

# Department of Defense

## Military Construction Program



## FY2010 BUDGET

*North Atlantic Treaty Organization  
Security Investment Program*

**May 2009**

**Justification Data Submitted to Congress**

# **NATO SECURITY INVESTMENT PROGRAM (NSIP)**

## **Budget Justification for FY 2010 President's Budget**

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### **NATO's Roles and Missions:**

The United States government, through its representatives at the North Atlantic Treaty Organization (NATO), 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 guidance to: (1) allow our 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.

NATO is a collective security organization of twenty-eight sovereign nations (in April 2009 Albania and Croatia became members of the Alliance). The NATO Security Investment Program budget decisions are based on consensus decision-making among the 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, and the Allied Command, Transformation, develop all NSIP construction and procurement projects based on prioritized and accepted 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 the member nations' governments.

### **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.

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 new European security environment in which NATO continues to play a key role, both in its current and future enlarged configuration. NATO resource managers, in coordination with national representatives, will continue to monitor European security developments and ensure that NATO common budget programs both anticipate and respond to new mission requirements.

Despite the promising developments in Europe since the end of the Cold War, there remain 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 absent the centralized control of the former Soviet Union; hostile governments and political unrest in the Middle East; 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 North Atlantic Treaty Organization, 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.

### **Overall Program Requirements:**

#### **General:**

NATO Security Investment Program projects meet Alliance military requirements for a wide range of facilities and capabilities. Projects include effective surveillance and intelligence capabilities, 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. Humanitarian and peacekeeping initiatives also receive NATO Allied-nation support. In addition, the 1994 NATO Summit identified several regional initiatives, including the Partnership for Peace Program and the Combined Joint Task Force concept, which could benefit from (and be eligible for) funding support through this program.

The NSIP also helps to fund the Prague Capabilities Commitment, approved by Heads of State and Governments at the Prague Summit in November 2002. This initiative entails making real improvements in the military capabilities of member nations, and creating a NATO Response Force (NRF) that is rapidly deployable and capable of expeditionary operations. The NRF has achieved Full Operating Capacity of about 20,000 in November 2006. The NRF provides NATO with a robust, high-readiness force able to deploy anywhere in the world in five days to tackle the full range of military missions.

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.

The FY 2010 budget of \$293.3 million supports the U.S. share of the NSIP program, which has decreased to 21.7% with the accession of the 2 new members and the full reintegration of France into the NATO military structure. This figure includes approximately \$41 million to cover the DoD share of the new NATO HQ building. The FY 2010 funding requirement for NSIP takes into account ongoing military operations, the changing and continuing threat to peace, the revised NATO funding eligibility criteria, 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 2010 U.S. Budget Requirements:**

Based on the existing cost sharing agreement and budgeted exchange rates, the U.S. cost share for fiscal year 2010 is \$293.3 million. Approximately \$17.0 million of the total fiscal year 2010 program is expected to be available from recoupments of prior year work funded by the U.S. Applying this amount toward the requirement of \$293.3 million decreases the need for

appropriation in fiscal year 2010 by a corresponding amount since this is an alternate source of funds. The fiscal year 2010 request for new appropriation is therefore \$276.3 million.

The U.S. national contribution to NSIP serves multiple political purposes, 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.

#### **New NATO HQ building: FY 2010 U.S. Budget Requirements:**

At the 1999 Washington Summit, Allies agreed to build a new NATO Headquarters building in Brussels to support an expanded and more expeditionary Alliance. Allies recognized that the current building had reached saturation point and was beginning to deteriorate to the point of presenting major safety and security issues. The new building will support improved Alliance management of ISAF and other complex operations and provide office and meeting space for additional new members (beyond the current 28). In 2004, Allies signed an agreement that designated Belgium as “host nation” for managing the HQ construction project using management procedures modeled on those of the NSIP program. Construction of the new building is scheduled to begin in 2010, with completion and occupancy scheduled for 2015. By interagency agreement, DoD and the State Department agreed to split the U.S. share of the building costs on a 60% DoD/40% State basis. The current request covers the DoD share of the project for 2010. Of the total amount appropriated for NSIP, an amount not to exceed \$41.4 million shall be available for the planning, design and construction of the new headquarters.

#### **Program Priorities and Eligibility Criteria:**

In procedures adopted in May 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 facility requirements will continue to be eligible for NATO funding. Also, stateside facilities for the support of U.S. NATO-assigned reinforcement forces (e.g. embarkation and outload facilities) remain eligible for NATO funding.

#### **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.” All NSIP project requirements are stated in terms of “Capability Packages,” assembled, reviewed and approved by the NATO Military Authorities (NMAs). NATO Capability Packages (CPs) are prioritized by the NMAs and the individual projects within capability packages are given a further sub-prioritization. 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.

While the capability package process does provide a great deal of insight into specific projects, the Department is unable to guarantee to the Congress that all projects will be executed within a given budget. 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.

The NATO CP procedures allow for emergency submissions in order to address new priorities that arise in response to unexpected threats or for urgent projects to support ongoing military operations. For example, if U.S. components feel there is a need for force protection projects as a result of terrorist attacks, such requests may be handled under the NATO CP emergency provisions.

NATO authorities have approved 133 capability packages with an additional 17 formally under review at NATO headquarters, and 15 under development. Approved capability packages can be addressed in the following six categories:

- Deployability and Mobility. Deployable equipment and assets to support the NRF, CJTF, and other NATO deployed forces. Restoration and upgrade of facilities at maritime bases, sea and air embarkation facilities, depot storage, and battle damage repair facilities.
- Sustainability. Logistics support for NATO deployments and long-term operations, including ammunition and fuel depots; embarkation facilities in the U.S.; and facilities for the reception and staging of reinforcement forces.
- Command and Control. Upgrades to equipment and software for NATO headquarters; replacement/upgrade of maritime communications for both surface and subsurface units; procurement of transportable command and control communications equipment for NATO contingency operations; upgrade and enhancements to hardware and software systems supporting the NATO Nuclear Planning System.
- Air Defense. Improvements to NATO's existing air defense capability, development of the new Air Command and Control System (ACCS), including its deployable components, some backbone radars and already identified elements of the Extended Integrated Air Defense. Typical projects include Combined Air Operations Centers and ACCS software development.
- Command Structure. Costs associated with the implementation of the new command structure, construction of new military headquarters buildings, and expansion of existing HQ facilities.
- Training and Exercises. Restoration and upgrade of facilities to support NATO interoperability training for deployable forces. Improvements at existing NATO joint training areas, firing ranges, and facilities for computer-assisted training.

### **U.S. Requirements:**

The NSIP remains a key source of funding U.S. infrastructure requirements in the U.S. European Command (USEUCOM) theater, restoring and upgrading existing NATO operational facilities and providing new operational facilities at U.S. enduring 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.

Since the mid-1990's NATO has approved and funded 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.

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. Additional NSIP investment at Rota will manifest itself through the recently approved NATO capability package for strategic air transport. This NATO capability package includes nearly \$83 million for infrastructure upgrades and recoupment eligibility to support NATO's Southern European Strategic Air Transport requirements. In addition, the U.S. has proposed several other USEUCOM enduring locations for NATO capability packages under development for air refueling and tactical fighters. If the U.S. proposals are accepted, NATO will fund construction of or the U.S. reimbursement for approximately \$300 million in infrastructure upgrades.

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, management information equipment and associated software, and other advanced technology also continues to favor U.S. companies who have been highly successful in winning competitive NATO bids.

As of March 2009, the U.S. has received NATO Infrastructure Allied-nation support of about \$1.6 billion for its humanitarian and peacekeeping initiatives in the Balkans, Afghanistan and Iraq of which \$330 million was authorized for Afghanistan during 2008. Much of this has funded airfield improvements, supply routes, 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 new NATO command structure.
- Interconnecting systems of early warning, coastal, and air defense radar.
- Cross-border pipeline systems supporting military POL requirements that connect refineries, fuel depots, airfields, and other major NATO bases.
- Fuel and ammunition depots, storage for pre-positioned equipment and materiel, and air/sea embarkation and reception facilities for use by U.S. and allied reinforcement forces.
- Joint training facilities and ranges.

#### **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. In the Mediterranean, 2,000 personnel and 6 vessels are deployed on OPERATION ACTIVE ENDEAVOUR. This mission fully supports NATO's Concept for the Defense Against Terrorism. In addition, heavy and continuous air operations in support of ongoing operations in the Balkans, Afghanistan, and Iraq have placed a severe strain on NATO airfield facilities at Incirlik Air Base, Turkey; Aviano Air Base, Italy and RAF Mildenhall, United Kingdom.

Funding is also necessary to support NATO's expanded roles. In a meeting in December 2004, the Foreign Ministers of the NATO countries agreed to move ahead with expanding NATO's role in Iraq and Afghanistan and to maintain its commitment to the Balkans. The NATO Operation in Afghanistan covers the entire country with troop strengths exceeding 50,000 from 42 nations. At this meeting, Foreign Ministers also gave formal approval for the expansion of NATO's training assistance to Iraq. The Alliance's mission in Iraq is to provide training and mentoring of senior level Iraqi security forces. The Iraq National Defense University was established in September 2005 at Ar Rustimayah, near Baghdad. To date, over 10,000 Iraqis have been trained in-country. In 2008, the NATO training mission in Iraq was expanded to include carabinieri (military police) training. The handover in Bosnia-Herzegovina from SFOR to EUFOR occurred in December 2004, and the new NATO Headquarters Sarajevo, under the command of the United States, is firmly focused on its principal task of advising the Government and Defense Ministry of Bosnia and Herzegovina on defense reform.

In the event of a Major or Lesser Regional Conflict, NATO airfields 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 contribution obligations.

In summary, the Department's FY 2010 NSIP budget request of \$293.3 million provides support for the planned FY 2010 program, and is based on NATO resource requirements for the NSIP program, the existing cost sharing agreement, the DoD share of the costs of the new NATO HQ building, and budgeted exchange rates. The U.S. cost share amount for fiscal year 2010 of \$293.3 million is the sum of the fiscal year 2010 request for new appropriation of \$276.3 million, and \$17.0 million expected to be available from recoupments of prior year work funded by the U.S