



# NATO Resources An Overview

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# Agenda

- **Introduction**
- **Total NATO Resources**
- **Funding mechanisms and principles**
- **Introduction to Military Budgets**
- **Allied Operations and Missions (AOM)**



# Areas of Concern



**UN Charter Article 7**

**NATO Article 5 versus Out-of-Area**

**Relation to Russia**

**Global Connectivity**

**Comprehensive Approach**



NATO HQ Nations

NAEW FC  
Mons

SHAPE  
Mons

SACT  
Norfolk

NCSA  
Mons

NAEW C  
Geilenkir.

JEWCS  
Yeovilton

ACO CI  
Mons

NSCC  
MoU unit

IFC  
MoU unit

ASC  
Norfolk

JFC HQ  
Brunssum

JFC HQ  
Lisbon

JFC HQ  
Naples

MARITIME  
COMD HQ  
1 MJO  
Northwood

One NATO command  
structure DJSE from  
each Force Command  
affiliated to JFC Lisbon

MARITIME  
COMD HQ  
1 MJO  
Naples

AIR  
COMD HQ  
(Deployable)  
Ramstein

AIR  
COMD HQ  
Izmir

CAOC  
Finderup

CAOC  
Uedem

DARS  
Nieuw M.

DARS  
Moron

CAOC  
P.Renatico

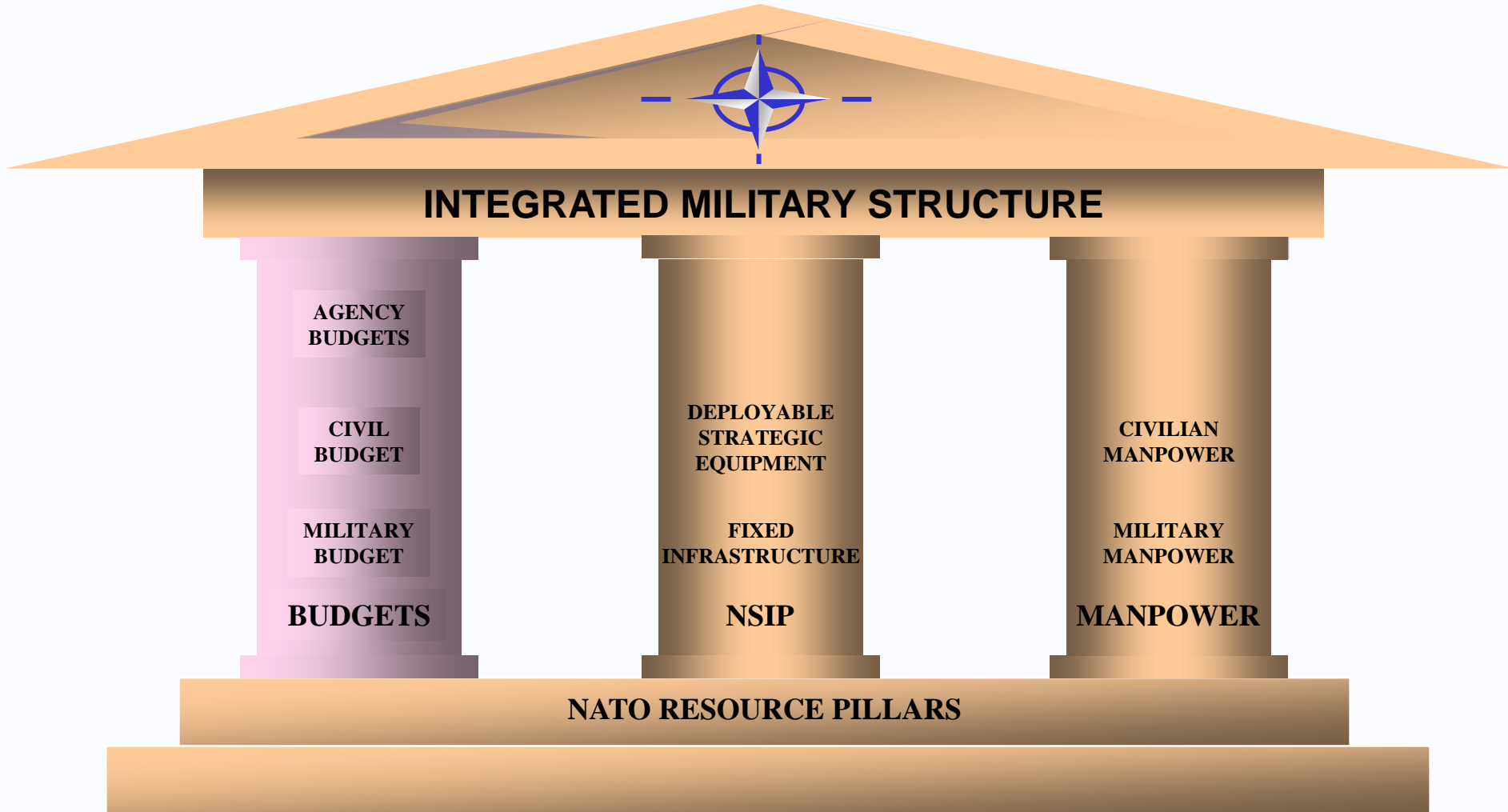
CAOC  
Larissa

FORCE  
COMD HQ  
2 x DJSE  
Heidelberg  
NFS DJSE

FORCE  
COMD HQ  
2 x DJSE  
Madrid  
NFS DJSE



# NATO's Resource Areas





# NATO Resources 2011



Funding Source	MEuro
Military Budget (inc. pensions)	1,334.1
Civil Budget (inc. pensions)	209.5
NSIP	785.0
<b>Common Funded</b>	<b>2,328.6</b>
Military manpower	800.0
<b>Total NATO funding</b>	<b>3,128.6</b>



# NATO resources in the big picture

- Nations spend:
  - **2.76%** of GDP on defence (22 Nations: <2%)
- Of this nations spend:
  - **0.49%** on NATO (MB 0.20%)

*What does this buy?*

***The “glue” of the alliance.***

- » *Integrated command structure*
- » *Combined exercises*
- » *NATO Response Force (NRF)*
- » *NAEW*
- » *NATO costs of Missions and Operations*



# Funding Mechanisms

- **Common funded**
  - **Funded by NATO nations through established cost-shares**
  - **Military Budget (O&M)**
  - **NATO Security Investment Programme (NSIP)**
  - **Civil Budget**
- **Multi-nationally funded (Joint)**
  - **Funded by agreement (CAOCs, NRDC HQs)**
- **Nationally funded**
  - **Funded by individual nations**





# Financial Principles, Policy and Procedures

- **Financial principles:**
  - Costs lie where they fall
  - Minimum military requirement
  - Over and above
- **Financial policy:**
  - NATO Fin Regulations (NFRs) – approved by the North Atlantic Council
  - International Public Sector Accounting Standards (IPSAS)
- **Financial rules and procedures:**
  - Financial Rules and Procedures (FRPs) – approved by the Budget Committee – 28 nations represented
  - Strategic Commands directives



# Introduction to Military Budget

## MB Types

- **NATO Command Structure HQ budgets**
- **Agency budgets – NCSA, NAMSA, NC3A**
- **Programme budgets**
  - **NCCB**
  - **NAEW&C FC and E3A Component**
  - **Exercises**
  - **Partnership for Peace (PfP)**
  - **Experimentation, Training and Education**
  - **Programme Of Work (NC3A)**
- **Mission and operations budgets (AOM)**



# Military Budget

Military Budget

28 Nations  
NCS and AOM

18 Nations  
NAEW&C FC

17 Nations  
E3A Component





# 2010 Cost Shares

TABLE OF COST-SHARING FORMULAE APPLICABLE TO THE  
2010 INTERNATIONAL MILITARY BUDGETS, NSIP AND THE CIVIL BUDGET

COUNTRY	MILITARY BUDGETS			NSIP	CIVIL
	17*	18*	28*	28	28*
ALBENIA			0.0763	0.0763	0.0763
BELGIUM	3.1228	2.4579	2.2904	2.2904	2.1413
BULGARIA			0.3055	0.3055	0.3055
CANADA	8.691	6.8406	5.5	5.5	5.9532
CROATIA			0.2686	0.2686	0.2686
CZECH REP	0.408	0.979	0.901	0.901	0.901
DENMARK	1.8448	1.4521	1.502	1.502	1.2619
ESTONIA			0.1014	0.1014	0.1014
FRANCE			11.62	11.62	11.9201
GERMANY	25.9406	20.4177	15.536	15.536	14.8411
GREECE	0.5707	0.4493	0.8	1.1029	0.8
HUNGARY	0.8331	0.6579	0.685	0.685	0.685
ICELAND			0.0658	0.045	0.0658
ITALY	6.698	5.2719	8.6467	9.0189	8.5
LATVIA			0.1367	0.1367	0.1367
LITHUANIA			0.2048	0.2048	0.2048
LUXEMBOURG	0.0995	0.0784	0.1534	0.1534	0.1534
NETHERLANDS	3.4555	2.7198	3.3516	3.3516	3.3271
NORWAY	1.3455	1.059	1.518	1.518	1.4282
POLAND	2.9646	2.3247	2.3284	2.3284	2.3284
PORTUGAL	0.6427	0.5058	0.75	0.75	0.9
ROMANIA	0.772	1.2241	0.9651	0.9651	0.9651
SLOVAKIA			0.4068	0.4068	0.4068
SLOVENIA			0.2376	0.2376	0.2376
SPAIN	3.344	2.6319	4.5595	4.5595	4.6195
TURKEY	0.9801	0.9781	3.1374	3.1374	3.1374
UNITED KINGDOM		19.8164	11.5478	11.5478	12.5944
UNITED STATES	38.2871	30.1354	22.4042	21.7499	21.7394
Not allocated	0.	0.	0.	0.	0.

\* Reference: OCB(2009)0077 and SRB-N(2009)0058



# Accounting Issues

**Closer to running a business**

**No National Treasury**

**Must issue calls for funds (income)**

**Using ERP Oracle System**

**Must Produce Annual Financial Statements (full audit)**

**IPSAS, Accruals Accounting**



# Important terms (1)

## ❑ Principle of Annual Budgets

- o Credits only available for commitments during the Financial Year for which they are approved
- o Credits not committed at the end of the Financial Year should be cancelled (lapsed)
- o Commitments may be carried forward for the following two years
- o Credits are not cash

## ❑ Commitments

- o For the purpose for which credits are approved
- o Within the limits of those credits
- o Legal Liabilities
- o NSIP is a program for eligible capabilities

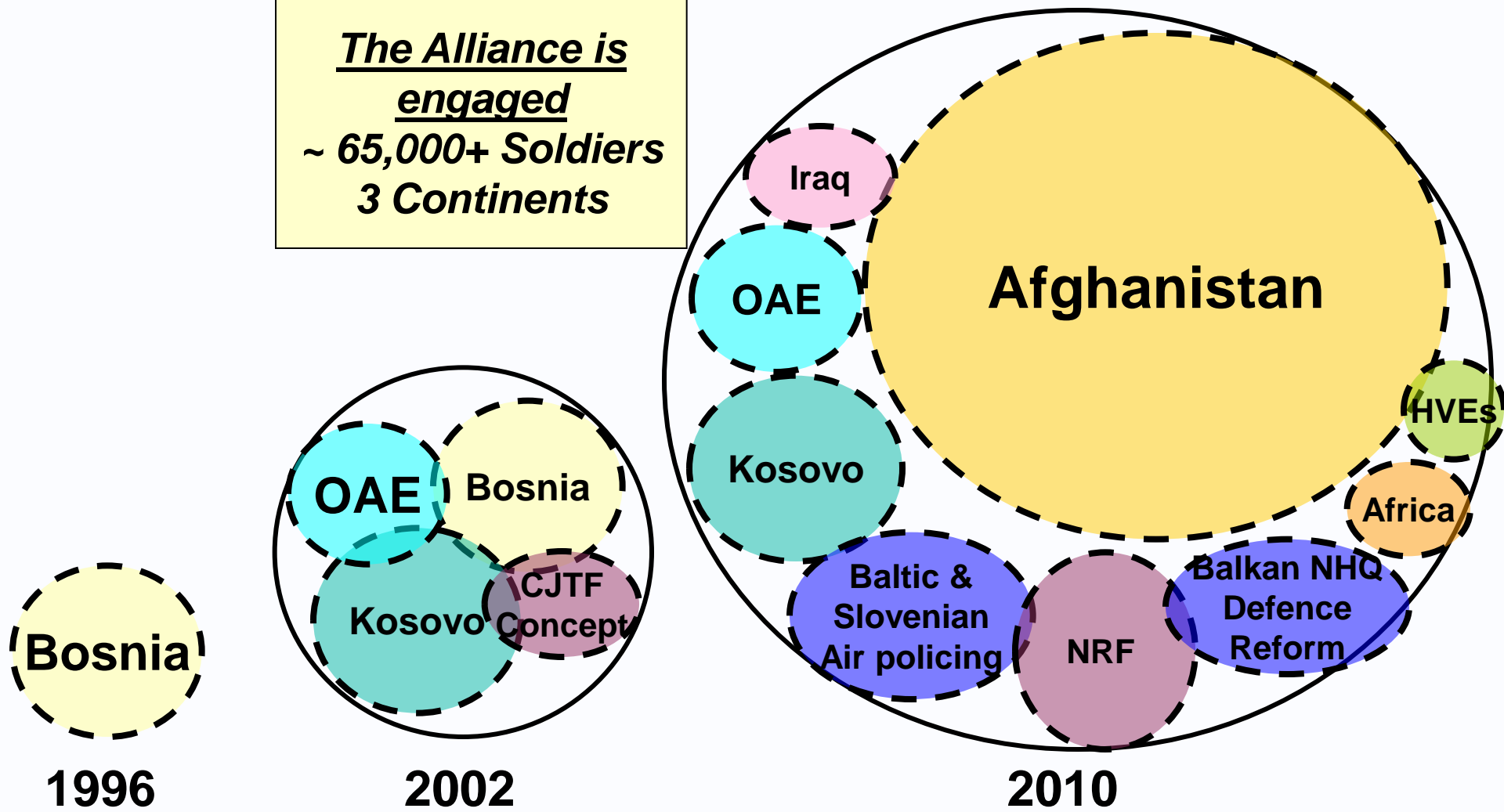


## Important terms (2)

- ❑ Contract Authority (CA)
  - o Multi-year programmes
  - o Foreseen that payment will not occur during FY
  - o Authorises obligation but not payment



**The Alliance is engaged**  
**~ 65,000+ Soldiers**  
**3 Continents**

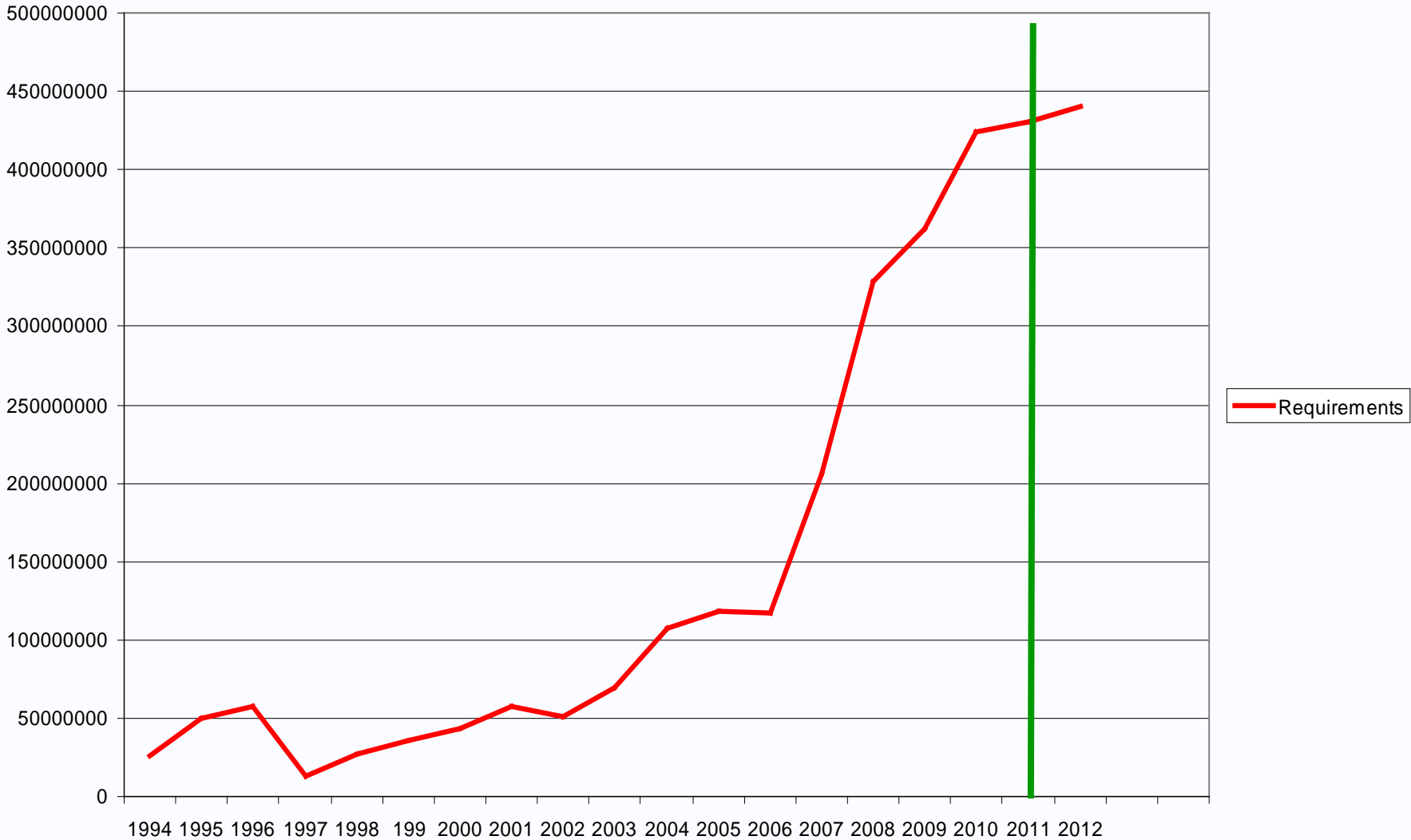






# Evolution of AOM MB requirements

Requirements





## *NEW PRIMARY ELIGIBILITY CRITERIA*

**THEATRE LEVEL ACTIVITIES  
UNDER UMBRELLA/ AUTHORITY OF  
THEATRE HQ  
NOT ATTRIBUTABLE TO A SINGLE NATION**



# DEFINITION

## TRUST FUNDS

FUNDS PROVIDED BY WILLING NATIONS TO FULFILL A MISSION-RELATED REQUIREMENT NOT ELIGIBLE TO NATO COMMON FUNDING

APPROVED BY NATO HQ

OUTSIDE

LINKED TO MISSION

OUTSIDE NATO DECISION

SPECIFIC PROJECT

CHAIN OF COMMAND

FUNDS PROVIDED BY SPECIFIC NATIONS TO FULFILL A SPECIFIC PROJECT NOT NECESSARILY RELATED TO A MISSION REQUIREMENT

BY CASE BASIS

AGENT

Nationally/ Multinationally funded projects



# Trust Funds Overview



TRUST FUND	PURPOSE OF THE TRUST FUND	DATE EST	REFERENCE DOCUMENT	ESTIMATED REQUIREMENT	AMOUNT CONTRIBUTED TO DATE
KPC	Support of the stand-down of the Kosovo Protection Corps and to provide funding for the Resettlement Programme.	June 2008	SG(2008)0501	€13,000,000	€12,707,195
KSF	Support of the stand-up of the Kosovo Security Force and to provide funding for non-recurring requirements and to allow rapid provision of the up-front non-recurring costs.	June 2008	SG(2008)0520	€37,600,000 (Including equipment donations)	€8,238,277
NTM-I	Travel, subsistence and course fees of Iraqi Security Forces trained at both, NATO Training and Educational facilities outside Iraq and the Training and Education Doctrine Centre in Iraq. (On a case by case basis, this trust fund has also been used for training equipment and infrastructure.)	March 2005	SRB-N(2004)0046 -REV9 SRB-N(2005)0010	Not Established/ No Limit	€15,124,064
ANA	Purchase of equipment Transportation & Installation of donated equipment. In/Out country training. Infra & Sustainment for ANA.	February 2007	SG(2006)0881 SG(2007)0115 SG(2006)0881-COR2	Not Established/ No Limit	€123,346,942
ISAF POHRF	Provide quick humanitarian assistance following sizeable ISAF military operations.	November 2006	PCG(ISAF)N(2006)0060	Not Established/ No Limit	€2,583,820



# Summary

- **The “NATO insurance policy” does not cost a big portion of a nations wealth, but provides the “glue” of the alliance.**
- **Three types of Funding**
  - **Common**
  - **Multi-national**
  - **National**
- **Three types of common funded budgets:**
  - **Command budgets**
  - **Programme budgets**
  - **Mission budgets**
- **Eligibility**
- **Unfunded requirements and risk management**

# ANY QUESTIONS ?

