

Department of Defense

Military Construction Program



FY 2020 BUDGET

*North Atlantic Treaty Organization
Security Investment Program*

March 2019

Justification Data Submitted to Congress

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Preparation of the Defense-Wide budget, excluding revolving funds, cost the Department of Defense a total of approximately \$1,150,000 in FY 2019

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NATO SECURITY INVESTMENT PROGRAM (NSIP)

Budget Justification for FY 2020 President's Budget

NATO's Roles and Missions:

The North Atlantic Treaty Organization (NATO) is a defensive Alliance made up of 29 sovereign nations. NATO's greatest responsibility is to protect and defend NATO nations' territories and populations against attack. At the Brussels Summit in 2018, 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). NATO remains the foundation for strong collective defense and the essential transatlantic forum for security consultations and decisions among Allies.

NATO Heads of States and Governments agreed during the July 2018 Brussels Summit that the security of NATO nations and the rules-based international order are being challenged.

The Brussels Summit in 2018 reaffirmed the Alliance's commitment to reinvigorate NATO's culture of readiness and agreed to launch a NATO Readiness Initiative. The purpose is to ensure that more high quality, combat-capable national forces at high readiness can be made available to NATO. From within the overall pool of forces, Allies will offer an additional 30 major naval combatants, 30 heavy or medium maneuver battalions, and 30 kinetic air squadrons, with enabling forces, at 30 days' readiness or less. They will be organized and trained as elements of larger combat formations, in support of NATO's overall deterrence and defense posture. The NATO Readiness Initiative will further enhance the Alliance's rapid response capability, either for reinforcement of Allies in support of deterrence or collective defense, including for high-intensity warfighting, or for rapid military crisis intervention, if required.

NATO Heads of States and Governments have acknowledged that 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 have fundamentally challenged our vision of a Europe whole, free, and at peace. At 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. 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. At the 2016 Warsaw Summit, NATO welcomed the RAP's implementation and agreed to further measures to enhance forward presence along the Alliance's periphery. NATO will continue to respond to the concerns of its members by initiating readiness measures in keeping with the Alliance's commitment to collective defense.

The Alliance continues to pursue a 360-degree approach to security and to fulfil effectively three core tasks as set out in the Strategic Concept: collective defense, crisis management, and cooperative security.

NATO has made considerable progress in strengthening its' posture and delivering on commitments made at the Wales, Warsaw, and Brussels Summits. NATO has placed renewed emphasis on deterrence and collective defense to ensure that the Alliance retains its ability to project stability and fight against terrorism. NATO faces 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. Russia's aggressive actions, including the threat and use of force to attain political goals, challenge the Alliance and is undermining Euro-Atlantic security and the rules-based international order. Instability and continuing crises across the Middle East and North Africa are fueling terrorism. They also contribute 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 faces hybrid challenges, including disinformation campaigns and malicious cyber activities. The proliferation of weapons of mass destruction and advanced missile technology also continues to threaten the security of NATO nations. Despite this, the Alliance's unity and solidarity are stronger than ever and NATO is taking necessary steps to ensure collective defense.

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 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 funded programs both anticipate and respond to new mission requirements.

Overall Program Requirements

NSIP projects meet Alliance military requirements for a wide range of facilities and capabilities. Projects 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).

NATO has postponed many long-term defense investment requirements, focusing instead on requirements for active operations and missions (notably Afghanistan) and 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, long-deferred infrastructure requirements, to include air-basing and bulk fuel infrastructure, are now being addressed.

The Fiscal Year (FY) 2020 funding requirement for NSIP takes into account agreements made at the Wales and Warsaw Summits, the 2017 Special Meeting in Brussels, and the 2018 Summit in Brussels, as well as military operations and missions, the changing and continuing threat to peace, maximum use of existing inventory, and national political and economic realities. This funding requirement is considered an adequate level of support 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).

NSIP: FY 2020 U.S. Budget Requirements:

The Department's FY 2020 NSIP budget request of \$144.04 million provides support for the planned FY 2020 program, and is based on NATO resource requirements for the NSIP program, the existing cost sharing agreement, budgeted exchange rates, and the anticipated recoupment of prior year work funded by the U.S.

The U.S. national contribution to NSIP serves multiple political 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. 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, Afghanistan, and Iraq.

Program Priorities and Eligibility Criteria:

Strengthening NATO's Deterrence and Defense Posture and Projecting Stability through the NATO RAP, forward presence, assurance and adaptation measures, Alliance operations and missions, improved forces and capabilities and participation in the US led coalition in fighting terrorism are NATO's highest priorities. For the RAP, NATO will enhance infrastructure for Reception, Staging, and Onward Movement (RSOM), Prepositioning, and Force Integration and Enhanced Interoperability Training. In addition, NATO will significantly improve air and fuel infrastructure to enable freedom of movement for reinforcing forces. New requirements, including satellite and other communications, runway repairs and airfield improvements, air operations facilities, potable water distribution systems, 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 United States.

The NSIP's eligibility criteria for facilities construction and restoration does not support European Allies national defense requirements but will support U.S. contingency operational infrastructure which supports NATO operational plans at European bases as it is considered over and above what is reasonable for an individual nation to provide. With few exceptions, allies will not support NSIP funding 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, some U.S. European operational facility requirements will continue to be eligible for NATO funding.

Program and Project Approval Procedures:

The NSIP procedures have been created following careful and extensive United States (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. These procedures remain flexible and resilient, allowing NATO to respond to evolving world events (such as events related to Defeating Terrorism, Afghanistan, Iraq, Libya, 9/11, Russia's annexation of Crimea, and the Balkans) and the changing geo-strategic environment.

The NSIP budget decisions are based on consensus decision-making among the 29 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 Program Plans, which NATO military and civilian decision-makers review in detail based on guidance from their national governments. In addition, ACO and ACT military staffs screen urgent operational requirements for ongoing military operations and priorities and submit them to NATO headquarters for approval using special expedited procedures.

Under the current NSIP programming procedures, U.S. construction requirements are an integral part of the NATO Military Commanders' Capability Program Plans. With the exception of urgent military operational requirements, all NSIP project requirements are stated in terms of capabilities, assembled, reviewed, and approved by the NATO Military Authorities (NMAs). Individual projects within Capability Program Plans are stratified (prioritized) by the NMAs in accordance with their criticality to enable the Strategic Commanders to meet NATO's military Level of Ambition and/or graduated response plans for emerging threats. 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 the infrastructure requirements and resources that should be included in NATO's medium term resource planning. These plans are updated annually 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 Program Plans can be categorized in the following five areas:

- a. 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;
- b. 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.;
- c. 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;
- d. 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 air to ground surveillance; and,
- e. 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.

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, and providing new operational facilities at U.S. enduring and deployed locations. 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. NATO recently agreed to fund \$200 million for an equipment storage and maintenance site in Poland as well as to reimburse the U.S. for numerous other projects funded under the European Reassurance Initiative / European Deterrence Initiative (ERI/EDI). 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 two 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. NATO has also agreed to program another \$150 million for further improvements to improve security measures, firefighting, and infrastructure improvements, which will bring the total investment to \$384 million.

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 to support NATO's Southern European Strategic Air Transport requirements. The pier improvements enabled the U.S. to immediately berth the Aegis vessel at Rota to support our Missile Defense program.

Allies have approved new capability packages to provide infrastructure for Airborne Early Warning, Alliance Ground Surveillance, Communication Jammer, Maritime Patrol, Air-to-Air Refueling, Air Transport Aircraft, and Bulk Fuel. These significant NSIP-funded improvements should alleviate critical infrastructure shortfalls at bases used by U.S. forces in Europe. In addition, four capability packages approved by NATO support the RAP and include many U.S. ERI/EDI projects offering the U.S. the opportunity to recoup the funding from NATO for these projects. These RAP projects are under accelerated implementation where NSIP funding will provide

infrastructure to support in-place force enablers on the territories of the Eastern Allies to include pre-positioning of equipment and supplies, the designation of specific NATO headquarters or bases, and the ability of Allies to receive and support reinforcements. The RAP, air basing, and bulk fuel infrastructure requirements will cost NATO \$300 - \$400 million 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 winning contracts in NATO's international competitive bidding process.

As of December 2018, 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 / Resolute Support Mission construction, airfield improvements and repairs, air operations facilities, communications systems, utility and water infrastructure, and force protection.

In addition to U.S. specific requirements, there are a number of theater-wide and common-use systems and facilities which support U.S. interests 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, support, and onward movement for deployment and follow-on reinforcement and 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 petroleum, oil, and lubricants 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 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 Resource 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 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, ports, staging areas, 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 2020 NSIP budget request of \$144.04 million provides support for the planned FY 2020 program and is based on NATO resource requirements for the NSIP program, the existing cost sharing agreement, budgeted exchange rates, and the anticipated recoupment of prior year work funded by the U.S.