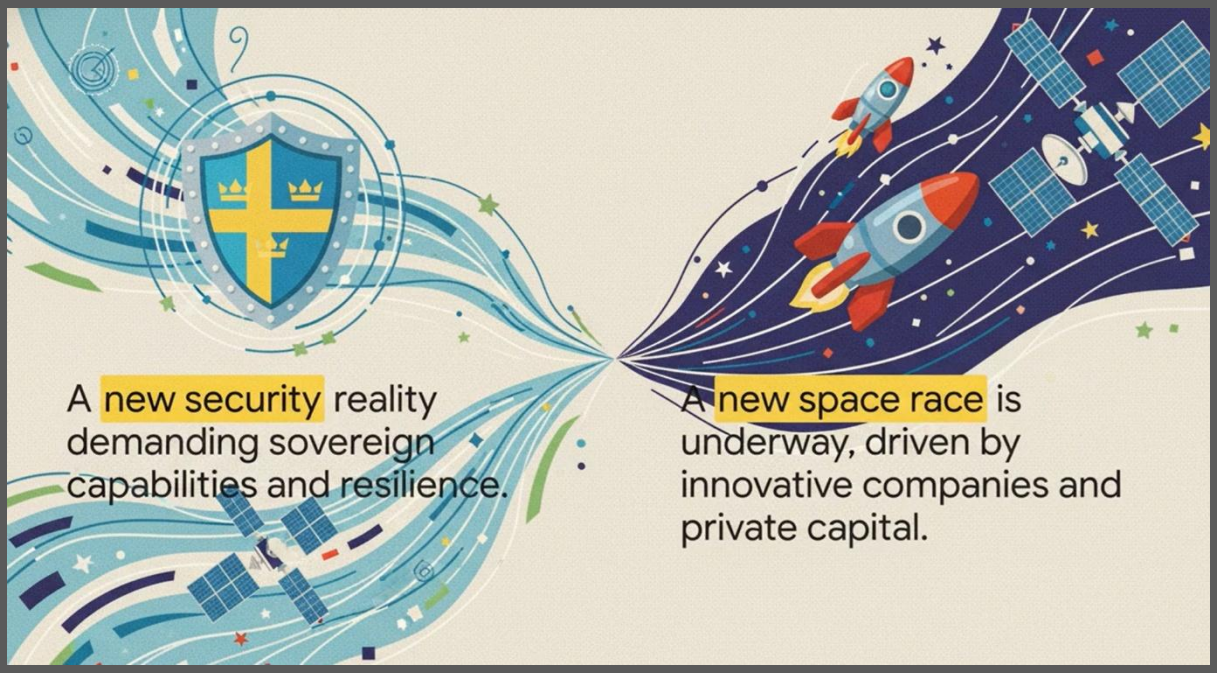
A Procurement System in Need of Immediate Reform

*An **urgent** need exists, but Sweden's legacy procurement approach cannot deliver*



1. The National Security Blindspot: Ally Dependency

In the current geopolitical climate, Sweden faces a critical vulnerability: a lack of independent access to satellite data that's essential for national defense. Satellite-based services (including Earth observation, signals intelligence and secure communications) form the backbone of modern defense capabilities. Today, Sweden relies heavily on foreign providers for these crucial data streams, leaving its defense posture exposed in a rapidly deteriorating global security environment.

As illustrated by recent events in Ukraine, a nation that lacks independent access to vital space capabilities will find itself in a situation of dependency – which can result in operational paralysis. While allied cooperation remains vital, it cannot be guaranteed in moments of crisis when the priorities of partner nations may shift. National sovereignty in the space domain has therefore become a necessity, rather than a luxury. A recent policy brief by the Danish Institute for International Studies (DIIS)[1] also voiced this concern, from a Danish perspective. Rectifying the situation in Sweden demands immediate *structural changes to public procurement approaches*.

Sweden must accelerate the development of purely domestic, defense-relevant space capabilities. While collaborations with international partners remain important, independence must nonetheless be ensured through key sovereign, end-to-end capabilities. This is a national imperative – and an extremely time-sensitive one.

2. The Path to Sovereignty: A Proven Model for Developing New Capabilities

How can a nation rapidly develop entirely new, sovereign, end-to-end space capabilities? The answer lies in adopting a different model of government-industry collaboration – one that has already been validated through the success of companies such as SpaceX, Palantir and Anduril. The aforementioned companies did not evolve through traditional government contracting. Instead, their success was a result of the U.S. government radically changing how it interacts with its domestic industry:

- The government moved away from specifying what should be built, to instead specifying what outcomes are needed.
- Government customers stopped buying equipment and started buying services.
- And finally, a "Public-Private Partnership" model was adopted, where the government both co-finances the initial development of entirely new capabilities and serves as the initial customer for the delivery of such capabilities as a service.

This shift was not about commercialization for its own sake. Rather, it was about leveraging commercial dynamics – speed, iterative development and private risk capital – as tools to rapidly generate new capabilities with relevance to national security. In this context, "dual-use" is not a buzzword but instead an intentional design principle. All space capabilities are inherently dual-use, and should therefore be developed with both defense and commercial customers in mind.

To meet current and emerging threats, Sweden must be willing to learn from other countries that have already successfully navigated this transition and adopt the kinds of ***public procurement mechanisms*** that have enabled it. It is therefore only natural to look to the United States, since the NewSpace 'recipe' was first created – and successfully proven – there.

[1] Manglende satellitinfrastruktur udfordrer suverænitet og sikkerhed i Arktis, November 2025

3. An Introduction: How the U.S. Government Procures from Industry

The U.S. federal procurement system is designed around a central question: **WHAT** is the government buying? Unlike many European government procurement systems, which follow a 'one-size-fits-all' procedural logic, the U.S. system is intentionally structured to be adaptable based on the nature of the good or service that's being acquired. This item-based orientation provides essential flexibility in execution – provided that the foundational requirements for fairness, transparency and accountability are maintained.

At the core of the U.S. government procurement system lies the Federal Acquisition Regulations (FAR), a comprehensive regulatory framework that governs how most federal agencies solicit from, evaluate and contract with private industry. The FAR is not a rigid playbook, but rather a vast 'modular' system with different tracks depending on the procurement category: products, services, research and development (R&D), construction and more. For each different type of 'item', the regulations outline various acquisition methods, contract types, competition requirements, pricing strategies and evaluation criteria. Government agencies have flexibility to tailor procurement approaches to their specific needs; especially when facing uncertainty, complexity or urgency.

The FAR approach is goal- and outcome-oriented. The job of a government Contracting Officer is not to simply follow procedures, but rather to 'design' a mission-specific procurement approach that delivers relevant outcomes, while still adhering to regulatory safeguards. This includes selecting the right kind of competition (full and open, limited or sole-source), the right type of contract (firm fixed price, cost-plus, time and materials, etc.) and the right acquisition strategy – based on market conditions, risk and urgency.

One particularly important distinction made within the FAR is between a custom-made (bespoke) development and a commercial off-the-shelf (COTS) acquisition. If a solution already exists on the commercial market, U.S. government agencies are encouraged (and often required) to pursue a simplified, faster route. This is known as the "commercial item preference". It removes many of the complex compliance layers found in bespoke development contracts and allows the government to acquire existing commercial products and services using significantly streamlined procedures.

However, even with this built-in flexibility, the FAR system still has limitations – especially when facing rapid technological shifts, national security urgency or poorly defined end states. For custom-made, high-tech developments, the traditional processes can still take years to move from concept to contract award. Proposal writing and review cycles are long and administratively burdensome. Cost accounting standards are complex. And when a government customer needs to change course midstream (whether due to emerging technologies, shifting missions or evolving threats), FAR-based contracts often struggle to adapt quickly enough.

The FAR-based approach also poses challenges for smaller, emerging companies. Many fast-moving technology firms are discouraged or deterred from engaging with the federal procurement system, due to the high entry cost, slow timelines and uncertainty of return. This has historically skewed participation toward the large incumbents, which have entire compliance departments and can afford multi-year pursuits. In this sense, the structure of the FAR system (despite being flexible "on paper") has nonetheless acted as a barrier to the kind of disruptive innovation that modern defense agencies increasingly require.

These structural limitations became painfully evident in the early 2000s, when NASA urgently needed to establish new domestic launch capabilities to replace the retiring Space Shuttle. By that point in time, more than $6+ billion had already been spent on various development efforts spanning more than a decade – without a single successful orbital flight.[2] Faced with mounting pressure, NASA turned to a radically different procurement mechanism: Other Transaction Authority (OTA). Not as a complete replacement for the FAR, but as a *complementary* approach – designed to unlock speed, flexibility and co-investment – to the traditional methods that had failed. In doing so, NASA ended up creating a 'recipe' for an entirely new way of interacting with industry; which numerous other U.S. government agencies have now also begun leveraging.

Under the OTA model, NASA co-invested with two different commercial suppliers while preserving flexibility and limiting financial risk. When one of those companies failed to meet early design milestones, the contract was terminated and the associated funding was redirected to a new supplier. For a relatively modest $800 million (in comparison to other similar developments) NASA ultimately enabled not one, but two domestic providers of new orbital cargo delivery capabilities.[3] This was a significant bargain compared to the decades lost and billions spent via traditional procurement mechanisms. The OTA structure delivered what the FAR couldn't: speed, performance, private investment, and – most importantly, successful results.

4. In Comparison: The Swedish Government Procurement System – and the Structural Barriers It Contains

The Swedish government procurement system is capable of achieving sufficient results during peacetime, but not revolutionary new capabilities when time is of the essence. The legal framework and procedural structures prioritize strict process compliance and risk avoidance, rather than speed or quality of outcome. This creates significant challenges in situations where the rapid development and delivery of new capabilities is critical.

Sweden lacks an equivalent procurement mechanism to the U.S.' "Other Transaction Authorities", which means that it has limited options for flexible, co-development partnerships. In the Swedish system, procurements are primarily guided by LOU (Lagen om offentlig upphandling) and LUFS (Lagen om upphandling inom försvars- och säkerhetsområdet). While intended to ensure transparency and fairness, both frameworks prioritize strict procedural requirements – even in urgent, time-sensitive scenarios. This structure severely limits the government's ability to act as both a true co-development partner and a strategic anchor customer.

Another key difference is the rigidity in how procurement categories are applied. While the U.S. system differentiates procurement strategies based on whether an item is commercial, bespoke or developmental, Sweden tends to apply a much more uniform model. This inhibits market responsiveness and discourages or prevents participation by non-traditional defense players. Sweden's public sector contracting professionals also generally lack the mandate to experiment with new procurement models. The result is a structurally rigid, fragmented and slow system.

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[2] **Program, year, cost, *cause of cancellation*:** X-33, 1996-2001, $912M, *major test failure*; X-34, 1996-2001, $112M, *multiple factors including technological and financial*; X-38 Crew Return, 1995-2002, $1.25B, *cancelled due to exceeded budget*; OSP (Orbital Space Plane Program), 2002-2004, $135M in study contracts in 2003 alone; DC-X (technology demonstrator), 1991-1996, $60M, *cancelled due to funding issues, a test flight catching on fire, and payload limitations to the eventual full scale rocket*; SLI (Space Launch Initiative), 2001-2004, budgeted $4.8B.

NOTE: The Constellation Program (2005-2010), with a total spending of $9B+, has ***not*** been included.

[3] A 2006 NASA program shows how government can move at the speed of startups, March 2021

Even when funding is available, the procurement mechanisms cannot match the urgency. Swedish government procurement agencies are not enabled or incentivized to take calculated risks, and even projects that show early signs of probable failure are rarely terminated. Instead, they are often continued to completion in order to avoid sunk-cost losses – driven more by procedural inertia than strategic outcomes.[4]

Despite these challenges, there are nonetheless significant similarities in the foundational principles of the U.S. and Swedish procurement systems: both value fairness, competitive access and market-based pricing. Sweden's regulations do even allow for certain exemptions when national defense and security are at stake – creating a narrow, but potentially useful, interim pathway. However, in contrast to the U.S. (where the use of OTAs by government agencies has expanded significantly), the existing legal pathways in Sweden continue to be used only sparingly.

5. The Cost of Inaction: Money Can't Buy Time

Sovereign space capabilities are no longer optional. They have become a critical national security requirement in an increasingly unpredictable world. The geopolitical threat environment has changed completely in recent years, but Sweden's existing public procurement system has not adapted – and so it cannot deliver the critical national security capabilities the country urgently needs at the speed that's now demanded.

For decades, Sweden operated with limited budgets and generous timelines. Today, the opposite is true: significant funding is available – but timelines are measured in months, not years. However, the government procurement system has not adapted to this inversion. It continues operating as though time were abundant and money scarce, optimizing for cost control and risk avoidance while consuming years for decisions that both adversaries and allies are now making in months.

Sweden's current public procurement system is not "broken". It is simply unfit for the present threat landscape. Continuing to operate under legacy models will guarantee unsuccessful outcomes – and no incremental reforms will be sufficient. The current procurement system must be radically reformed to include a (*complementary*) parallel path that allows for speed and flexibility, in order to secure strategic autonomy in relation to defense-relevant capabilities in space. Without such a change, Sweden will remain dependent on the capabilities of allies – whose priorities may shift when it matters most.

Importantly, none of the above is intended as a criticism of past decisions. It is instead an urgent call to ***adapt***. Sweden has the industrial base, the technical competency, the capital, and now – unfortunately – the strategic imperative to do so. The key missing pieces are the political will (to authorize significant deviation from legacy approaches) and modern procurement mechanisms that enable revolutionary, dual-use capabilities (and the commercial suppliers of such capabilities) to emerge.

The question is not whether it can be done. The U.S. has already proven that such a bold transformation is both possible and effective. The question is whether Sweden is willing to act – ***in the necessary ways*** – with the speed and efficacy that the moment demands.

Unfortunately, time is not on our side. And continuing to delay is not a neutral choice.

[4] A couple of recent examples (Stockholm's "Skolplattformen" and Västra Götaland's "Millennium") are provided in the attached appendix.

Appendix: Examples of “process over outcome”

Stockholm's “Skolplattformen” (a school app for teachers and parents) project continued despite several early warning signs and was implemented after six years of development, at a cost of SEK 1.26 billion in taxpayer money – hundreds of millions above budget. Despite being notoriously dysfunctional and widely criticized by users, the platform remained in operation for five years before finally being scrapped in 2023 after a serious data leakage which resulted in a SEK 4 million fine. It was later replaced by an alternative that only cost one-fifth of the original failure.

Västra Götaland's “Millennium” (a medical journal system) cost SEK 5.5 billion for a solution that proved to be entirely unusable (performing simple tasks such as writing prescriptions or documenting phone calls with patients was problematic). Launched in November 2024, it was shut down after only three days of operation and pure chaos – and, despite being non-operational, continued to cost taxpayers over SEK 40 million per month in consultant fees alone. A year-long internal investigation concluded the system should not be put back into operation, and the region is now looking for a different solution.

Both of the projects above share a critical failure: process was prioritized over outcome – and, as a result, end-users were systematically excluded from the development. Skolplattformen was developed without teacher input (actively making it difficult for them to contribute), while Millennium ignored doctors and healthcare staff. Even worse, despite early warning signs, both projects were continued to completion; thus wasting SEK 1.26 billion and SEK 5.5 billion respectively, since both solutions ended up needing full replacement.