

Department of Defense

Military Construction Program



FY 2017 BUDGET

*North Atlantic Treaty Organization
Security Investment Program*

February 2016

Justification Data Submitted to Congress

Preparation of the Defense-Wide budget, excluding revolving funds, cost the Department of Defense a total of approximately \$1,125,500 in FY 2016.

NATO SECURITY INVESTMENT PROGRAM (NSIP)

Budget Justification for FY 2017 President's Budget

NATO's Roles and Missions:

Over the last three decades, the United States Government, through its representatives at the North Atlantic Treaty Organization (NATO), has worked vigorously to reform and revise the infrastructure program. In 1991, in response to the fall of the Berlin Wall and dismantling of the Warsaw Pact, the NATO Secretary General called for a Fundamental Review of the NATO Infrastructure Program with the objective of downsizing, streamlining and updating the program to conform to new security realities. The review culminated in 1993 with the formal adoption of new rules and procedures for the program. The resulting NATO Security Investment Program (NSIP) procedures were carefully recast under extensive United States (U.S.) guidance to: (1) allow U.S. forces to obtain the maximum operational benefit, whether stationed in Europe or transiting to other regions; and (2) to position U.S. contractors to be competitive when bidding on project solicitations. These procedures remain flexible and resilient, allowing NATO to respond to evolving world events (such as the Balkans, 9/11, Afghanistan, Libya, and Iraq) and the changing geo-strategic environment.

NATO is a collective security organization of 28 sovereign nations. The NSIP budget decisions are based on consensus decision-making among the 28 member nations. Procedures and project execution decisions are likewise arrived at by consensus. Absent U.S. agreement, NATO projects will not be approved or executed. Currently, the military planning staffs of the Allied Command, Operations (ACO), and the Allied Command, Transformation (ACT), develop all NSIP construction and procurement projects based on prioritized and accepted minimum military requirements to support the Alliance's war-fighting capabilities. These projects are bundled in Capability Packages, which NATO military and civilian decision-makers review in detail based on guidance from their national governments. In addition, ACO military staff screen urgent theater operational requirements for ongoing military operations and submit them to NATO headquarters for approval using special expedited procedures.

Continuing U.S. Commitment to NATO:

The U.S. has an abiding national security interest in a stable, integrated European region. Our political and military presence there fosters the conditions necessary to ensure democratic and market-based institutions take root throughout the region.

Despite the developments in Europe since the end of the Cold War, there remains a wide range of other threats to peace and stability in Europe and adjacent regions: dangers posed by global terrorist attacks; nuclear weapons and other weapons of mass destruction; regional conflicts which have surfaced on the eastern borders of NATO; hostile governments and political unrest in the Middle East; the migrant crisis; and various other economic and environmental dangers to U.S. national security interests.

The existence of these threats to regional stability and U.S. interests there serves to underscore the need for a continued U.S. political and military presence in Europe, and the need for a robust, proactive NATO, serving as the essential defense and security organization in Europe. From a strategic standpoint, NATO is the only forum enabling the U.S. and its European Allies to consult and develop common views and solutions to security challenges, not only in Europe, but also on a global scale.

The situation in Ukraine has shown the volatility of the security environment and has accelerated the need for continued adaptation of the Alliance. At the Wales Summit in 2014, Allies reiterated their commitment to the fundamental principles and core values laid out in the Washington Treaty, in particular, the principle of collective defense (Article 5) and the need to maintain and develop their individual and collective capacity to resist armed attack (Article 3). Heads of States and Governments confirmed the shared values that unite North America and Europe and reaffirmed the essential security link between the two continents and the determination to share the responsibilities and rewards of security. The NATO Summit in Warsaw in July 2016 will build on these commitments.

The United States' representatives on NSIP decision-making committees at all levels of review and approval are well-aware of United States' interests in achieving a European security environment in which NATO continues to play a key role. NATO resource managers, in coordination with national representatives, will continue to monitor European security developments and risks and ensure that NATO common budget programs both anticipate and respond to new mission requirements.

Overall Program Requirements

General:

NSIP projects meet Alliance military requirements for a wide range of facilities and capabilities. Projects include flexible command and control systems (including secure and reliable communications), mobility within and between regions, adequate logistics and transportation support, and the infrastructure to support both forward deployed and reinforcing forces.

Over the past few years, NATO has had to postpone many long-term defense investment requirements, focusing instead on requirements for active Operations and Missions (notably Afghanistan) and focusing on its highest priority, most urgent capability requirements (notably Alliance Global Hawk unmanned reconnaissance aircraft infrastructure and coherent, interoperable, command and control systems). As NATO's role in Afghanistan transitions, these long-deferred infrastructure requirements, to include air-basing and fuel infrastructure, can now be addressed.

At the 2014 Summit in Wales NATO's Heads of State and Government acknowledged that Euro-Atlantic security was at a pivotal moment and that the Alliance was ready to respond swiftly and firmly to the new security challenges. Russia's aggressive actions have fundamentally challenged our vision of a Europe whole, free, and at peace. At the

Wales Summit NATO approved the Readiness Action Plan (RAP) which includes measures that address both the continuing need for assurance and adaptation of the Alliance's military strategic posture. Allied leaders adopted a package of measures – the RAP – designed to make NATO forces more responsive, better trained and better equipped to respond to the changed and broader security environment in, or near, Europe so that the Alliance can meet challenges from wherever they may arise. NATO will continue to respond to the concerns of its members by initiating assurance measures in keeping with the Alliance's commitment to collective defense.

The Fiscal Year (FY) 2017 funding requirement for NSIP takes into account agreements made at the Wales Summit and those expected at the 2016 Warsaw Summit, military operations, the changing and continuing threat to peace, maximum use of existing inventory, and national political and economic realities. This is also considered an adequate funding level to cover restoration and upgrade requirements for existing facilities and systems, payments for incrementally funded projects, minor works, new requirements, and recurring administrative and other program support costs (audits, cost overruns, and cancellation fees).

NATO Security Investment Program: FY 2017 U.S. Budget Requirements:

The Department's FY 2017 NSIP budget request of \$177.9 million provides support for the planned FY 2017 program, and is based on NATO resource requirements for the NSIP program, the existing cost sharing agreement, and budgeted exchange rates. The U.S. cost share amount for FY 2017 of \$202.5 million is the sum of the FY 2017 request for new appropriation of \$177.9 million, plus \$24.6 million expected to be available from recoupments of prior year work funded by the U.S and prior year unobligated funds.

The U.S. national contribution to NSIP serves multiple political purposes in addition to meeting key military requirements for facilities and capabilities, allowing the U.S. to play a major leadership role in transatlantic affairs. Our active participation in the NSIP assures the United States of a continuing front-line role in shaping and influencing the collective defense posture of the Alliance, and works produced by the program provide direct, on-the-ground benefits to U.S. military service personnel across the European continent and in forward-deployed locations such as the Eastern Flank of NATO and Afghanistan.

Program Priorities and Eligibility Criteria:

In procedures adopted in 1993, the program's funding criteria for facilities construction and restoration all but eliminates NATO facility funding for the European allies but continues full support for U.S. requirements at European bases. With few exceptions, funding is no longer programmed in any NATO country for the construction, restoration, or upgrade of facilities that are used specifically for that nation's NATO-assigned forces (this applies principally to most European allies and has the practical effect of disqualifying their facility requirements for NATO funding). However, projects will still be funded to support operational facility requirements for those NATO-assigned forces deployed outside of their national borders. As a result, U.S. European operational facility requirements will continue to be eligible for NATO funding.

The highest Alliance priority is to support the RAP assurance and adaptation measures and on-going military operations in Afghanistan. In 2005, NATO agreed to expand the common funded eligibility rules to include NSIP funding for key operational enabling capabilities in-theater such as medical facilities, fuel depots, and airfields. For the RAP, NATO intends to enhance infrastructure for Reception, Staging, and Onward Movement (RSOM), Prepositioning, and Training and Force Integration. In addition, previously deferred air, maritime, and fuel infrastructure improvements will now be implemented. Any new requirements for the ongoing Afghanistan operation will also be a priority. NATO common funding for such projects generally increases Alliance burden sharing for projects that would otherwise go unfunded (to the detriment of U.S. objectives in these three areas of operations), or be funded solely by the U.S.

Program and Project Approval Procedures:

Under the current NSIP programming procedures, U.S. construction requirements are an integral part of the NATO Military Commanders' Capability Packages. With the exception of urgent RAP and military operations requirements, all NSIP project requirements are stated in terms of Capability Packages, assembled, reviewed and approved by the NATO Military Authorities (NMAs). Individual projects within capability packages are stratified (prioritized) by the NMAs in accordance with their criticality to enable the Strategic Commanders to meet NATO's military Level of Ambition. Due to limited funding levels, lower priority procurement and construction requirements have been deferred. In some instances, projects for the restoration and upgrade of existing facilities are funded as "stand alone" projects but are still subject to a NATO priority analysis.

For each military operation, ACO develops an Alliance Operation and Mission (AOM) Requirements and Resource Plan (ARRP), which identifies all unfulfilled and potential new requirements that should be included in NATO's medium term resource planning. These plans are updated biannually and reflect any changes approved through the periodic mission reviews. However, NATO procedures allow for emergency submissions in order to address new priorities that arise for urgent projects to support ongoing military operations and in response to unexpected threats. All projects for ongoing military operations are considered in an expedited manner by the Investment Committee (IC) based upon the military advice of the ACO staff and agreed NSIP eligibility criteria for the operation, including deployed headquarters facilities, aerial ports of disembarkation, theater medical support, engineering, fuel depots, and theater communications equipment and assets.

Capability packages can be categorized in the following five areas:

- **Deployable Capabilities.** Deployable equipment and assets to support NATO military operations such as ground based sensors for air surveillance, communications and information systems, and command and control assets;
- **Capabilities in Support of Deploying Forces.** Logistics support for NATO deployments and long-term operations, including ammunition and fuel depots; fuel pipelines; and facilities for the reception and staging of reinforcement forces from the U.S.;

- Training, Exercise, and Education in Support of Deployable Forces. Restoration and upgrade of facilities to support NATO interoperability training for deployable forces, and improvements at existing NATO joint training areas, firing ranges, and facilities for computer-assisted training;
- Command, Control and Communications (C3). Upgrades to equipment and software for NATO core communications network and automated information systems; air command and control systems, radars, adaptation of NATO C3 and air Command and Control (C2) systems in support of theater missile defense, and alliance ground surveillance; and
- NATO Command Structure. Costs associated with the implementation of the new command structure, construction of new military headquarters buildings, and expansion of existing headquarters facilities.

While the capability package and ARRP process provides a great deal of insight into specific projects, the Department is unable to guarantee to the Congress that all projects will be authorized within a given budget year. The budget is prepared 10 months prior to the start of the fiscal year and forecast in detail for an additional 12 months. NATO planners must propose projects that meet anticipated operational requirements needed to sustain alliance military capabilities.

U.S. Requirements:

The NSIP remains a key source of funding for U.S. infrastructure requirements in the U.S. European Command (USEUCOM) Theater of operations, restoring and upgrading existing NATO operational facilities, providing new operational facilities at U.S. enduring and deployed locations. The NSIP investments contribute to providing U.S. forces operational benefits, whether stationed in Europe, transiting to other regions, or forward deployed in support of NATO operations and missions. NSIP is also a key source of funding for operations in the U.S. Central Command (USCENTCOM) Theater, enabling critical command and control in Afghanistan.

NATO continues to approve and fund infrastructure projects benefiting several key U.S. operating locations. Two significant examples of NSIP investment supporting U.S. requirements can be found at Aviano Air Base, Italy, and at Ramstein Air Base, Germany. At Aviano, NATO funded over \$465 million for the bed down of 2 fighter squadrons. The projects include both operational and community support facilities, the latter being a special exception to ensure the maintenance of a permanent fighter aircraft presence in northern Italy. At Ramstein, NATO has invested over \$210 million to provide strategic air transport infrastructure to include parking aprons, freight and passenger terminal facilities, and a C-5-capable hangar.

In addition, NATO funds infrastructure required to store special weapons within secure sites and facilities. Since the year 2000, NATO has invested over \$80 million in infrastructure improvements in storage sites in Belgium, Germany, Italy, the Netherlands, and Turkey. Another \$154 million is under implementation at these sites for security improvements to meet stringent new U.S. standards.

Another notable example of NATO investment can be found at Naval Station Rota, Spain, where NATO has invested \$151 million in port infrastructure upgrades to provide logistics support and resupply facilities for NATO maritime forces and \$83 million for infrastructure upgrades and recoupment eligibility to support NATO's Southern European Strategic Air Transport requirements.

The NMAs submitted new capability packages for the Alliance's Air Basing which are under consideration by the nations. Should a consensus agreement be reached to approve and fund these improvements, significant NSIP funding could alleviate critical infrastructure shortfalls at bases of U.S. interest in Europe. While the RAP requirements are still evolving and are under development, NSIP funding will be required for infrastructure to support in-place force enablers on the territories of the Eastern Allies such as pre-positioning of equipment and supplies; the designation of specific NATO headquarters or bases; and the ability of Allies to receive and support reinforcements. Early indications are that the RAP infrastructure requirements will cost \$190M - \$250M per year for the next several years.

Allied agreement to fund the unique U.S. requirements noted above is particularly significant given that the allies must shoulder the bulk of the costs of NATO-required construction and facility restoration within their own borders, while NATO support for U.S. facility requirements in Europe remains unchanged. The shift in the principal focus of the program to NATO-wide requirements such as command and control, communications, information management equipment and associated software, and other advanced technology also continues to favor U.S. companies who have been highly successful in NATO's international competitive bidding process.

As of December 2015, the U.S. has received NATO funded infrastructure support of about \$3.4 billion for its ongoing military operations in Afghanistan, the Balkans, and Iraq, to include over \$2.5 billion in Afghanistan. Much of this has funded International Security Assistance Force construction, airfield improvements, communications systems, and force protection.

In addition to U.S. specific requirements, there are a number of theater-wide and common-use systems and facilities in which the U.S. has a vested interest and which must be maintained and upgraded. These facilities are essential for the conduct of military operations and political consultations. U.S. forces, as well as other allied units and the NATO command structure, are dependent on the availability of properly functioning systems and facilities with:

- Secure and reliable communications networks linking NATO static and mobile command centers with the national headquarters of NATO member nations;
- Other specialized strategic and tactical communications systems for the control of military operations;
- New or expanded/renovated facilities to support the NATO command structure;

- Interconnecting systems of early warning, coastal, and air defense radar;
- Cross-border pipeline systems supporting military petroleum, oil, and lubricants requirements that connect refineries, fuel depots, airfields, and other major NATO bases;
- Fuel and ammunition depots, storage for pre-positioned equipment and materiel;
- Joint training facilities and ranges; and
- Facilities and infrastructure at ports of entry (air, rail, and sea) for the embarkation, reception, support, and onward movement for deployment and follow-on reinforcement and multi-modal strategic airlift and airbase capabilities for use by U.S. and allied reinforcement forces.

Funding Issues:

U.S. credibility, as well as the ability for NATO to make payments to U.S. contractors for NATO-awarded projects and urgently needed U.S. operational support facilities, is directly related to the Department's ability to secure appropriations that will satisfy its prorated share of NATO contributions.

NSIP funded facilities and airfield improvements in the Belgium, Bulgaria, Estonia, Germany, Greece, Italy, Latvia, Lithuania, the Netherlands, Poland, Romania, Slovenia, Spain, Turkey, and the United Kingdom play a key role in supporting NATO's ongoing operations and missions, including those in Afghanistan and in the east and south of Alliance Territory. In the event of a Major or Lesser Regional Conflict, NATO airfields, bulk fuel storage and pipeline systems, and access through the Alliance, will play a pivotal role in deployment, sustainment, and redeployment of U.S. based forces. Readiness and availability of the facilities at these and other locations is contingent on the U.S. meeting its NSIP contribution obligations.

NSIP funding for facilities and improvements in the theater of operations is also necessary to augment NATO's support to the Afghanistan National Security Forces. The Afghanistan operation will continue to require funding from the NSIP for the near term. With the consolidation of headquarters, airfields, and lines of communication, the NSIP is called upon to resource these current and emerging military requirements.

Summary and Budget Request:

In summary, the Department's FY 2017 NSIP budget request of \$177.9 million provides support for the planned FY 2017 program, and is based on NATO resource requirements for the NSIP program, the existing cost sharing agreement, and budgeted exchange rates. The U.S. cost share amount for FY 2017 of \$202.5 million is the sum of the FY 2017 request for new appropriation of \$177.9 million, plus \$24.6 million expected to be available from recoupments of prior year work funded by the U.S and prior year unobligated funds.