

Department of Defense

Military Construction Program

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FY 2022 BUDGET

*North Atlantic Treaty Organization
Security Investment Program*

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Justification Data Submitted to Congress

NATO SECURITY INVESTMENT PROGRAM (NSIP)

Budget Justification for FY 2022 President's Budget

NATO's Roles and Missions:

The North Atlantic Treaty Organization (NATO) is a defensive Alliance made up of 30 sovereign nations. NATO's greatest responsibility is to protect and defend NATO nations' territories and populations against attack. NATO remains the foundation for strong collective defense and the essential transatlantic forum for security consultations and decisions among Allies. NATO nations face a dangerous, unpredictable, and fluid security environment, with enduring challenges and threats from all strategic directions; from state and non-state actors; from military forces; and from terrorist, cyber, and hybrid attacks.

NATO Heads of State and Government acknowledged the North Atlantic Alliance is at a defining moment for the security of our nations and populations and that the Alliance was ready to respond swiftly and firmly to the new security challenges. Russia's aggressive actions, including the threat and use of force to attain political goals, and China's predatory economic policies, challenge the Alliance and are undermining Euro-Atlantic security and the rules-based international order. Instability and continuing crises across the Middle East and North Africa are contributing to irregular migration and human trafficking. The ongoing crisis in Syria has a direct effect on the stability of the region and the security of the Alliance as a whole.

NATO has made considerable progress in strengthening its posture and delivering on commitments made at the Wales, Warsaw, and Brussels Summits. During the 2014 Wales Summit, NATO approved the Readiness Action Plan (RAP), which included measures that address both the continuing need for assurance and adaptation of the Alliance's military strategic posture designed to make NATO forces more responsive, better trained, and better equipped. At the 2016 Warsaw Summit, NATO welcomed the RAP's implementation and agreed to further measures, including an "enhanced forward presence" in nations along the Alliance's periphery, with expanded infrastructure to support reinforcing forces. NATO introduced the NATO Readiness Initiative (NRI) at the 2018 Brussels Summit. The NRI includes identification of an additional 30 major naval combatants, 30 heavy or medium maneuver battalions, and 30 kinetic air squadrons to be readied to fight within 30 days or less, further enhancing the Alliance's rapid response capability and a "culture of readiness" across Alliance forces. During 2020 NATO Defense Ministers' Meetings, NATO further outlined its concept for Deterrence and Defense of the Euro-Atlantic Area

(DDA), which reinforces the Readiness Action Plan, and the Warfighting Capstone Concept (WCC), which outlines an overarching plan guiding warfare development for the next 20 years. NATO plans to further develop DDA and WCC over the coming years

NATO member nations continue to take steps to invest and strengthen their respective militaries, and thereby advance NATO's collective defense capabilities. At the 2014 Wales Summit, Allies agreed to a Defense Investment Pledge, which among other provisions calls for spending at least 2% of Gross Domestic Product (GDP) on defense by 2024. While this remains goal yet to be achieved for some nations, the trend is positive. As the NATO Secretary General emphasizes, the non-U.S. Allies' cumulative annual defense spending increases from 2016 levels to 2020 reached \$130 billion, and will exceed \$400 billion by 2024.

United States (U.S.) Commitment to NATO:

The United States has an abiding national security interest in a stable, integrated European region. Our political and military presence fosters the conditions necessary to ensure democratic and market-based institutions take root throughout the region. The U.S. obligation for financial contributions to the Alliance was established by agreement among Allies pursuant to the NATO Treaty. The U.S. level has changed to smaller shares over time, due to subsequent agreements and as more member nations joined the Alliance. These contributions are a requirement to participate and have a voice in NATO priorities and efforts. The United States leads the key discussions within NATO, and the U.S. contribution to the common-funded programs is essential to ensure a continued leadership role.

Overall Program Requirements

Prior to Russia's incursion into Crimea in 2014, NATO postponed many defense infrastructure investments in order to focus resources on urgent infrastructure needs supporting out-of-area operations and missions. Long-deferred operational infrastructure needs within the European Allies' territories are now being addressed. While NATO authorizes approximately \$1 billion per year in NSIP projects for ongoing programs and military operations, additional infrastructure requirements across the continent continue to grow and morph as new programs continually emerge. The U.S. representatives on NSIP decision-making committees continue to monitor European security developments and risks and ensure that NATO common-funded programs anticipate and respond to new and evolving threats.

NSIP programs fulfill a wide range of Alliance military capabilities. Programs include the infrastructure to support both forward deployed and reinforcing forces, mobility within and between regions, enabling logistics and transportation support, and flexible command and control systems (including secure and reliable communications). NSIP funds are allocated based on extensive alliance analysis and judgement to identify an adequate level of support to cover restoration and upgrades for existing facilities and systems, payments for incrementally funded projects, minor works, new capabilities, and recurring administrative and program support costs.

Program Priorities and Eligibility Criteria:

NSIP eligibility criteria for facilities construction and restoration is limited to requirements considered over the national needs and above what is reasonable for an individual nation to provide to the Alliance. Consequently, NSIP does not support European Allies' national defense needs, but it may be used for U.S. contingency operational infrastructure at European bases that supports NATO operational plans. With few exceptions, Allies will not support NSIP funding for the construction, restoration, or upgrade of facilities that are used specifically for the hosting nation's permanently assigned forces. However, Allies will consider funding for operational facility requirements for those NATO-assigned forces deployed outside of their national borders. As a result, some important U.S. European operational facility requirements are eligible for NSIP funding.

Program and Project Approval Procedures:

NSIP programming and authorization decisions are based on consensus decision-making among the 30 member NATO nations. Procedures and project execution decisions are likewise arrived at by consensus. Absent U.S. agreement, NATO programs and projects will not be approved or executed. These procedures remain flexible and resilient, allowing NATO to respond to evolving world events and the changing geo-strategic environment.

NATO is shifting to a new governance process for fulfilling military capabilities under the NSIP. All new programs will have Capability Program Plans, subject to nations' approval, that will consider alternative solutions and acquisition strategies, better identify risks at the outset, and enable agile development of technology. The process for developing a Capability Program Plan (CPP) begins with identifying and responding to anticipated threats and/or vulnerabilities for the Alliance. Allied Command, Operations (ACO) outlines

capability shortfalls, and develops an Operational Requirements Statement that is validated by the NATO Military Committee (MC), which represents the respective Allied nations' National Military Authorities. Allied Command Transformation (ACT) subsequently develops a CPP to fulfill the Operational Requirement Statement, which is subject to review and endorsement by the MC and, on the civilian side of the Alliance, by the Resource Policy and Planning Board (RPPB). The MC scrutinizes the plan for operational effectiveness while the RPPB reviews the proposed technical solution, costs, acquisition strategy (including assigning the host nation for each project), and political perspective. Upon endorsement of the CPP by the MC and the RPPB, the North Atlantic Council considers approval of the plan and programming the resources. Once the Council approves a CPP, the RPPB tasks the Investment Committee (IC) with overseeing the host nations' implementation of the CPP, which includes the individual project level execution to generate the capabilities as outlined. In the IC, project execution is scrutinized to ensure the projects align with the original CPP intent, scope, schedule, costs, and acquisition strategy and is approved once the Committee reaches consensus.

Under the current NSIP programming procedures, U.S. construction requirements are an integral part of the NATO Military Commanders' CPP. Apart from urgent military operational requirements, all NSIP project requirements are stated in terms of capabilities, assembled, reviewed, and approved by the NATO Military Authorities (NMAs). Within CPPs, individual projects are prioritized for implementation in accordance with their criticality to enable the Strategic Commanders to meet NATO's military foundational capabilities, the Level of Ambition, and/or Graduated Response Plans for emerging threats. 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.

The most essential NSIP CPP categories are as follows:

- a. Alliance Operations and Missions. Infrastructure to support ongoing military operations and missions, including in Afghanistan, Iraq & Kosovo.
- b. Infrastructure Supporting Reinforcing and Deploying Forces & Capabilities. Airbase infrastructure, naval facilities, and associated fuel infrastructure, Reception, Staging and Onward Movement (RSOM) capabilities, facilities housing and maintaining prepositioned equipment and material, and joint training facilities and ranges.
- c. Nuclear Deterrence Facilities. Storage and monitoring infrastructure and security systems for special weapons.

- d. NATO Command Structure. Fixed and deployable headquarters infrastructure for NATO Military Commands.
- e. NATO-wide Air Command and Control (C2) Capabilities. Air C2 for the NATO Command Structure (NCS), NATO Airborne Early Warning and Control Force (NAEW&CF), and supporting Communications and Information Systems (CIS).
- f. NATO-wide Consultation, Command and Control (C3) capabilities. NATO Core CIS Network, Automated Information Systems (AIS), Satellite Communications (SATCOM), and a spectrum of communications infrastructure capabilities.

U.S. Requirements:

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

NSIP remains a key source of funding for U.S. infrastructure within the U.S. European Command (USEUCOM) theater of operations, restoring and upgrading existing NATO operational facilities, and providing new operational facilities at U.S. enduring and deployed locations, including European Defense Initiative (EDI) sites. NSIP investments contribute to providing U.S. forces operational benefits, whether stationed in Europe, transiting Europe to other regions, or forward deployed in support of NATO operations and missions. NSIP procedures were established following careful and extensive U.S. guidance to: (1) allow U.S. forces to obtain the maximum operational benefit, whether stationed in Europe, reinforcing Europe, or transiting to other regions; and (2) to position U.S. contractors to be competitive when bidding on project solicitations.

NATO continues to approve and fund infrastructure projects benefiting several key U.S. ground forces. NATO is currently funding \$250 million for the U.S. Army Corps of Engineers to build an equipment storage and maintenance site and munitions storage area in Powidz, Poland. This large new facility will preposition over \$4.3 billion of equipment to outfit a 4,000 soldier Armored Brigade Combat Team, which will enable rapid operational capability once the soldiers are deployed. There are forward operating locations in Allied nations along the eastern European flank for use by deploying U.S. forces.

There are a few notable Maritime investments, particularly 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. The pier improvements enabled the U.S. to immediately berth the Aegis vessel at Rota to support the Missile Defense program. There are on-going fuel upgrades at major ports across Europe the U.S. Navy relies on for exercises and operations.

Allies have approved over \$2.2 billion in NSIP funding for new air capability programs to provide infrastructure for airborne early warning, alliance ground surveillance, communication jammer, maritime patrol, air-to-air refueling, air transport aircraft, fighter aircraft and aviation bulk fuel. These significant NSIP-funded improvements will alleviate critical infrastructure shortfalls at bases used by U.S. forces in Europe. In addition, NATO approved three RAP capability programs valued at approximately \$800 million, which include many U.S. EDI projects, offering the U.S. the opportunity to recoup the funding from NATO for portions of these projects. These RAP projects are being accelerated to provide infrastructure to support in-place force enablers on the territories of the Eastern Allies to include pre-positioning of equipment and supplies, NATO Headquarters to integrate reinforcing forces, and other capabilities to receive and support allied forces. NATO will invest approximately \$300 million per year for the next several years to enable U.S. reinforcement of the European theater through these infrastructure improvements.

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 in upgrades is underway at these sites to meet stringent new U.S. security standards. In late 2017, NATO agreed to program another \$150 million for further upgrades for security measures, firefighting, and infrastructure, which will bring the total planned NATO investment to \$384 million.

Allied agreement to fund the unique U.S. requirements noted above is particularly significant given that the non-U.S. Allies must shoulder, within their own national budgets, the bulk of the costs of NATO-required construction and facility restoration within their own borders, while NATO conversely continues funding for U.S. facility requirements in Europe. 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 winning contracts in NATO's international competitive bidding process.

In addition to U.S. specific requirements, there are several theater-wide and common-use systems and facilities which are important to the United States 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 infrastructure, including:

- a. Facilities, communications, and utilities at ports of entry (air, rail, and sea) for the embarkation, reception, staging, and onward movement for deployment and follow-on reinforcement, multi-modal strategic airlift and airbase capabilities, and pre-positioning facilities for use by U.S. and allied reinforcement forces;
- b. Cross-border pipeline systems supporting military fuel requirements that connect refineries, fuel depots, airfields, and other major NATO bases;
- c. Fuel and ammunition depots, storage for pre-positioned equipment and materiel;
- d. Secure and reliable communications networks linking NATO static and mobile command centers with the national headquarters of NATO member nations;
- e. Other specialized strategic and tactical communications systems for the control of military operations;
- f. New or expanded/renovated headquarters facilities to support the NATO command structure;
- g. Interconnecting systems of early warning, coastal, and air defense radar; and,
- h. Joint training facilities and ranges.

NSIP: FY 2022 U.S. Budget Requirements:

The U.S. national contribution to NSIP serves political purposes in addition to meeting key military requirements for facilities and capabilities -- in particular, by allowing the United States to play a major leadership role in transatlantic affairs. Active U.S. 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. Works produced by the program provide direct, on-the-ground benefits, to U.S. military service personnel across the European

continent including along the Eastern flank of NATO and in forward deployed locations such as Afghanistan.

Since 2018, the NATO Investment Committee has authorized more than \$1 billion per year in projects, which translate to a U.S. cost share of roughly \$225 million, compared with appropriations of approximately \$170 million per year. Fortunately, unspent prior year funds and recouping of funds from Military Construction and EDI funded projects have enabled the United States to meet its NSIP obligations to date. In Fiscal Year (FY) 2020, the U.S. share for NSIP projects was approximately \$200 million, yet the program appropriation was only \$171 million.

The Department's FY 2022 NSIP budget request of \$205.9 million provides support for the planned FY 2022 program and is based on anticipated NATO resource requirements for the NSIP program, the NATO common funding cost sharing agreement, and budget exchange rates. In November 2019, NATO allies agreed to a rebalanced common-funding cost share arrangement to be applied to the years 2021 through 2024, which made a reduction in the U.S. cost share from about 22.1% to 16.4% for all common funded budgets and programs including the NSIP effective January 1, 2021. For the NSIP, the reduced cost share will only apply to projects within new programs agreed after this date; NSIP projects are funded based on the national cost shares in effect at the time of their programming (not at the time of the individual project authorization.) Thus, the Department does not anticipate any project authorizations at the lower rate to impact U.S. appropriation needs during FY 2022, nor most of FY 2023, but rather in subsequent authorizations.