

Department of Defense

Military Construction Program



Fiscal Year 2025 BUDGET

*North Atlantic Treaty Organization
Security Investment Program*

March 2024

Justification Data Submitted to Congress

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NATO SECURITY INVESTMENT PROGRAM (NSIP)

Budget Justification for Fiscal Year 2025 President’s Budget

NSIP: Fiscal Year 2025 U.S. Budget Requirements

The U.S. national contribution to the North Atlantic Treaty Organization (NATO) Security Investment Program (NSIP) serves policy purposes in addition to meeting key military requirements for facilities and capabilities, allowing the United States to play a major leadership role in transatlantic affairs. U.S. 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 NATO Alliance. Moreover, facility construction produced by the NSIP program, including the increased levels agreed by Allies in 2022, provides direct, on-the-ground benefits to U.S. military service personnel across the European continent, including along the eastern flank of NATO and forward deployed locations, as well as potentially much larger deploying forces.

The table below reflects the NSIP budget request for PB 2025.

NSIP Funding (\$ in thousands)	FY 2023 Actuals ¹	FY 2024 PB Request ²	FY 2025 PB Request
	\$220,139	293,434	433,864

1/Reflects FY 2023 enacted. An additional \$158.339 million (total of \$378.478 million) was obligated in FY 2023 from prior-year recoveries and unobligated balances.

2/ The annualized continuing resolution amount is \$220.139 million.

The Department’s FY 2025 NSIP budget request is \$433.9 million. This net increase of \$140.4 million from the PB 2024 request is driven by three factors:

1. Increase (in real terms) of common funding agreed to by the Heads of State and Government (HOSG) at their 2022 Summit in Madrid, Spain,
2. NATO common funding cost sharing agreement,
3. Incorporation of anticipated foreign currency exchange rates.

NATO’s Roles and Missions

NATO is a defensive Alliance made up of 31 sovereign nations. Sweden is undergoing the accession process, which upon completion will bring the Alliance to 32 nations. NATO’s greatest responsibility is to ensure Allied collective defense, against all threats, from all directions. NATO remains the foundation for strong collective defense and is the unique, essential, and

indispensable transatlantic forum to consult, coordinate, and act on all matters related to Allies' security. NATO faces a dangerous, unpredictable, and fluid security environment, with enduring challenges and threats from all strategic directions.

At recent NATO summits, Heads of State and Government (HOSG) have recognized that the Alliance is at a defining moment for the security of its nations and populations and must be ready to respond swiftly and firmly to the new security challenges. Russia's aggressive actions, including its war of aggression against Ukraine, have increasingly demonstrated its willingness to threaten and use force to attain political goals. China's predatory economic policies and other actions also challenge the Alliance and are undermining Euro-Atlantic security as well as the wider rules-based international order. Meanwhile, new threats like cyber and other hybrid methods of warfare are escalating from many possible sources. Instability and continuing crises, particularly across the Middle East and North Africa, can make fertile ground for terrorist threats and contribute to challenges of irregular migration and human trafficking. Climate change has been recognized as a threat multiplier.

NATO's Transformation

NATO has made substantial progress in strengthening its posture and delivering on commitments made by HOSG at Summits since 2014, accelerating these efforts since Russia's full-scale invasion of Ukraine. During the 2014 Wales Summit, NATO approved the Readiness Action Plan (RAP), which included measures to make NATO forces more responsive, better trained, and better equipped. At the 2016 Warsaw Summit, NATO took further measures to enhance forward presence 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 renewed a culture of readiness across the Alliance that in particular would bring an additional 30 major naval combatants, 30 heavy or medium maneuver battalions, and 30 kinetic air squadrons from Allies inventories to the level of readiness to fight within 30 days or less. During 2020 meetings, NATO further outlined a concept for Deterrence and Defense of the Euro-Atlantic Area (DDA), which set a framework for new operational planning across NATO. Now most important, NATO HOSG at the 2021- 2023 Summits committed to further implement the DDA and the associated military "transformation" of NATO – particularly with the final completion of a new comprehensive "family" of theater-wide and subordinate regional operational plans. For the first time since the end of the Cold War, these war plans are the basis of NATO's force planning process. Investments needed to support the war plans will be identified through an iterative "enablement" planning process.

NATO Allied nations recognize that these steps, especially in the face of Russia's ongoing aggression, call for increased resources – and so the nations continue to invest and strengthen their respective militaries and thereby advance NATO's collective D&D capabilities. At the 2014 Wales Summit, Allies agreed to a Defense Investment Pledge, which calls for spending at least 2% of Gross Domestic Product (GDP) on defense by 2024. At the July 2023 Summit in Vilnius, Allies' HOSG made an enduring commitment to spend "at least 2%" and while recognizing that "more is urgently needed" to remedy existing shortfalls and address a more contested security environment. The bulk of Allies have reported to NATO their plans to exceed 2% by 2024 or in several cases within a few years after, and the total trend is positive. Total defense spending by European Allies and Canada has increased for 9 straight years, and those Allies' cumulative additional defense spending from 2014 levels through 2023 exceeded \$450 billion in real terms.

Common-Funded Budgets Increases

At the 2021 Summit, based on the Secretary General's specific proposals and Allies' negotiations with strong US support, HOSG agreed to a transformative set of "NATO 2030" initiatives, and committed to increase both national defense expenditure and NATO common funding as required to deliver on NATO 2030's "higher level of ambition," on NATO's ongoing deterrence and defense transformation and other core tasks, and on the new NATO Strategic Concept 2022. Specifically, HOSG stated in their Communique that "*Based on requirements, we agree to increase such resourcing, including as necessary NATO common funding starting in 2023,*" and added, "*when we meet in 2022, we will agree, alongside the Strategic Concept, the specific requirements for additional funding up to 2030, and the resource implications across*" all three NATO budgets: military, civil, and infrastructure (the NATO Security Investment Program).

The HOSG followed through at the June 2022 Madrid Summit, agreeing to increase the level of those common budgets, including NSIP expenditure, on a specific trajectory of yearly increases from 2023 to 2030, and to broaden use of the NSIP and other common budgets to meet emerging needs. The programmed increases will cover key requirements initially articulated by NATO's top military commanders – predominantly by the Supreme Allied Commander, Europe (SACEUR) - for digital backbone, readiness (including infrastructure), and enablement and employment capabilities. The Department's FY 2025 NSIP budget request amount reflects the U.S. share of this increased NSIP requirement. Thus, a timely increase in the funding and execution of the NSIP is critical not only to meet emerging threats and challenges, but also to maintain support for the higher funding levels by all Allies -

of which, the U.S. share is a small, concessionary fraction. The U.S.'s negotiated share of Allied contributions to this NSIP program amount to approximately 16% — a share far less than the U.S. would pay if subject to the Gross National Income's proportion formula applied to the other Allies.

Overall Program Requirements and Eligibility

Prior to the beginning of Russia's war against Ukraine in 2014, NATO postponed many defense infrastructure investments across Alliance territory, focusing instead on urgent infrastructure needs supporting ongoing out-of-area operations and missions such as Afghanistan. Now, long-deferred operational infrastructure needs within the European Allies' territories are being addressed using the recently increased funding levels. Moreover, this renewed focus on infrastructure investment to support reinforcement and sustainment within Alliance territory now takes on far greater importance considering Russia's continuing war against Ukraine. The Alliance investment requirements are growing substantially to meet both long-standing shortfalls and major new requirements to address the evolving security crisis in Europe. The recently completed DDA family of plans will inform the specific infrastructure investments required. The U.S. representation at NATO continues to monitor European security developments and risks, including Russia's war against Ukraine, and to ensure that NATO common-funded programs anticipate and respond to existing, new, and evolving threats.

NSIP programs fulfill a wide range of Alliance military capability requirements. Program costs shared among all Allies include the infrastructure to support both forward deployed and reinforcing forces (including many from the United States), mobility within and between regions, enabling logistics and transportation support, and flexible command and control systems (including secure and reliable communications), including:

- a. Facilities, communications, and utilities at ports of entry (air, rail, and sea) for the embarkation and reception, staging, onward movement and integration for deployment and follow-on reinforcement, multi-modal strategic lift and airbase capabilities.
- b. Cross-border pipeline systems supporting military fuel requirements that connect refineries, fuel depots, airfields, and other major NATO bases.
- c. Ammunition depots, and storage for pre-positioned equipment and materiel.
- d. Strategic weapons storage and security infrastructure.
- e. Secure and reliable communications networks linking NATO command centers with Allies' national headquarters.

- f. Other specialized strategic and tactical communications systems for the control of military operations.
- g. New or expanded/renovated headquarters facilities to support the NATO command structure.
- h. Interconnecting systems of early warning, and air defense radar.
- i. Joint training facilities and ranges.

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

Program and Project Approval Procedures

NSIP programming and authorization decisions are based on consensus decision-making among the current 31 Allied 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.

In 2018, NATO revised its approval and governance process for fulfilling military capabilities under the NSIP. All new programs will have Capability Program Plans (CPP), subject to Allies' approval, that will consider alternative solutions and acquisition strategies, better identify risks and priorities at the outset, and enable agile development of technology. The process for developing a CPP begins with identifying and responding to anticipated threats and/or vulnerabilities for the Alliance, typically linked to an operational plan. Allied Command Operations (ACO) outlines capability shortfalls and develops an Operational Requirements Statement (ORS) that is validated by the NATO Military Committee (MC), which represents the national military authorities. Following an analysis of the alternative approaches, Allied Command

Transformation (ACT) develops the CPP, which is subject to review and endorsement by the MC and the Resource Policy and Planning Board (RPPB). The MC scrutinizes the plan for operational effectiveness while the RPPB reviews the proposed technical solution, acquisition strategy (including assigning a nation or NATO agency responsible to execute each project), eligibility to use the NSIP funds, affordability, and the political perspective. Both the MC and RPPB consider all programmatic aspects (scope, costs, schedule, and risks) of the plan. Upon endorsement, the North Atlantic Council (NAC) considers whether to approve the plan and program the necessary resources. Once approved, the Investment Committee (IC) oversees implementation of the CPP. The United States through its representation in the NAC, MC, RPPB and IC has ample opportunity to influence NSIP governance decisions.

U.S. Interests in NATO and the NSIP

The United States has an abiding national security interest in a stable, integrated European region. The political and military presence of the United States and NATO Allies fosters the conditions necessary to ensure that democratic and market-based institutions can flourish across the region.

The United States' – like all the Allies' – share of the financial contributions to the Alliance's common budgets is established by mutual agreement. NATO's common-funded budgets represent a successful example of Allies carrying an appropriate financial burden for their collective defense. In 2019, the U.S.'s share of NATO common funding, for many years approximately 22%, was re-negotiated with Allies for the years 2021 to 2024 and set at 16%. This even more concessionary share is approximately one-third of the percentage that the United States would pay under the proportional Gross National Income (GNI) share formula used for other Allies. Since NSIP projects are funded with the national cost shares in effect at the time of programming (not at the time of individual project authorizations), the proportion of active NSIP projects at the 16% rate will grow. Contributions to the NSIP are necessary to enable the United States to participate and have a strong voice in NATO priorities and efforts, not only on military capabilities, but also on wider policy issues.

NSIP is 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 contingency locations, including sites that support European Deterrence Initiative (EDI) activities. NSIP investments and 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 or from other regions; and (2) to position U.S. contractors to be competitive when bidding on project solicitations.

NSIP investments in the land domain directly benefit U.S. ground forces in Europe. For example, NATO recently completed a \$285 million combat equipment and munition storage and maintenance site in Powidz, Poland. This large new facility pre-positions over \$4.3 billion of equipment and munitions to outfit a 4,000 soldier Armored Brigade Combat Team, which will enable rapid operational capability once the soldiers are deployed. Other forward operating bases along NATO's Eastern Flank designed and built for U.S. Army and Marine Corps forces are included in the three Readiness Action Plan capability programs to support reinforcement of the eastern flank (with a total value of approximately \$800 million) offering the U.S. the opportunity to recoup some funding from the NSIP. Most of these RAP projects are now complete and provide much needed infrastructure to support in-place force enablers on the territories of the eastern Allies, including pre-positioning of equipment and supplies for NATO Headquarters to integrate reinforcing forces, and to receive and support Allied forces.

Notable maritime investments include projects at Naval Station Rota, Spain, where NATO has invested \$190 million in port infrastructure upgrades to provide logistics support and resupply facilities for NATO maritime forces. The pier improvements enabled the United States to immediately berth an Aegis equipped vessel at Rota to support the Missile Defense program and fuel upgrades at major ports across Europe that will facilitate U.S. Navy exercises and operations. In 2023, Allies approved a \$550 million CPP for maritime bulk fuel infrastructure, of which nearly half is programmed for Rota.

For new air capability, Allies have approved over \$3 billion in NSIP funding for programs to provide operational 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 funds infrastructure and security systems for the storage and maintenance of U.S. special weapons within secure sites and facilities. NATO agreed to fund \$385 million for upgrades to the storage sites in Europe to improve security measures, communication systems, and facilities to meet the stringent U.S. standards.

The NATO 2030 Agenda identifies further investments which will enable U.S. reinforcement of the European theater through infrastructure improvements. Allies recently agreed a first tranche of investments in facilities that will contribute to the reinforcement and sustainment network needed to enable the DDA family of plans. Valued at \$510 million, many of these investments directly support U.S. forces. Ongoing enablement planning will identify further investments for reinforcing and sustainment infrastructure, to include the NATO fuel supply chain.

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 continues funding for U.S. facility requirements in Europe. The expansion of the program to NATO-wide interoperability requirements such as command and control, communications, information system equipment and associated software, and other advanced technology also offers opportunities for U.S. companies, which have been highly successful in winning contracts in NATO's international competitive bidding process.