policy. Possible themes could be assessments of the long-term challenges Denmark is facing, and a prioritization of the security policy options and challenges, and not least their solutions.

Information on Danish defence historical museums

The Parties to the Agreement have agreed that the presentation of Denmark's military history is important, for the present as well as the future. This presentation is made on a national, local and private level, so there is a need to provide the public with a comprehensive view of the combined museum options regarding the Danish defence. In this connection, the defence will prepare a publication to provide such an overview.

Multinationality

Cooperation is to be established with other countries where it serves Danish interests, including ensures a better use of collective resources. Among other aims, this means that focus must remain on the multinational and bilateral cooperation.

On an ongoing basis as part of a more efficient use of resources, the defence and the home guard must actively pursue opportunities for a closer cooperation with other nations. One way to do this could be by improving existing and establishing new bilateral or multilateral cooperation within, for example, defence procurement, operation and maintenance, as well as education and training. An important element in relation to this is NATO's Smart Defence initiatives.

The Danish defence and research

The arrangements of the Ministry of Defence with the Danish Institute for International Studies (DIIS) and the Centre for Military Studies (CMS) at the University of Copenhagen will be continued and financed with unaltered annual allocations. Through the Ministry of Defence, the Parties to the Defence Agreement can continue to request the Centre for Military Studies to conduct analyses, etc.

The Peace and Stabilization Fund

The Ministry of Defence will continue to contribute with DKK 75 million annually to the Peace and Stabilization Fund and the interministerial concerted planning and action body, with the participation of the Prime Minister´s Office, the Ministry for Foreign Affairs and the Ministry for Justice as well.

Competitive tendering and optimization

The Parties to the Agreement agree that in continuation of the planned streamlining and optimizations of the support structure, it will be appropriate to consider other models for task

solution. Among other areas, this would be relevant for logistics, health and maintenance, including maintenance of the fixed-wing aircraft and helicopters of the defence. A first step, however, will be a preliminary optimization of the tasks internally within the defence, in order to gain the immediate streamlining benefits and secure the necessary knowledge of the tasks. When the benefits of the internal optimization have been gained, it must be considered whether it is possible to gain further economic benefits or increased flexibility in the structure of the defence. Among other options are competitive tendering of all or part of the tasks, entering into public-private partnerships, or forming partnerships with other public institutions, as well as the armed forces of other nations (also see the Appendix on analyses of the agreement period).

Adaptation to a reduced framework

There is a need to streamline the public sector, among other things in order to support a healthy socio-economic development. The Parties to the Agreement have agreed that the defence must also contribute to this. It is further essential that the budget reductions are made in such a way that Denmark still retains effective and usable armed forces, which can flexibly and speedily solve the tasks determined by the government and the Danish Parliament.

In order to ensure an appropriate implementation of the measures to improve efficiency, it is deemed appropriate that these are gradually phased in over a number of years.

The above measures to improve efficiency, adaptation of national service, reprioritization of the Afghanistan effort, and simultaneous implementation of a number of development initiatives, etc., contribute to the fact that in 2013-2014, abt. DKK 2.4 billion may be reprioritized from the defence, and that the defence budget is reduced by DKK 2.5 billion in 2015, with DKK 2.6 billion in 2016, and by DKK 2.7 billion in 2017, when taking into account a certain postponement of defence procurement, see Table 2

In Table 2 below, an initial estimate has been made of the economic phase-in of the agreed initiatives. The phase-in of measures to improve efficiency, the change of national service, as well as developments and initiatives, due to the size and complexity of these projects, are associated with some uncertainty. The phase-in might therefore deviate from the estimate in the table below. The described uncertainty does not affect the permanent revenue by full phase-in, though.

Table 2. The reduction in the financial framework of the defence. DKK million at 2013 price levels.

Reduction of the financial framework of the defence	2013	2014	2015	2016	2017
Measures to improve efficiency corrected for overlap	984	1, 640	2, 071	2, 221	2, 428
Changes to national service	60	132	132	132	132
Phasing out of Afghanistan involvement	-	-	300	300	300
New measures and initiatives	-282	-331	-142	-295	-193
Reprioritization of defence procurement	100	100	100	100	100
Postponement of acquisitions	-	-		107	-107

Total	862	1,541	2,461	2,.565	2,660
Overall appropriation reduction	862	1,541	2,458	2,558	2,658
In addition, the security pool in Section 35 is discontinued	-	-	104	104	104

Note: The figures in the table may not add up accurately because of rounding. The appropriation reduction totalling DKK 2, 658 million in 2017 in Section 12, is made up from the reduction of DKK 2 billion as a result of the 2020 plan (2012 level), and additional appropriations that no longer apply, totalling DKK 0.6 billion (2010 level) from the Defence Agreement 2010-2014, at 2013 price levels. It is noted that there will not be an actual, unfunded discontinuation of the above additional funding of abt. DKK 0.6 billion per year, as the adjustments are accounted for through efficiency measures, etc. The appropriation levels in 2017 are budgeted for in the Proposal for the Danish Finance Act 2013 (FFL13) in the years 2015-2017, and, with the exception of certain technical corrections, etc., is unchanged compared to the budget estimates (BO years) of the Danish Finance Act 2012 (FL12). Overall, the agreement means, in relation to FL13, that the defence budget is reduced by DKK 862 million in 2013, and DKK 1,541 million in 2014. Also in relation to FL13, DKK 200 million will be added to the defence budget in 2015 and DKK 100 million in 2016. There may be made technical corrections, etc., of the amounts stated, including a budget transfer to the Danish Finance Act Section 19 concerning sergeant training transition to SU in the order of DKK 25 million per year. The financial facility for safety measures (sikkerhedspuljen) is discontinued as of 2013. The already approved measures from the facility are carried out as planned, see Document No. 5 of 28 September 2012, on the disposal of DKK 63 million in 2013 and 2014 to MRAP. The funds for MRAP are transferred to Section 12. The facility funds earmarked in 2013 and 2014 of abt. DKK 104 million will also be transferred to Section 12, while any further unused funds will be forfeit.

The Parties to the Defence Agreement have agreed that the funds to be reprioritized in 2013 and 2014, totalling DKK 2.4 billion, will be used according to a separate agreement in the Ministry of Finance between the Parties to the Defence Agreement. Please see the Appendix concerning earmarked funds.

Appendix: Overview of all development initiatives

	2013	2014	2015	2016	2017
Deployment-ready combat commands	3	3	3	3	3
Organizing and garrisoning in the centre structure	13	26	39	54	54
Development of the army in total, see above	**16**	**29**	**42**	**57**	**57**
Strengthening of existing forces	-15	-36	-36	-36	-36
Strengthening of the effort in the Arctic - new inspection vessel, operation	-	-21	-21	-21	-21
Maritime Surveillance Centre	0	19	27	27	27
Coastal lookout service	-33	4	11	11	11
Naval school structure	-	2	2	2	2
Operation of distress,emergency and safety services	-	-	-19	-12	-12
Development of the navy in total, see above	**-48**	**-32**	**-36**	**-29**	**-29**
Combat aircraft, type-selection, etc.	-25	-25	-25	-25	-
Ship-based helicopters	-	-	-	-40	-40
Development of the air force in total, see above	**-25**	**-25**	**-25**	**-65**	**-40**
Home guard support for the defence	-	-	-	-	0
Contributions to the military capacity-building and civilian rebuilding	-36	-36	-36	-36	-36
Marine and coastal zone	-3	-5	-6	-7	-8
The restructuring of the home guard	39	41	42	43	44
Development of the home guard in total, see	**-**	**-**	**-**	**-**	**-**

above					
Joint services military police	-	-	11	11	11
Joint services special operations forces	-	-15	-20	-40	-50
Mergers of authorities and other joint services measures	-	-	90	120	140
Joint services in total, see above	**-**	**-15**	**81**	**91**	**101**
Establishments	-6	-24	113	5	40
Establishments in total, see above	**-6**	**-24**	**113**	**5**	**40**
Arctic Command	36	37	37	38	39
Arctic Response Force	-13	-43	-13	-32	-2
Arctic Response Force establishment	-	-	-	-	-
Enhancing efforts in the Arctic – budget frame	-	-	-120	-120	-120
Analysis and testing with the use of satellites and UAVs	-40	-40	-20	-	-
Arctic total, see above	**-17**	**-46**	**-116**	**-114**	**-83**
CNO capability	-35	-50	-50	-110	-110
Centre for Cyber Security	-30	-32	-35	-35	-35
Cyber in total, see above	**-65**	**-82**	**-85**	**-145**	**-145**
Green development projects and investments	-100	-100	-100	-100	-100
Green initiatives in total, see above	**-100**	**-100**	**-100**	**-100**	**-100**
Driving schools	3	4	4	5	6
Danish defence intelligence services under one roof	-40	-40	-20	-	-
Others in total, see above	**-37**	**-36**	**-16**	**5**	**6**
All development measures in total	**-282**	**-331**	**-142**	**-295**	**-193**

Appendix: the army's centre structure
The army's garrisons are currently geographically dispersed with unused capacity. From a military, practical and operational point of view, this is undesirable. Therefore the Parties to the Agreement have agreed that the army's capacities must be set up and trained in a number of military professional centres, which will ensure a high-quality professional education and production environment.

The new army is targeted towards the ability to respond on short notice with robust and flexible battalion combat commands, as well as smaller contributions with the option of a transition to longer-term deployments of up to one battalion combat command. In order to maintain the necessary preparedness to respond at short notice, the level of activity of the army regarding the operational capacities will be increased. Therefore about DKK 200 million is earmarked of the additional costs currently allocated for the deployment in Afghanistan, to ensure that military units maintain their professional level and deployment capability, even if the defence is not deployed in active missions. Training activities will include national exercises and periods of weapons practice to keep up capacity. In addition to this, there will be possible participation in bi- or multinational exercises abroad with a view to cooperating with allies and partners, practicing deployment and redeployment, and to maintaining the high level of training. The increased costs of this include the costs of equipment operation.

According to the above, the army's new structure is divided into five centres:

- Army International Centre
- Army Combat Centre
- Army Combat Support Centre
- Army Support Centre
- Army Special Centre

Appendix: the retention of national service with 4,200 persons a year in the Danish defence

Introduction
The total intake of conscripts will be reduced from abt. 5,000 to abt. 4,200 called up to the defence. In addition to this, there are abt. 400 conscripts a year in the national emergency preparedness in the period 2013-2014. The National Service Report includes a description of a number of factors about military service, and also alternatives to the current national service scheme. This is used as a reference for this appendix.

Model description
Below is listed key elements and prerequisites in this model for national service with a reduced intake to abt. 4,200 called up for the defence:

- The national service scheme continues - only the intake of conscripts will change. This means, among other factors (and it is not exhaustive):
  - There will be no change in laws, regulations, etc. in relation to national service.
  - The Day of the Defence (medical board) continues unchanged.
  - The National Service Council[4] is retained.
  - We will continue to operate with the conscientious objectors' administration, although this will be proportionately reduced.
  - The Total Defence Force will be retained, but reduced. This should be seen in light of the fact that since its establishment, the force has not been activated, either fully or partially. Prior to any activation, first of all the police, the Emergency Management Agency, the defence and the home guard will be brought into action, according to the situation.
  - Abt. 100 conscripts are called up to the air force, and abt. 100 conscripts to the navy.

- Special services[5] of the defence continue to be manned by conscripts. For this, there is an intake of abt. 1,000 conscripts.
  - Abt. 3,200 persons complete basic training in the Danish armed forces.

Expenditure
The below listed expenditure by calling up abt. 4,200 persons to the defence is an estimate based on the following model in the National Service Report: "The retention of national service by the special services of the defence (and Danish Emergency Management Agency)". In relation to this model, the impact is estimated of calling up an additional 3,200 conscripts to the defence basic training, including consequences of recruiting directly to private ranks (the first four months of training - the number is reduced).
The total annual operating costs of calling up abt. 4,200 persons to the Danish defence are abt. DKK 758 million (2013 level).

Establishment conditions
A national service model which calls up 4,600 persons, of these about 400 conscripts to the national emergency preparedness per year in the period 2013-2014, is estimated to be within the range studied about establishment factors, and therefore it will not be decisive in relation to the possible closure of some of the establishments of the defence.

[4] Defence Command's area of authority.
[5] Guard Company of the Royal Life Guards and, Horse Squadron of the Guards Hussars Regiment (both at the army), and the Royal Yacht Dannebrog (the navy) .

Revenue

The annual revenue at full phase-in of a model which calls up about 4,200 persons to the defence is abt. DKK 132 million per year at full phase-in (2013 level), compared to the current national service scheme.

Appendix: equipment
The requirements and options for defence procurement are assessed on a regular basis, among other authorities by the Defence Investment Committee. The specific acquisitions are evaluated and scaled in relation to the need for development of defence capabilities to national and international operations.

The economic disposition and payment framework for defence procurement is kept at a largely unchanged level. As previously, the minister of defence obtains appropriation authority from the Parliamentary Finance Committee (Folketingets Finansudvalg) for major defence procurement projects. In addition to this, running costs are executed as before. This includes upkeep of equipment and procurement of ammunition and weapons, etc. A streamlining in the area of procurement and maintenance will be implemented, see Appendix.

Abt. DKK 100 million a year will be reprioritized from the procurement of equipment to green development projects and investments, see above.

In relation to future procurement, the defence must take into account whether bilateral or multilateral cooperation regarding defence acquisition, running costs and maintenance is an option. As a starting point, cooperation should provide financial savings or strengthen the operational effect in relation to the task performance of the defence.

The acquisition projects mentioned in the Defence Agreement 2010-2014 are continued in 2013-2017, taking into account the following outline of defence procurement projects. As mentioned, the specific procurement will be evaluated and scaled regularly, and adapted to the current need for capabilities in light of national and international operations. Each year – at the latest in October - the Parties to the Defence Agreement are presented with –the plans for the defence procurement for the coming year. Furthermore, on an ongoing quarterly basis, the Parties to the Defence Agreement are informed about the development of defence procurement and running cost projects that have been initiated.

Acquisitions for the army can include, among other things:

- Acquisitions of armoured personnel carriers as replacement
- Fire-support systems, including artillery pieces
- Engineering equipment, including equipment to counter roadside bombs, engineering machinery and camp equipment for international operations
- Radio and communications equipment, including data radios and communication equipment with very long range and the necessary equipment for network communication
- Night vision combat equipment, as well as observation and sensor equipment
- Electronic maps, GPS, etc.
- Soldiers' equipment, including weapons and personal protection equipment

For the navy, a new inspection vessel of the KNUD RASMUSSEN class will be acquired, and additional procurement can include, among other things:
- Demining equipment
- Sonar equipment for the IVER HUITFELDT class (frigates)
- Communication equipment
- Smaller vessels and ships, including tugs and mobile shallow water vessels

Maritime helicopters will be acquired for the air force and, in addition to this, procurement will include:

- Radars and control systems
- Communication and identification systems

Among other things, the joint services defence procurement will generally include:

- Replacement of wheeled vehicles for all the services
- Equipment for special operations forces

As regards the home guard, procurement may include:

- Transport equipment and equipment to support surveillance and marine environmental efforts
- Soldiers' kits
- Other equipment which supports the current and future tasks of the home guard.

Appendix: efficiency measures
A series of efficiency measures will be implemented in the Danish defence with an expected revenue of abt. DKK 2.4 billion a year at full phase-in in 2017. The starting point for the efficiency measures is the budget analyses of the defence, which are described in the report from the Committee for Analyses of the Danish Armed Forces. The defence has subsequently consolidated and elaborated the different measures and corresponding revenues, including adjustment for the overlap between the different analyses.

Given the volume and complexity of the projects, it is inherently difficult to estimate exactly how the phase-in will take place over the years. It must therefore be expected that the phase-in of the individual projects will deviate from the below estimates. The described uncertainty in the phase-in period does not affect the permanent revenue of abt. DKK 2.4 billion at full phase-in.

The consolidated revenue and the estimated phase-in rate are shown in the below table.

Table - revenue from efficiency initiatives in DKK million at 2013 level.

Initiative	2013	2014	2015	2016	2017
Procurement - category program	94	302	374	457	754
Stocks - procurement reduction	25	51	76	101	101
Stocks - disposable revenue	66	81	187	137	35
Warehousing and logistics	23	88	100	105	105
Equipment maintenance	63	122	117	185	198
HR tasks and administration	58	135	199	213	216
Health benefits	15	45	92	92	92
Employment and contract forms	18	37	55	74	78
Remuneration during training	123	254	332	288	290
Pay increases and fixed allowances	119	142	166	187	187
Working time and temporary service	258	258	258	258	258
Specific retention initiatives	132	145	145	164	164
Efficiency initiatives in total	994	1,660	2,101	2,261	2,478
Revenue, corrected for overlap, etc.	984	1,640	2,071	2,221	2,428

Efficiency measures concerning the support structure of the defence is to a large extent aiming at consolidating the structure by merging functions into fewer locations and improving capability utilization in each area.

When a higher degree of utilization is needed, it will also entail personnel reductions. Furthermore, the consolidation of, for example, the depot, infirmary, and maintenance structure will lead to geographical relocation for certain parts of the defence personnel.

The main elements of the efficiency measures are discussed below.

The Danish defence appropriation structure
With a view to contributing to increased transparency and creating greater coherence between the appropriation of the Danish Finance Act for the defence and the internal management of the defence, the Defence Command's appropriation is divided into sixteen new key accounts. The division is based on the organization of the defence, in that the largest Level-II agencies under the Defence Command are each assigned individual key

accounts. In addition to this, key accounts are created for the largest remaining frameworks, i.e. defence procurement, equipment maintenance, facility management, etc.

Access to free transfer between the operating appropriations of the Ministry of Defence is retained as a starting point. However, the following adjustments will be implemented that are aimed at the investments of the defence:

- Transfer access between acquisitions appropriations and other key accounts is abolished.

- Free transfer access remains internally between acquisitions appropriations, in that transfer access between the newly created account for major defence procurement and other acquisitions accounts is abolished, though.

The model will have the effect of a greater degree of separation between the operation expenditures and investments of the defence, also according to the practice of other ministries.

The future transfer access between the key accounts in the Finance Act will be in accordance with the Budget Act of 12 June 2012, and the forthcoming introduction of expenditure limits, etc.

Procurement
Today, the Danish defence has great potential for ensuring better and cheaper procurement through expanded use of framework agreements, concentration of the supplier base, centralization of purchases into significantly fewer functions, as well as the establishment of a strengthened and more coordinated organization for handling the defence procurement.

The defence will implement an organizational change in procurement, which will bring together the main procurement functions in one central location. The core will be a strategic procurement function with a clear top-level focus.
In addition to this, the defence will initiate a comprehensive procurement category program.

Storage and logistics
Significant economic benefits can be gained by reducing the surplus stocks of the defence and consolidating the depot and distribution system.

In order to optimize the stockpile of the defence, it is agreed to launch the following three initiatives:

• The defence will permanently reduce procurement of stocks, where stockpiling expands beyond an appropriate level, among other things due to the procurement volume exceeding the consumption volume.
• The defence uses existing stocks, where stockholdings are relatively large compared to the current consumption needs. At the same time, a procurement stop is initiated on these product types for a temporary period of time.
• The defence sells off its excess stockholdings in areas, where it is deemed unrealistic that the defence itself will use the stockholding within an appropriate timeframe.

In addition to this, the defence must optimize the operation and logistics of its depot and distribution system, partly by consolidating the main depot structure, partly by increasing capacity utilization in the distribution system.

Furthermore, it is assessed whether further efficiency options can be identified in the logistics activities of the defence, for example through competitive tendering of all or part of the activities.

Equipment maintenance
It is possible for the defence to achieve a better utilization of workshop capacity through consolidation of the maintenance structure.

It is therefore agreed that during the agreement period, the defence will undertake a comprehensive streamlining of the maintenance structure in order to improve capacity utilization.

It is further assessed whether further efficiency opportunities can be identified in the equipment maintenance of the defence, for example through outsourcing of parts of the activities.

Healthcare
The budget analyses of the defence have demonstrated that it is possible to achieve improved efficiency in its offered health services. It is against this background that there is consensus among the Parties to the Defence Agreement to implement the following two initiatives:

Firstly, a targeting of the healthcare of the defence will be implemented. The targeting entails that all health measures for personnel in direct operational activities are retained, including assignment, deployment and redeployment in connection with operations.

Secondly, steps are being taken to ensure better capacity utilization through consolidation of the infirmary structure of the defence, hereby reducing the number of infirmaries and concentrating the capacity on a small number of core units.

After completion of these initiatives, it is assessed whether further efficiency opportunities can be identified in the healthcare area, for example by outsourcing all or part of the activities. This should be viewed in conjunction with other structural changes in the defence, which would make this possible.

HR administration
The budget analyses of the defence have demonstrated that through targeting of services and internal optimization, it will be possible to reduce the expenses that the defence applies to HR management. Subsequently, in line with the recommendations of the efficiency analyses, the defence has developed a specific model for the organization of the HR area, which will form the basis for a comprehensive reorganization and streamlining of the HR administration of the defence.

The Parties to the Defence Agreement have agreed that during the agreement period a reorganization of the HR area will be initiated, including, among other things:

- Targeting of efforts/services in the area of recruitment and advising.
- Optimization of the HR administration in the area of wages and data processing.
- More effective administration of the HR area.

Employment and contract forms

In order to strengthen the flexibility and cost-effectiveness of the defence, it will prospectively use either fixed-duration short-term contracts, where the duration is determined on the basis of an individual assessment of the needs of the defence, or permanent employment, which is characterized by the fact that employment is terminated by voluntary or compulsory retirement, and not at a particular age.

The defence will, as far as possible, eliminate future use of public servant appointments for both officers and regulars.

The initiative will strengthen the flexibility and cost-effectiveness of the defence in relation to ensuring a personnel composition that matches the tasks of the defence, including participation in international operations.

Remuneration during training and education
The Parties to the Defence Agreement agree that compensation packages for the defence training programs shall be aligned with education in the civilian educational system. The military trainees of the defence will henceforth be employed as craftsmen apprentices, which will be equivalent to trainee employment in the rest of the national public and the private sector. Students in the basic sergeant-level training programs will be remunerated with state education grants.

Officers' educations are organized according to an accreditation model, which implies that the educations are targeted at obtaining military competences. The educations are sought to be accredited at diploma level, meaning that the defence can pay regular wages during the education. In the future, a prior bachelor degree or its equivalent will be a prerequisite for admission to the officers' educations. Alternatively, admission to the officers' educations could be accepted on the basis of an advanced sergeant training program accredited as a business academy program. In the future, the defence will develop and adapt the current program for further education of officers in accordance with the principles of the accreditation model. The model does not imply that students on the training programs of the defence will receive loss of pay compensation and value-added grant funding, etc., from the mainstream education system.

Furthermore, the students of the defence will no longer be appointed to a higher position level before the completion of the education program which allows for this position level. The revenue of the initiatives in 2013-2017 is shown in the table below.

Table - revenue remuneration during education in DKK million at 2013 level

Initiative	2013	2014	2015	2016	2017
Accreditation model for officers' education	86	170	211	159	161
Sergeants' training with state education grant	15	44	59	59	59
Military trainees on apprentice pay	4	13	26	35	35
Changed appointment practices	18	27	35	35	35
Total remuneration during education	123	254	332	288	290

Wage growth and composition
The development of wages in the defence has been greater than in the rest of the state from 2005-2010. The relatively high wage increases in the defence have been substantiated by

recruitment and retention challenges, but these recruitment challenges are no longer judged to be present.

The defence has a number of options available to target labour costs in relation to the current situation. The targeting could be achieved through a more focused and restrictive use of locally negotiated wage components in the context of personnel leaving service and contract expiry, as well as alteration of the number and size of one-off payments to match the average in the rest of the state.

Working hours and temporary service
During the agreement period, the defence will reduce costs of wages regarding working hours components (overtime, etc.), with the aim of reducing the current wage level to the level of 2005, adjusted for the increased payout percentage for overtime.

Furthermore, to a greater extent than up to now, the defence will work out reductions by applying the compensation scheme which is most economically desirable for the defence in relation to changed place of employment for defence personnel.

Special retention initiatives
In 2008, the Danish defence introduced a series of personnel retention and recruitment efforts. During the period 2005-2010, personnel turnover in the defence has remained below the national level in general. At the same time, the number of military full-time equivalent positions has increased by abt. 1,000.

There is consensus that during the agreement period, the defence must phase out the specific retention initiatives, thus reducing the costs related to these initiatives.

Furthermore, a review will be carried out of whether the existing outfit obligation of the defence in relation to military personnel is still up-to-date.

Implementation
The Ministry of Defence will establish an implementation organization to ensure a focused implementation of the agreed initiatives, which will be anchored at a high organizational level.

To support the ongoing follow-up on the Defence Agreement, the Ministry of Defence will set up an advisory group with participation from, among others, the Ministry of Finance, which will receive a bi-annual status of the implementation of the agreed initiatives.

In addition to this, the advisory group will prepare the annual reporting on the implementation of the efficiency measures to the defence and financial spokespersons for the Parties to the Defence Agreement.

Appendix: merger of authorities
In the Danish defence there is currently a number of so-called Level II agencies of varying size, with the Army Operational Command as the largest, and the Danish Defence Occupational Health Centre as the smallest.

In an extensive streamlining process, such as has been initiated, the option of a further organizational merger of some Level II agencies should be analysed with the objective of exploiting synergies between the existing authorities, carrying out streamlining on an operative level, and creating a more transparent management structure to effectively support the organizational model. This could furthermore contribute to a coordinated and efficient use of resources and cross-combine task performance.

In order to facilitate the process, the analysis must be carried out with the assistance of external consultants with relevant experience.

Mergers can be effectuated in one of two ways:
- Organizational merger in the same geographical location, which will entail streamlining potential within management, administrative functions, and operational savings.
- Organizational merger without the same geographical location, where the primary streamlining potential will be within management and administrative functions.

Based on this, the below model solutions for implementing organizational changes should be examined:
- Merging the three services operational commands into one joint operational command, as the task portfolios of the three operational commands have a number of common characteristics, including force generation and force deployment.
- Merging the Danish Defence Acquisition and Logistics Organization and the Danish Defence Group Joint Informatics Service.
- Merging the Danish Defence Personnel Service, the Danish Defence Health Service, the Veterans' Centre and the Danish Defence Occupational Health Centre, in order that all Danish defence personnel-related tasks are placed together in one organization. The Veterans' Centre will remain in Ringsted. There will be an organizational merger of the three services military academies under the Defence Academy as of mid-2014. If there is sufficient basis for doing so, including a sufficiently attractive economic basis, it may subsequently be decided to have the military academies placed in one location. The Danish Defence Centre for Digital Management and Education will merge with the Defence Academy, which will place all higher education and training programs of the defence together under one management.

Economic potential
The actual implementation of streamlining in this area has to be analysed in depth and detail, including drawing on the necessary expertise, before the implementation of any mergers. Based on evidence and the current resource consumption, it is estimated that the combined area should be able to realize a streamlining revenue of between 10% and 20%, at a minimum. This also depends on the extent to which it will not merely be an organizational merger, but also a geographical one. The total reduction is estimated to be of at least between DKK 75 and 150 million annually.

The Parties to the Defence Agreement will present the results of the analyses in 2014.

Appendix: evaluation of new officers' education

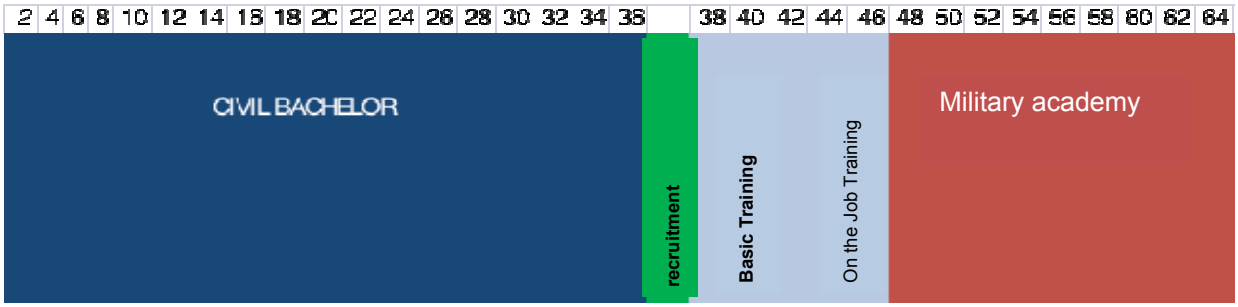
The education

An accreditation model will be introduced to replace the current basic officers' training program. The model seeks to obtain accreditation of basic officers' training programs at diploma level and the Danish defence can pay wages during education. It sets the target that one third of those admitted henceforth will be admitted on the basis of a civilian education at bachelor level. Two thirds will be recruited to the new officers' education from among the specially skilled personnel of the regulars group.

This is a significant change to officers´ training, and it will therefore initially be a trial scheme to be evaluated as described below.

The accreditation model is sought to be offered by the Danish defence as a diploma degree. The program's total length is stipulated to be abt. 28 months. This is a reduction in education time compared to the current officers´ training programs, ranging from 47-65 months, depending on the service and branch of study. The program content of the proposed officers´ education will be targeted to the core business of the military – operations, strategy and management. This is made possible by building the program on previously acquired skills in either a civilian or military educational system.

The diagram below shows the expected composition of the program elements, in that the top row of numbers shows the total education time in months for civilian academics.



The diagram illustrates the elements of the combined education for permanent defence personnel with associated exit options. This type of modular structure allows for considerable flexibility, as the duration of service rank determines the acceleration of the individual program. Furthermore, the modular structure enables personnel with no prior plans for an officer´s career to initiate their preliminary training whenever they wish to. Finally, the modular structure supports the objective that the educations or parts thereof should be accredited and applicable in civilian life, if the personnel should wish to discontinue their employment in the armed forces.

As point of departure, those sergeants who do not seek admission to the officers´ education will not have to go through the supplementary module either.

Evaluation

On a general basis, the program will be continuously evaluated in relation to content, implementation, quality, etc.

Given that this is a trial scheme, a specific evaluation will be carried out for the first two years in relation to recruitment and selection. For the civilian academics there will be an evaluation after completion of the basic program and practice period, and finally, for both

graduates (bachelors) and personnel recruited from defence, there will be an evaluation after completion of the officers´ education.

In the case of personnel recruited from the defence, an additional evaluation will be carried out after completion of the supplementary module.

The evaluations conducted - which will include evaluations of both process and content - will be reported successively to the Parties to the Defence Agreement.

Conclusion
It should finally be noted that the above program, in connection with the final planning, organization and implementation, must be adapted to the specific needs of the three services. A final composition of the education and clarification regarding accreditation is pending.

Appendix: the analyses

During the agreement period, the following major studies and analyses will be conducted within the Ministry of Defence in cooperation with, among others, the Ministry of Finance and possibly external consultancy support. The overall objective of the analyses, among other aims, is to ensure continuous optimization of the agencies of the combine, and to investigate whether there will be potential for identifiable additional operational streamlining in the defence and the home guard, among others. Below please find analyses of these areas:

- A budget analysis will be conducted of the activities and organization of the home guard.
- A budget analysis will be conducted of the Defence Construction Service. The analysis will include consideration of the perspectives in the possibility of transfer of operation and ownership of the defence building stock or parts thereof to the Danish Building and Property Agency, and possibly to the Danish Agency for Palaces and Cultural Properties.
- A budget analysis will be conducted of the operational area with the aim of efficient utilization of resources and task performance.

In addition to this, the option will be analysed of merging authorities in the Danish defence, as described in a separate Appendix. Furthermore, as is customary, further budget analyses etc. can be initiated.

Finally, an analysis will be executed to identify the options of more openness and transparency in defence matters.

The results will be presented to the Parties to the Defence Agreement.

Appendix: analysis of future task solution and tests with Arctic surveillance

During the agreement period, a comprehensive analysis will be conducted of the future tasks of the defence in the Arctic, including the possible advantages to engaging in closer cooperation with other Arctic nations. A good starting-point would be not only the already established relations to the other Nordic countries, but also to Canada, USA and Russia. Similarly the analysis will identify opportunities for closer cooperation between military and civilian actors, such as the maritime industry. In addition to this, the comprehensive analysis will include, among other things, an actual risk analysis for the maritime environment in and around Greenland, as well as the mapping out of infrastructural and logistical needs as a result of identified initiatives.

As part of the study of closer cooperation with other nations, the possibilities of exchanging surveillance data related to maritime and airspace surveillance with other nations are highlighted, in order to strengthen the Danish overview of maritime and airspace activities in the Arctic.

Prospectively during the agreement period, there will be an influx of modern capabilities in the Arctic which could significantly optimize the surveillance of the area. This applies to new maritime helicopters and possibly the use of satellites, aircraft, including unmanned aircraft, etc. Cooperation with other nations could provide access to large amounts of surveillance data. A common factor of these new capabilities is that they will generate surveillance data to an extent that the defence has not yet had the need to handle on its own. In order to ensure that this huge amount of information can be prospectively handled for appropriate use, an analysis is to be conducted of the future needs of the defence to receive, process and transmit surveillance data in the Arctic with the aim of a subsequent establishment of a capability for this. The analysis is to be held within the defence budget.

In the period 2013-2015, tests of surveillance technologies will be conducted in the Arctic. The tests are to include the provision or possible acquisition for a test period of satellite capacity from partner nations or private providers. In addition to this, the tests will include the acquisition of surveillance with unmanned aerial vehicles (UAVs) from private providers or from partner nations. Also, the use of combat aircraft to quickly initiate surveillance relating to emergencies and disasters is to be examined.

To finance the analyses and tests, up to DKK 40 million a year will be earmarked during the period 2013-2014, and DKK 20 million in 2015. These investments are expected to be used for these purposes, among others:

- An analysis of the future tasks of the defence in the Arctic.
- A risk analysis of the maritime environment in and around Greenland.
- A mapping out of the infrastructural and logistical needs of the defence as a result of identified initiatives.
- Experience retrieval from partners and other Arctic actors, including the Nordic countries, USA, Canada and Russia.
- Testing of satellite surveillance and satellite communications capacities, as well as UAV and related data handling capabilities.
- Testing of existing capacities for the implementation of the prospective task solutions of the defence in the Arctic, etc.

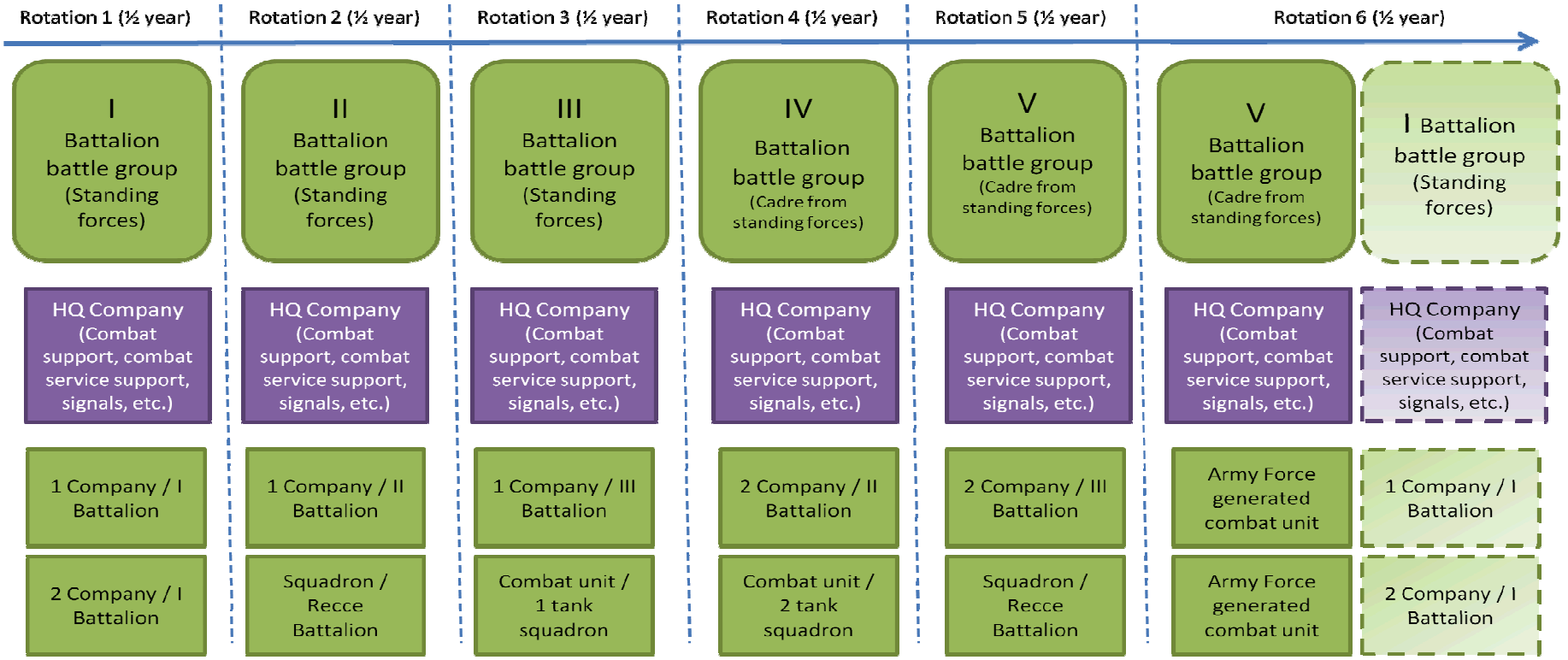
The results will be presented to the Parties to the Defence Agreement in 2014. The above analyses and tests will be part of the basis of a determination of the future tasks in the Arctic of the defence within the reduced economic framework.

With a view to be able to follow up and launch initiatives, as a consequence of the above analyses and tests, the Parties to the Defence Agreement have agreed to earmark abt. DKK 120 million annually from 2015 to 2017. Among potential initiatives are permanent measures for surveillance via satellites and UAVs, increase in crew numbers, and crew composition on existing patrol vessels and ships with a view to increasing utilization and achieving more sailing days, intensification and expansion of exercise activity in and around Greenland, and capabilities associated with the marine environment, etc.

Appendix: examples of force generation of a combat command

Example of force generation of a battalion battle group with Headquarters Company and Two Combat Units.

Example of force generation of a battle group consisting of a headquarters company and two combat units to an international mission, where forces generation, as far as possible, is based on the standing forces. They will inherently be primarily drawn from the Army's capabilities, but contributions from other services or joint military contributions will also be included.



The example above illustrates that by using the Army's standing capabilities, a battalion battle group of the specified size at 6-month rotation periods, can be sustained for 2 ½ years. Subsequently one could principly:

- choose to deploy could either the first deployed battalion battle group (Rotation 1), who will have had 2 year deployment break, again, or
- there will have be a decision whether to switch to a force contribution with a higher proportion of Army force generated personnel.

Appendix: released funds
The gradual phasing-in of the efficiency and development measures entails that for 2013 and 2014, a total of abt. DKK 2.4 billion will be released for other uses, thus reducing the defence budget correspondingly.

Furthermore, at the end of 2012, the Danish defence expects a significant accumulation. Out of the saving in the area of the defence according to Section 12, based on current consumption estimates, a total of abt. DKK 1.2 billion will be carried over to a new agreement. The funds are carried over as per Section 12. the Ministry of Defence, and use of these funds will be in accordance with the provisions regarding expenditure limits, etc.

In addition to this, a further accumulation is expected, which will be discontinued as per Section 12. Based on current consumption estimates, this amount is expected to be of abt. DKK 1,0 billion, but will not be finally determined until the settlement of appropriation accounts.

The distribution of released funds is shown in the table below:

Released funds	Amount
Surplus that is not carried over	Abt. DKK 1.0 billion
Budget reduction in 2013	Abt. DKK 0.9 billion
Budget reduction in 2014	Abt. DKK 1.5 billion
Total reserved funds for future allocation by the Parties to the Defence Agreement	Abt. DKK 3.4 billion

In total, abt. DKK 3.4 billion will thus be released, according to current consumption estimates.

An amount will be reserved, corresponding to the budget reductions in 2013 and 2014, respectively, as well as to the actual discontinuation of the savings at the end of 2012.

The future application of the earmarked amount will be settled in the Ministry of Finance by mutual agreement between the Parties to the Defence Agreement.