

DES(94)2-X

ADMINISTRATION DOCUMENTS 1952-1958

A. Introduction

1. The documents created by the Civil and Military Budget Committees and by sixteen working groups dealing with various administrative matters are brought together under this Part. Also included are four series of periodic statistical reports on defense matters. The records created by a number of the working groups have been grouped by subject rather than in numerical/chronological order to facilitate their description and review.

2. The documents of the Civil Budget Committee and most of the working groups described in this Part have been regraded as NATO Unclassified. The large series of records created by the Military Budget Committee and those of the Ad Hoc Working Group on Communications (AC/115) were never systematically reviewed for declassification. Declassification review of the records of three working groups was suspended (Working Group on Coordination of NATO Financial Procedures, AC/49; Working Group on Rules and Procedures for Implementation of NATO Financial Regulations, AC/102; and the Working Group on Audit System in NATO, AC/103). The most highly classified of the periodic statistical reports on defense matters were downgraded, but these four series were never proposed for declassification. The originating or successor organization responsible for the declassification and release review of each series is identified along with the Consultants' recommendation for release at the end of each section.

BUDGET

B. Civil Budget Committee

1. The Council Deputies approved the establishment of a Civil Budget Committee (CBC) as proposed in Annex B of the Second Interim Report of the International Budget Working Group (D-D(51)74 of 19.3.51) at its meeting on 2nd April 1951 (D-R(51)24). The CBC discussed its first document, the 1st July to 31st December 1951 budget estimates for the civilian agencies (BC-D(51)1), at a series of meetings between the 16th and 28th July 1951 (BC-R(51)1 to 14). The early business of the Budget Committee is described in paragraphs 226 through 231 of DES(92)1. The early BC records are listed along with associated documents of the Council and Council Deputies in Appendix III, K-2 of that report.

2. The Budget Committee routinely considered budget estimates for NATO headquarters and supplements to those estimates. It annually reviewed and commented on the auditors reports of the NATO civilian agencies. It prepared, or commented regularly on, such matters as salary scales, costs of equipment, supplies, services, furnishings, hospitality, library and information services and additional accomodations. The BC also submitted regular reports on staff strength of the International Staff.

3. Non-routine documents of the CBC include:

- 1952 - a report of the Working Group on Emoluments (BC-D(52)14)
- 1953 - banking arrangements and currency guarantees for NATO funds (BC-D(53)2 and 5)
  - costs of services and supplies provided by host governments to NATO civilian agencies prior to 1st July 1951 (BC-D(53)4)
  - coordination of NATO financial procedures (BC-D(53)11, 15 and 16)
  - staff rules having budgetary implications (BC-D(53)19)
- 1954 - replacement cost of worn out equipment (BC-D(54)24/MBC.M(54)207)
  - travel on official business (BC-D(54)13)
- 1955 - hospitality expenses (BC-D(55)24)
  - Information Division expenses (BC-D(55)28)
  - proposal for management survey of the NATO International Staff/Secretariat (BC-D(55)31 and BC-WP(55)10)
- 1956 - proposed terms of reference of the management survey team (BC-D(56)2)
  - method of financing the salaries of assistants to the International Board of Auditors for Infrastructure Accounts (BC-D(56)21)
  - proposed board of arbitration settlement of disagreement regarding international bidding (BC-D(56)35)
- 1957 - requests for supplementary expenditure authority for ministerial meetings in Bonn (BC-D(57)6)
  - remuneration of reservists recalled for military service (BC-D(57)16)
  - currency in which the NATO budgets are expressed (BC-D(57)21)
  - taxation of international staff emoluments (BC-WP(57)5)
- 1958 - implementation of administrative recommendations of the management survey (BC-D(58)6)
  - effects of French monetary measures on NATO contributions (BC-D(58)22) and (BC-D(58)50) (MBC-M(58)84) (MBC-M(58)257)
  - NATO Maintenance Supply Services Agency (BC-D(58)24)
  - credits proposed for special NATO information projects in connection with the tenth anniversary (BC-D(58)36)

4. The work of the various committees, ad hoc committees and working groups described in this part and by the infrastructure committees (AC/4 and AC/4(PP)) also figure prominently among the documents of the Civil Budget Committee. A few of them are specifically identified in the descriptions below. Many more are cited in the documents created by those committees and working groups.

5. The Civil Budget Committee (CBC) and the Military Budget Committee (MBC) frequently prepared joint documents - /memoranda and held joint meetings with an agreed summary record. Such documents bear the two serial numbers as assigned in sequence by each Committee.

6. The rolls of microfilm containing the 232 documents, 12 notices, 101 summary records of meetings and 76 working papers created by the Civil Budget Committee between June 1951 and December 1958 are identified in Appendix X, 1.

The documents, records of meetings and working papers of the BC were refilmed in 1974. The surviving agendas of meetings (1953-1955) were included with the relevant summary record of meeting in the refilming.

7. The Secretary of the Civil Budget Committee circulated a proposal on 21st May 1977 (OCB/77/122) calling for the immediate downgrading to NATO Unclassified of all the documents published in the BC-D, BC-WP, BC-A and BC-R series up to 31st December 1974. The Civil Budget Committee agreed at its meeting on 12th September 1977 (BC-R(77)11, Item II; the decision was extracted and annexed to OCB/77/212). The Civil Budget Committee also agreed at that meeting to,

record its understanding that the grading NATO UNCLASSIFIED would still protect the information in documents from release to unauthorized persons outside the organization and thereby not enable or promote dissemination of the information more extensively than that permitted by the current grading of NATO RESTRICTED.

A Declassification Notice was issued on 28th February 1979 calling attention to the regrading decision of the originating authority (DN(79)6).

8. The Civil Budget Committee should review the records described above and listed in Annex X, 1A to 1D for release and inform the Council of its determination. The Consultants recommend that the nearly 500 documents, notices, working papers, summary records of meetings and associated agendas created by the Civil Budget Committee be released without reservation.

### C. Military Budget Committee (MBC)

1. The development of the 1951 and 1952 budgets for SHAPE and its subordinate headquarters and for SACLANC are described in paragraphs 227 through 230 of DES(92)1. The most significant documents are further identified and listed in Appendix III, K-3 and K-4 of that report. The establishment of a cost-sharing formula to cover the operating and capital budgets of SHAPE and its subordinate headquarters was resolved by the Council Deputies in October 1951 (D-D(51)217 (Revised) of 1.10.51).

2. The Budget Committee initially established a Standing Military Budget Sub-Committee to examine the budget for SHAPE for calendar year 1952 (MBC-D(51)2). The Sub-Committee met at SHAPE between the 3rd and 15th of August 1951 (MBC-R(51)1) and prepared recommendations for consideration by the full Budget Committee at a meeting at SHAPE on 14th September 1951 (BC-R(51)19). The Sub-Committee recommended to the Budget Committee the establishment of a separate military budget committee responsible directly to the Council Deputies and under a chairman appointed by the Deputies. This recommendation was accepted and incorporated into the report to the Council Deputies on the military budget (D-D(51)282 of 13.11.51). The Deputies approved this proposal and the chairman of the Budget Committee was appointed Chairman of the Military Budget Committee as well as Chairman of the Civil Budget Committee to ensure coordination of all budgetary matters. It called itself the Military Budget Committee for the first time

when it met again on 20th and 21st November 1951 in an emergency meeting to consider the increase in the cost of construction of the Headquarters, AAFCE (MBC-R(51)11).

3. The Council Deputies established a Working Group on the Sharing of the Costs of SACLANT Headquarters (AC/11) in August 1951 (D-R(51)63). After several discussions centering on the differences of opinions between the French and U.S. Governments over the semi-grouping and semi-capacity-to-pay formulas submitted, a compromise was concluded and submitted in April 1952 (C-M(52)5) and approved by the reorganized Council on 13th May 1952 (C-R(52)3 Revised). The records of this Working Group are described in paragraphs 198 through 203 of DES(92)1 and are listed in Appendix III, I-11.

4. The MBC was authorized to establish subcommittees and working groups as desired. Most of the working groups were of an ad hoc nature, meeting briefly and submitting a report. They seldom created separate records which are not part of one of the main series listed in Annex X, 2/2. For example the report of a working party on the SACLANT financial regulations and accounting instructions is attached to a record of a meeting of the MBC on 3rd July 1952 (MBC-R(52)30(Final)). The records of the meetings held on 3rd through 5th February 1958 by the Communications Working Group established to review questions of reserved circuits for ACE, additional long-lines for 1958 and SHAPE communications requirements are MBC Memoranda (MBC-M(58)37 through 40) But the single agenda for those same meetings was distributed separately (MBC-(WG)A(58)1 of 29.1.58 on microfilm roll 230).

5. The MBC established a General Purpose Sub-Committee in 1953 initially composed of full-time assigned representatives of France, Italy, the Netherlands, U.K. and U.S. The Chairman of the MBC chaired the Sub-Committee. The Chairman of the MBC was authorized to refer to the full committee, to the General Purpose Sub-Committee and to working groups additional questions referred by SHAPE. The MBC examined the long list of items for committee consideration at its first meeting in 1953 and agreed to a division into those for consideration by the MBC, those assigned to the General Purpose Sub-Committee and those assigned to working parties (e.g., budgets of the various commands, MBC-D(52)42-45) and set priorities for their work (MBC-R(53)1 meeting on 7.1.53). The reports of the General Purpose Sub-Committee are in various records. Agendas for its meetings, however, were published as separate documents. They are listed in part B of Annex X, 2/2 of this report. The records of two meetings of the Sub-Committee in 1953 and a single notice in 1957 have also survived and have been microfilmed. They also are listed in part B of Annex X, 2/2.

6. In 1958 the Civil Budget Committee and the Military Budget Committee established a Joint Ad Hoc Working Group to deal with the effect of the French monetary measures on the SHAPE treasury, on NATO contributions and treasury operations and the revaluation of the cash holdings of the International Staff. The surviving agendas of five meetings held between February and June 1958 of this Joint Ad Hoc Working Group are listed in part C of Annex X, 2/2.

7. The MBC frequently met in joint sessions with the Civil Budget

Committee. In 1952 it also met jointly with the Infrastructure Special Committee (ISC) to examine SHAPE and subordinate command budget items which had infrastructure implications. A single record of that meeting on 23rd April 1952 was made and given a unique number (JM/52/1 appears on microfilm roll 53). That unique meeting was called to resolve the different views of the commands and representatives of the headquarters which favored putting various items under the international budget while representatives of the MBC appeared to be of the opinion that these items should be included in the infrastructure program. They agreed there was no definitive definition of infrastructure and that the Infrastructure Special Committee had concluded that it was not possible at that time to define infrastructure any more precisely than had been done in SG 68.<sup>1</sup> This question of defining infrastructure in order to allocate costs arose again and again as will be seen in following sections of this Part and in Part IX.

8. The summary records of meetings often contain agreed MBC reports to the Council Deputies and, after April 1952, the Council. Examples are a report on the 1952 SACLANT budget (MBC-R(52)20), a report on financing of NATO military agencies (MBC-R(52)69), a report on the cost of NATO exercises (MBC-R(53)13) and a report on the financing of Channel Command buoys (MBC-R(53)15). Copies of approved budgets of individual commands often were appended to the record of the meeting which approved that budget. MBC's approved comments on Board of Auditors' reports were also included behind the meeting record discussing the report (e.g., MBC-R(53)28).

9. The Military Budget Committee created nearly 2,000 documents, records of meetings, memoranda, notices and working papers between 1951 and 1958. The International Staff identified the principle subjects of each document created by the MBC for presenting to the Chairman of the Military Budget Committee when they were prepared for downgrading in 1982 (EXS(82)36). The subject headings under which the 1951-1958 records of the MBC are listed is in Annex X, 2/1 of this report. That listing provides some indication of the major topics of papers and discussions at MBC meetings.

10. The proposed downgrading to unclassified of the 1951-1964 records created by the MBC (EXS(82)36) was suspended in 1982 when the U.S. Government insisted on reviewing the documents individually and could not respond before 30th September 1982 as requested. The U.S. responded in June 1983 by identifying the MBC documents which were then fully 30 years old which it concurred could be declassified. A Declassification Notice listing the MBC documents and records of meetings 1951-1952 which could be downgraded to NATO Unclassified was issued on 8th October 1986 (DN(86)17). By that notice all versions of 1951 and 1952 documents of the MBC including their corrigenda and addenda listed in Annexes X, 2/1 and 2/2 were regraded Unclassified except MBC(51)D/2, MBC(52)D/9, MBC(52)D/27, MBC-D(52)45 and MBC-R(52)66.

11. The Military Budget Committee should review for declassification the five documents listed in the preceding paragraph and all of the remaining MBC documents listed in Annex X, 2/2 to confirm its downgrading action on 13th May 1982 (OCB/82/238 in response to EXS(82)36). All of the records listed in that same Annex also should be reviewed for release by the Military Budget Committee. The

Council should be informed of the Committee's determination. The Consultants recommend that they all be released without reservation.

## AUDIT

### D. Board of Auditors for Civil and Military Budget Accounts

1. In its second interim report to the Council the Working Group on the Establishment of an International Budget for NATO included draft financial regulations, including provisions on external audit (paragraph 34-41 of Annex A to D-D(51)74 of 19.3.51). The terms of reference and other details of the auditors responsibilities were readily accepted. The major question remaining was whether the auditors to be appointed should be from the audit office of a member government or from a private firm of chartered accountants (D-R(51)73(Final) meeting on 24.10.51). The Deputies met on this issue on 3rd November 1951 and considered the argument presented by the U.K. deputy that NATO should appoint state auditors on the basis that: (a) they were more used to this kind of task than a private firm, (b) they were more likely to be economy-minded, (c) they were more suitable on security grounds, and (d) their recommendations were more likely to carry weight in parliamentary circles. Following discussion, the Council Deputies approved the Chairman's proposal to have the Executive Secretary examine the details of a system on the basis of the appointment of government auditors. The proposal would take into account the precedents provided by the practice of other international organizations (D-R(51)78(Final)).

2. The Executive Secretary's report (D-D(51)296 of 7.12.51), based on the experience in the United Nations Organization and in the OEEC, called for a board of auditors composed of government audit officials of three member countries appointed by the Council Deputies for three years with possible reappointment for one further three year term. To provide continuity the auditors would be appointed on a rotating basis. To preserve their independence the auditors and any assistants should not receive any form of remuneration from NATO. The Executive Secretary submitted in his report a draft revision of the chapter on External Audit contained in the Financial Regulations (D-D(51)74). The subject was discussed by the Deputies at several meetings (see Item III of D-R(51)87 meeting on 10.12.51 and Item VII of D-R(51)89(Final) meeting on 17.12.51) before they approved the proposals set out in the Executive Secretary's report (at D-R(51)90(Final) meeting on 19.12.51).

3. The appointment of external auditors (termed "Board of Auditors" in the amended NATO Financial Regulations for NATO Headquarters (D-D(52)43) was broached by the Executive Secretary in a proposal calling for one candidate from each of three categories established on the basis of their contribution percentage to current expenditures of both military and civilian budgets. In the discussion of this proposal, however, the Canadian Deputy proposed and won agreement whereby all countries would consult with each other and submit a list of at least three candidates from which the Council Deputies would elect three auditors (D-R(52)2 meeting on 11.1.52). The first Board of Auditors was composed of Dr. Tommaso Fattorosi-Barnaba, Chief Inspector General of the Italian Ministry of Finance (for two years); Mr. A.M.A. Poons, Chief Accountant of the Dutch Ministry of Finance (for three years); and Mr. Watson Sellar, Auditor-General of Canada (for one year). In their

appointment letters the auditors were informed that all appropriate officials of the Organization were "...authorized and instructed to render you all assistance you may require and to give you all information and explanations, including free access at all convenient time to all books of account and records which you may consider necessary for the performance of the audit" (D-D(52)73 of 18.3.52). Because of the late date of appointment, the Board of Auditors were given until 31st October 1953 to complete their audit of the 1952 NATO accounts (proposed extension is ISM(52)34 of 29.11.52, approved by Council on 17.12.52).

4. The Executive Secretary invited the Council Deputies to send comments on his draft of paragraphs 34 through 38 of the Financial Regulations covering the civilian bodies of NATO (D-D(52)8 of 7.1.52; draft revisions were included as annex to D-D(51)296 of 7.12.51). The new language was approved by the Deputies on 6th February 1952 (D-R(52)12 published in D-D(52)43 of 13.2.52). The same amendments were incorporated subsequently in a more general revision of the SHAPE financial regulations then being prepared. The Working Group on the Coordination of NATO Financial Procedures (AC/49, described elsewhere in this Part) included new terms of reference for the Board of Auditors for NATO Budgets (C-M(55)18 of 14.2.55). They were approved by the Council at its meeting on 2nd March 1955 (C-R(55)8). The new terms were very similar in principle to those approved by the Deputies in 1952. The Board of Auditors was required to perform such audits as were necessary to certify:

(a) that the financial statements were correct and in accordance with the books and records of headquarters or NATO organizations;

(b) that the financial transactions reflected in the statements had been in accordance with the rules and regulations, the budgetary provisions and other applicable directives;

(c) that the securities and monies on deposit and on hand have been verified by certificate received directly from the depositories of the headquarters or NATO organization, or by actual count. (C-M(55)18)

#### E. Board of Auditors for Infrastructure Accounts

1. The Council approved revision to a report (initially prepared by the Council Deputies) expressing the general principles which would govern infrastructure payments procedures to give effect to the Ottawa Agreement (D-D(51)290(Revise) of 7.12.51). The Infrastructure Special Committee (described in Part IX) was invited to prepare a final text of detailed payments procedure. That Committee considered the matter and agreed that an international audit should be undertaken on the final presentation of infrastructure accounts and referred the question to the Payments and Progress Sub-Committee (Item XI of AC/4-R/51 meeting on 14.5.52).

2. The Payments and Progress Sub-Committee considered the task briefly at its meetings in May and June 1952 (AC/4(PP)R/11, R/12 and R/13). Statements were submitted by the delegations from the Netherlands, Canada and Italy (AC/4(PP)D/59, D/83 and D/84; discussed at meetings in June, August and

September 1952 AC/4(PP)R/13, R/17 and R/18). The Sub-Committee readily identified the problem as essentially one of agreeing on the procedures by which the audit would be conducted.

3. The procedural difficulties were a consequence of the status of the national accounts or "cour des comptes" which did not allow the passing of judgement by a supra-national organization on governments' accounts. And, from a practical standpoint, the Board of Auditors would not be in a position to check themselves the masses of papers relevant to infrastructure projects. The French representative proposed that the international board of auditors should prepare special instructions and establish criteria which the national accounting agencies would have to apply. The "cour des comptes" would collate all the necessary elements from national accounting agencies and submit a report to NATO, and the international board of auditors would submit a general report to the Council based on those reports (AC/4(PP)R/20 meeting on 16.9.52). The Payments and Progress Committee examined a draft paper prepared along these lines (AC/4(PP)-D/98 of 26.9.52) at a meeting on 29th September 1952 (AC/4(PP)-R/21).

4. The U.K. representative pointed out that the objective of the audit was threefold:

- (a) verification that the funds had been spent against receipts (this should be delegated to the national auditors);
- (b) verification that the funds had been spent for the particular purpose for which they had been allocated; and
- (c) that they had in fact been spent economically.

He considered that (b) and (c) should be carried out by the international board of auditors making use of information which would be provided by the national authorities and delegating functions to the national auditors where it thought fit. The Committee agreed and an outline of procedure was submitted (initial proposal in AC/4(PP)D/99 of 7.10.52, discussed at AC/4(PP)R/22 meeting on 10.10.52) in the form of a draft report to the Infrastructure Committee (AC/4(PP)D/102 of 15.10.52).

5. At a meeting on 22nd October 1952, the Payments and Progress Committee concluded that the differing statutes and accounting procedures would require that the proposed international board of auditors should constitute itself, as a first step, as a working group of the Council to make proposals on the procedure to be adopted with respect to different countries (AC/4(PP)R/23, Item IV). The amended and approved report of the Payments and Progress Committee (AC/4-D/117 of 6.11.52) was forwarded unchanged by the Infrastructure Committee to the Council (AC/4-R/68 meeting on 12.11.52).

6. The Council considered the report of the Infrastructure Committee (C-M(52)107 of 17.11.52) at meetings in November and December 1952 (C-R(52)30 and 33). The Council accepted the report's recommendations and finally agreed on the composition of the first International Board of Auditors for Infrastructure (U.S., U.K., France, Italy and Norway) at a meeting on 4th March 1953 (C-R(53)8).

F. Working Party on International Audit of Infrastructure Accounts (AC/47)

1. The Secretary of the AC/47 Working Group invited the members of the Board of Auditors (representing the five countries agreed by the Council) and auditors from all the remaining countries wishing to participate, to meet on 23rd March 1953. Their task would be to give a definition of the scope of the audit and of the procedures to be followed. A report was to be prepared and submitted to the Council for approval (AC/47-D/1 of 18.3.53).

2. The AC/47 Working Group met on the 23rd through the 27th March 1953. They examined the scope and program of audit, accepting generally the conclusions in the report of the Infrastructure Committee (C-M(52)107 Annex). It was agreed that the independence of the Board of Auditors vis-a-vis the national audit authorities and the NATO civilian and military bodies concerned should be firmly established. The Working Group also agreed that they should establish an audit policy, i.e., determine to what extent the Board of Auditors should be empowered to verify the information submitted to it by host countries. In order to do that, the actual machinery for payments in host countries must be known so that they could develop an audit program which would permit full disclosure to the contributing country of all the cost factors. The question of documentation which the national audit authorities should make available to the Board of Auditors was to be ascertained by a questionnaire to be addressed to the host countries. The questionnaire was to be attached to its report to the Council. A sub-committee composed of the Chairman, Mr. Vrancken of Belgium, and the French and U.S. members was to redraft the questionnaire (based on the discussion and any further suggested questions submitted) and a report to the Council including a list of objectives to be achieved by the audit (AC/47-R/1).

3. The interested countries were invited to join the Board of Auditors at a second meeting of the AC/47 Working Group to prepare a final report. Only representatives of Belgium and Denmark participated in the work of the group. No record of this second meeting was produced.

4. The AC/47 Working Group's report to the Council (C-M(53)64 of 13.5.53) included a questionnaire (Annex A) and 23 "typical questions to be used as a guide in the examination of common infrastructure expenditure" (Annex B). The Chairman urged the Council's approval and support to enable the Board to perform their duties at the earliest possible time since arrears going back to 1951 and 1952 were yet to be examined and the funds administered were of considerable magnitude.

5. The report was considered at the Council's meeting on 20th May 1953 (C-R(53)27, Item IV). The concern expressed by several delegations on various matters led the Council to establish another working group to consider, in consultation with the Standing Group Liaison Office and the Infrastructure Committee, any points which seemed doubtful in the report by the AC/47 Working Group and to reach agreement on an interpretation of any such point and to indicate any questions relating to the international audit of infrastructure accounts which had not been dealt with in the report. The Council approved the appointment of the

Assistant Secretary General for Production and Logistics, D. Luke Hopkins, to act as Chairman.

G. Working Group on the Report by the Board of Auditors (AC/48)

1. The AC/48 Working Group met the day after the Council established it - 21st May 1953. Representatives of Belgium, Denmark, France, the Netherlands, Norway and the U.K. were joined by representatives of the Standing Group Liaison Office and two members of the Working Group on International Audit of Infrastructure Accounts (AC/47). The group considered and amended a draft note prepared by the U.K. member (AC/48-R/1). This summary record of the meeting is the sole record created by the AC/48 Working Group.

2. the Working Group concluded its business by directing the Secretary to prepare a revised note in collaboration with the French and U.K. representatives. The note was then to be forwarded to the Council with the recommendation that if the Council approved the report of the AC/47 Working Group (C-M(53)64) it should also approve the Note as constituting the interpretation of those paragraphs on which it had requested further clarification (paragraph 10 of AC/48-R/1).

3. The "Interpretation of the Report by the Working Group," (C-M(53)71, was submitted to the Council the following day (22.5.53). It discussed and clarified the meaning behind a number of paragraphs to ensure (a) the simultaneous receipt by the Council of comments on the auditors report prepared by the Payments and Progress Committee, but in a separate document, (b) that the auditing provisions would not delay the construction work, and (c) that audits would be completed as portions of long-term projects were completed.

4. The AC/48 Working Group concluded by recommending that the Council urge countries to submit their replies to the questionnaire by the end of June 1953 to enable the Board of Auditors to prepare their first report to the Council as soon as possible thereafter. The responses were to include recommendations on relationships with the national audit authorities (C-M(53)71 paragraph 8).

5. The Council considered the note prepared by the AC/48 Working Group at a meeting on 27th May 1953 and approved the recommendations. In a response to a comment, the Chairman of the Working Group noted that it was proposed that as soon as the Board of Auditors had received the replies to the questionnaire, they would submit to the Council recommendations as to the precise relationship to be established between the International Board of Auditors and the national audit authorities (Item III, C-R(53)28).

H. The International Board of Auditors on Infrastructure Accounts (AC/50)

1. The Board of Auditors on Infrastructure Accounts met for the first time on 4th and 5th June 1953. Mr. Sunde (Norway) was selected Chairman. It was agreed that Mr. Sunde and Mr. Armstrong (U.K.) would devote full time to the work of the Board and take up permanent residence in Paris, while the other members would be permanently available so far as was consistent with their other duties. They discussed the need for highly qualified auditors to assist the Board in the

performance of their tasks but agreed to defer requesting hiring until after they had examined the countries' replies to the questionnaire (Annex A to C-M(53)64) and a preliminary audit had been carried out. That examination of the country responses was to be their first order of business at their next meeting (AC/50-R/1).

2. The Board of Auditors for Infrastructure examined the Belgian and U.K. replies to the questionnaire and heard explanations by the Italian and French representatives regarding their audit systems at their second meeting a month later (AC/50-R/2 meeting on 6, 7, 9 and 10.7.53). The U.K. representative reached the conclusion that the replies<sup>2</sup> would not give the International Board of Auditors a very clear picture of the degree of control it could exercise or of the method to be adopted. He felt that this information could be obtained only by making a trial audit of an infrastructure project. The Board decided to commence work on its report based on three guiding principles:

- (a) the control exercised by the national audit authorities of the country concerned offered sufficient guarantee that payment had been made in accordance with the legislation of that country;
- (b) the national audit authorities should be the body from which the International Board Of Auditors could obtain any necessary information on infrastructure questions; and
- (c) the International Board of Auditors should not comment on the methods of the national audit bodies, its task being solely to ascertain that the payments which NATO was asked to make were justified.

The Board also chose the Florennes Airfield in Belgium as the sample infrastructure project to be audited.

3. The Board's report to the Council (C-M(53)103) was submitted on 16th July 1953 and discussed initially at a meeting on 22nd July 1953 (C-R(53)36, Item II). The representatives needed more time to consider the report but immediately approved the initiation of the test examination of one or more projects. The report was approved at the Council's meeting on 19th August 1953 (C-R(53)39) subject to reservations of the Canadian representative (regarding the employment of assistants to the Auditors) and the French representative (regarding the procedures to be employed which he felt overlapped with the functions of the Infrastructure Committee). These reservations did not preclude the implementation of the proposed system as outlined but would be reexamined further at a later date.

4. When the International Board of Auditors on Infrastructure Accounts met for the final time as a working group of the Council (AC/50) on the 5th through the 8th of October 1953, it approved a final text of a report to the Council on the test audit of the Florennes Airfield. This second report of the Board (C-M(53)131 of 15.10.53) was considered by the Council at a meeting on 21st October 1953 (Item I of C-R(53)45). The Council referred the audit report to the Infrastructure Payments and Progress Committee for an explanatory brief as set out in paragraph 2 of C-M(53)71 and agreed to discuss the report again when the brief had been received. It also agreed to the appointment of the 5 assistants proposed by the Board. The

Budget Committee was to make recommendations as to their grade if they should be members of the international staff - the status question not yet being resolved.

5. The Chairman of the Civilian Budget Committee submitted a report on the hiring of assistants for the Board on 23rd October 1953 (C-M(53)134). It contained a reservation by the French representative (in paragraph 8 of C-M(53)134; see also BC-R(53)12, paragraphs 67 and 68) which was expanded in a memorandum by the French delegation (C-M(53)135 of 27.10.53). The French memorandum contested the warrant of the request for assistants stating that the auditors were inclined to extend the scope of their activities by inclusion of other duties (referring to paragraph 5 of C-M(53)103) beyond those mentioned in C-M(53)64 and C-M(53)71. These activities were felt by the French Government as encroaching on the business of other NATO Committees or national authorities.

6. The matter of appointment of assistants and the French memorandum were discussed at length at the meeting of the Council on 28th October 1953 (C-R(53)46, Item I). The French representative pointed out that document C-M(53)71 gave an interpretation of document C-M(53)64 which justified the argument that the scope of the auditor's duties could be reduced. He argued that the five assistants might not be needed and that the relevant documents should be examined again and clarified before any final decision was taken. After considering the desirability of reconvening the Working Group (AC/48) and the terms of reference to be given to it, the Council decided to create a new working group to examine the agreed scope of work for the International Board of Auditors for Infrastructure Accounts set out in C-M(53)64 as interpreted C-M(53)71, in the light of the French memorandum, C-M(53)135. All 14 governments would be represented if they desired (paragraphs 8-10, C-R(53)46).

I. Working Group on the Scope of Work for the International Board of Auditors for Infrastructure Accounts (AC/68)

1. Nine countries were represented at the meetings held by the AC/68 Working Group on 29th and 30th October 1953. Joining them were four of the five Auditors for Infrastructure Accounts and the Controller of Infrastructure. The Assistant Secretary General for Production and Logistics, Lowell P. Weicker, chaired the meetings. The single summary record of those meetings (AC/68-R/1) is the sole distinct record created by the AC/68 Working Group. It is on roll 59.

2. The AC/68 Working Group examined the terms of reference of the International Board of Auditors on Infrastructure Accounts (C-M(53)64 and C-M(53)71) and the French memorandum (C-M(53)135). The French delegation submitted a draft paper on the scope of work of the auditors which was discussed paragraph-by-paragraph and modification of the wording in the draft was agreed. The Working Group recommended that the Council approve these interpretations (Annex to C-M(53)136) for adoption by the Auditors. The Working Group could not agree on the status of the assistants and left that to the Council (AC/68-R/1).

3. The Council accepted the AC/68 Working Group's recommended interpretations in the "Note by the French Delegation" at its meeting on 4th November 1953 (C-R(53)47). This resulted in the withdrawal of C-M(53)135 by the

French delegation and confirmed that the scope of work of the auditors as defined in C-M(53)64 and as interpreted by C-M(53)71, would not be further questioned. The Council also determined that the assistants to the auditors would be recruited from among the nationally proposed candidates and funded by the governments providing them. A small clerical support staff was authorized also (C-R(53)47, Item I).

4. The terms of reference and basic structure of the Board of Auditors for Infrastructure remained unchanged until 1957. The number of assistants to the auditors, however, was increased as the workload increased. The Board provided the Council with an historical survey of the first two-year term of the Board's service in a report on 9th May 1955 (C-M(55)50). Upon examining the report the Council concluded that the need for continuity suggested the desirability of extending the original Board's mandate for an additional year. The Council also determined that the structure of the audit system in NATO should be examined carefully during that year (Item I of C-R(55)25 meeting on 8.6.55). Proposed changes were submitted by four delegations. They differed considerably and they involved both the Budget Committees (Civil and Military) and the Infrastructure Committees (AC/4 and AC/4(PP)). The Council considered the problem at a meeting on 7th March 1956 and agreed to set up a working group to consider the proposals for reorganization of the audit system and report to the Council (C-R(56)10, Item IV).

J. Working Group on the Audit System in NATO (AC/103)

1. The Secretary of the AC/103 Working Group circulated proposals from three delegations (Belgium, Italy and the Netherlands) concerning reorganization of the audit system of NATO and called for any further proposals and nominations of representatives to the Working Group (AC/103-D/1 of 9.3.56). The U.S. delegation submitted a memorandum presenting its position (AC/103-D/3 of 27.3.56) and the Italian delegation amplified its earlier memorandum in a further one (AC/103-D/4 of 27.3.56).

2. The International Board of Auditors for Infrastructure Accounts submitted observations on most of the comments in a paper distributed to the AC/103 Working Group on 3rd April 1956 (AC/103-D/5). The comments by the Chairman of the NATO Board of Auditors for Headquarters Accounts (on comments of various delegations in AC/103-D/1, D/3 and D/4) was distributed on 10th April 1956 (AC/103-D/6). At the request of the AC/103 Working Group the Secretary prepared a summary of the various recommendations made by the Working Group at its meeting on 16th and 17th April 1956 (AC/103-WP/1 of 21.4.56 and Addendum of 14.5.56).

3. The U.S. delegation revised its original proposal calling for the merger of the NATO audit and the international audit of infrastructure accounts (proposed in AC/103-D/3) and substituted one restricted to the infrastructure audit (AC/103-D/7 of 16.5.56). The Belgian delegation also submitted new proposals for reorganization of the International Board of Auditors for Infrastructure Accounts (AC/103-D/8 of 9.6.56). The Belgian proposal was revised on 12th June 1956 to take account of the amendments made at a meeting of the AC/103 Working Group on 12th June 1956 (AC/103-D/8(Revised)).

4. The Chairman of the AC/103 Working Group (A.J. Bastin, the Financial Controller) requested the Council to extend the appointment of the 5 members of the International Board of Auditors and the Chairman of the Board of Auditors for the NATO budget until 31st October 1956 to prevent any break in continuity in the auditing of NATO accounts. This request of the AC/103 Working Group was included in an interim report on 23rd May 1956 which stated that they would be unable to submit conclusions in time for the Council to examine their proposals and nominate auditors before the term of 6 of the 8 present auditors expired on 8th June 1956. The Council accepted the explanation of the Chairman at its meeting on 6th June 1956 (Item I of C/R(56)29).

5. The Secretary provided a summary of the proposals for organization of the International Board of Auditors for Infrastructure Accounts as matters stood after the meeting of the Working Group on 25th June 1956 (AC/103-WP/3 of 27.6.56). At the same time the Chairman proposed that the AC/103 Working Group submit to the Council a separate report regarding the organization of the Auditors for International Budgets since the proposal for merging of the two boards had been dropped. This would enable the Council to replace those auditors whose terms expired on 31st October 1956 (AC/103-D/9 of 27.6.56). But the Working Group instead prepared and submitted a second interim report to the Council stating that it would be impossible to prepare a final report in time for the replacement of the retiring members of the two boards to be effected without the risk of discontinuity. On the assumption that the membership of the two boards would remain the same for sometime to come and subject to the approval of their final report by the Council, the Working Group recommended that the Council proceed to solicit nominations for replacements of all 5 members of the International Board of Auditors for Infrastructure and 2 members of the Board of Auditors for the NATO Budget (draft 2nd interim report is AC/103-WP/4 of 12.7.56, the finished document C-M(56)97 of 19.7.56).

6. The Council accepted the report and recommendation of the AC/103 Working Group at a meeting on 5th September 1956 (C-R(56)47, Item II). On the question of international financing of assistants to the Board of Infrastructure Auditors, the Chairman responded that the Working Group had not been able to reach agreement on this point, but if the Council approved the principle of international financing, the Working Group would examine the question further and together with the Budget Committee examine the grading of the positions at a joint meeting the end of September (paragraph 7 of C-R(56)47).

7. At the Council meeting on 12th September 1956 all except the Portuguese and French representatives agreed to accept the principle of international financing of the infrastructure auditor's assistants. The Working Group was instructed to study the question of international financing on the assumption that the Council would approve that procedure. The AC/103 Working Group was directed also to submit a report to the Council by the end of September (Item I of C-R(56)49 meeting on 12.9.56). The Portuguese reservation was withdrawn at the following meeting of the Council (Item IV of C-R(56)50 meeting on 19.9.56). The French reservation was withdrawn after the report was accepted by the Council (C-R(56)55 meeting 17.10.56).

8. At a meeting of the AC/103 Working Group on 13th September 1956

they made recommendations concerning the grades of the 10 assistant auditors, the duration of term of appointment, recruitment/dismissal procedures, budgetary allocation of the expenditure, and the effective date for international financing to begin. The Secretariat prepared a draft report to be forwarded to the Civil Budget Committee (AC/103-WP/6 of 17.9.56). The report was distributed in the CBC as BC-D(56)21.

9. At the joint meeting of the Civil Budget Committee and the Working Group on the Audit System in NATO on 28th September 1956, the recommendations were considered, modified somewhat and approved for inclusion in a report by the AC/103 Working Group to the Council. This report (draft is AC/103-WP/7 of 19.9.56) recommended that the structure and terms of reference of the Board of Auditors for the NATO Budget be left unchanged (Part A of C-M(56)111 of 1.10.56). The AC/103 Working Group recommended reorganization of the International Board of Auditors on Infrastructure Accounts based on the essential principle of equality of access and equal representation for all countries.

10. The changes recommended were in the composition of the Board and represented a compromise. They made no recommendations on possible changes of the terms of reference of the Board and felt that the newly reconstituted Board should be left free to settle its own questions of procedure, internal regulations, periodicity of plenary sessions, dealings with national control bodies, responsibility for the coordination of administrative duties and the supervision of the work of the assistants (Part B of C-M(56)111; details on the changes in the composition of the Board of Infrastructure Auditors and the Assistants to the Auditors are in the Annex).

11. The Council approved the report and adopted its recommendations at a meeting on 10th October 1956. The appointment of the new auditors for both Boards was approved at that same meeting (C-R(56)54). A final modification of the procedure for selecting assistants was discussed at a Council meeting on 24th October 1956 and approved at the meeting on 31st October 1956 (C-R(56)56 and 57). The structure and composition recommended by the AC/103 Working Group remained unchanged until 1960.

#### K. Conclusions and Recommendations on NATO Audit Records

1. The Working Group on International Audit of Infrastructure (AC/47) created just 2 documents and a single summary record of a meeting in 1953. They are on microfilm roll 59.

2. The Working Group on the Report by the Board of Auditors (AC/48) created a single summary record of a meeting in 1953. It is on microfilm roll 59.

3. The International Board of Auditors on Infrastructure Accounts created 3 summary records of meetings in 1953 as a working group of the Council (AC/50). They are on microfilm roll 59.

4. The Working Group on the Scope of Work for the International Board of Auditors for Infrastructure Accounts (AC/68) created a single summary record of a meeting in 1953. It is on microfilm roll 59.

5. The Working Group on the Audit System in NATO (AC/103) created 10 documents, 7 working papers and held 9 meetings in 1956. Only one summary record of a meeting was distributed (AC/103-R/9, a joint meeting on 28.9.56 with the Civil Budget Committee, and therefore, also bearing the designation BC-R(56)11). These 18 items issued by the AC/103 Working Group are on microfilm roll 190.

6. The items created by the AC/47, AC/48, AC/50 and AC/68 Working Groups were regraded unclassified by the decision on EXS(81)3 disseminated by DN(81)18 of 8th July 1981. The 10 documents and 7 working papers of the AC/103 Working Group were proposed for downgrading in EXS(82)36. The U.S. delegation requested a delay in the effect of the proposed silence procedure and has not responded subsequently on the 4 working groups listed for downgrading. Consequently, they remain as originally classified as NATO Restricted.

7. The Consultants recommend that all of the items described in this section of the report be declassified and released without reservation. The Board of Auditors should review these items and inform the Council of their determination.

## FINANCIAL PROCEDURES

### L. Working Group on Coordination of NATO Financial Procedures (AC/49)

1. When Secretary General Lord Ismay submitted the "Report of the Board of Auditors on the Accounts of the NATO Civilian Agencies for the period ended 31st December 1952" (BC-D(52)4 of 3.7.52) he drew attention to paragraph 7 where the Auditors urged the desirability of the establishment of a more uniform control of all funds contributed to NATO by member governments. In his covering note (*ibid.*, paragraph 3), the Secretary General remarked,

It is suggested that the Council be asked to approve the appointment of a small working party consisting of representatives of the Budget Committee, the Military Budget Committee and the International Staff to examine the suggestions of the Board and to make recommendations to the Council at an early date.

2. The Secretary General's proposal was endorsed strongly by the U.S. and U.K. representatives to the Civil Budget Committee (CBC) as offering the possibility of a sound, efficient system of control. The Chairman of the Board of Auditors, Mr. A.M.A. Poons, had stressed:

(a) the desirability of establishing a greater measure of uniformity in the various financial regulations with the same regulations governing military and civilian agencies;

(b) the desirability of establishing an internal control system which would be relatively independent of the Organization and which would submit monthly and quarterly reports;

(c) the desirability for the contributions of military and civilian budgets be paid as a single contribution; and

(d) the desirability of replacing the two existing systems of financial control by a single system for both military and civilian agencies.

The Financial Controller, Mr. H. D. Pierson, reported to the CBC that he had exchanged views with the SHAPE Financial Controller (Mr. G. Le Bigot) on ways in which the International Secretariat and SHAPE might approach this question. They agreed on the need to undertake an internal study of three subjects: (1) the use of uniform financial regulations, (2) the centralization of a working capital fund for civilian organization, SHAPE and SACLANT, and (3) the centralized control of NATO funds. The CBC requested the Financial Controller prepare a draft report to the Council on the report of the Board of Auditors agreeing that the working party proposed by the Secretary General should be set up and should submit their report to both budget committees which would then submit a joint report to the Council (BC-R(52)10 meeting on 11.11.52).

3. The report containing these recommendations was submitted by the Chairman of the CBC to the Council on 25th November 1952 (C-M(52)109 with Corrigendum of 27.11.52). The Council approved the recommendations at its meeting on 3rd December 1952 (C-R(52)31). The MBC endorsed the same recommendations in its report on the Board of Auditors' report on the 1951 statement of accounts and made additional observations for consideration by the proposed working party (C-M(53)34 of 2.4.53). The Council discussed these comments and agreed that the working party should start work as soon as possible (C-R(53)25 meeting on 6.5.53).

4. The Working Group on Coordination of NATO Financial Procedures, hereafter the AC/49 Working Group, met on 3rd June 1953 and set up two working parties which studied and reported (AC/49-D/1 of 17.6.53) on currency guarantees (Annex A), working capital fund (Annex B), banking arrangements (Annex C) and financial regulations (Annex D).

5. A memorandum to the Secretary General from the MBC (MBC-R(53)28 of 18.6.53) was circulated to the AC/49 Working Group. It reported on actions taken further to the MBC's report (C-M(53)34 of 2.4.53 described above) and studied the proposals and recommendations of the Board of Auditors concerning budgetary control over capital projects (AC/49-D/2 of 23.6.53). The comments of the Board of Auditors on the AC/49 Working Group's initial proposal were also circulated within the Group (AC/49-D/3 of 25.6.53).

6. The report of the AC/49 working Group, "Coordination of NATO Financial Procedures" was produced as a Civil Budget Committee document (BC-D(53)11 of 5.8.53). In order to accelerate action on the report, the proposals of the Working Group were submitted directly to the CBC and MBC prior to submission to Council. The proposed regulations were annexed to the report which made observations on certain articles. Also annexed to the report were the terms of reference of the Board of Auditors.

7. SACLANT commented on the proposed financial regulations in September 1953 (circulated to CBC and MBC by the Financial Controller as BC-D(53)15 of 3.9.53). SACLANT took exception to the language in articles 21 through 25. SACEUR concurred with the position taken by SACLANT (Memo from SGLO to Secretary General for attention of the Financial Controller, SGLP 788/53 of 7.9.53). The Financial Controller on behalf of the International Staff suggested some modifications to the language of two articles (15 and 22) following further study of the proposal (BC-D(53)16 of 18.9.53).

8. The CBC and MBC met together on 10th September 1953 (BC-R(53)9/MBC-R(53)39) and considered the report by the AC/49 Working Group (BC-D(53)11). A number of draftings amendments were proposed and points of substance discussed. The Committees noted that further discussion of the unagreed articles should be undertaken by the Working Group which should submit their report directly to the Council.

9. The Standing Group's promised comments on the report and on SACLANT's comments on the report were circulated to the Working Group on 19th September 1953 (AC/49-D/4). They expressed the hope that the Working Group would be able to consider "most carefully" the comments by the Supreme Commanders. The SG also expressed its wish to comment on the proposed regulations after the report had been prepared in its final form by the Working Group. The Working Group's draft of the proposed report to the Council was ready by the 14th January 1954 along with a revised set of the financial regulations (AC/49-D/5). The language of Article 15 on the form of currency contribution had been amended substantially during the discussions. The observations of SACLANT and the SG were not directly referenced on the assumption that their agreement would be obtained before the report was forwarded to the Council.

10. The SGLO forwarded the comments of SACEUR and SACLANT in a memorandum on 5th February 1954 (SGLP/75/54). Both Commands objected to the language in articles 21 through 25. The SGLO recommended that the comments be considered by the entire Working Group (comments are in AC/49-D/6 of 8.2.54). The Working Group met on 16th February. It invited the representatives of SACLANT and SACEUR to develop a common policy. The suggested revision of the report and the regulations was circulated on 30th March 1954 (AC/49-D/7) along with a call for a further meeting of the AC/49 Working Group on 8th April 1954.

11. The agreed changes to the text of articles 21 through 23 of the regulations and paragraphs 16 through 22 of the report were circulated to the Working Group shortly after the meeting (AC/49-D/8 of 14.4.54). A final meeting of the Working Group was held on 29th April 1954 to approve the text for forwarding to the Standing Group for their approval. That text was dispatched on 5th November 1954 (AC/49-D/9). The SG's comments - centering on Article 21 - were circulated to the Working Group along with a few other modifications under a note from the Secretary to the Working Group on 6th January 1955 (AC/49-D/10). Because several delegations stated their desire for further consideration of the new article 21 proposed by the Standing Group, a further meeting of the AC/49 Working Group was called for 31st January 1955 (AC/49-N/1 and N/2 of 17 and 27.1.55).

12. The Working Group agreed on the draft financial regulations (AC/49-D/9 as amended by Annex B to AC/49-D/10) for forwarding to the Council. The proposed regulations (C-M(55)18 of 14.2.55, Corr. of 29.3.56) were discussed by the Council at its meeting on 2nd March 1955 (C-R(55)8) where they were approved as superseding the various regulations then in force in the civilian and military headquarters and other organizations established pursuant to the North Atlantic Treaty and financed through international budgets. The Council also endorsed the observations and recommendations made in amplification of the financial regulations. Finally, the Council invited the Budget Committees to determine the date on which the regulations would become effective. [The NATO Financial Regulations were subsequently amended by C-M(56)102 (articles 11 and 27) and by C-M(59)1 (articles 8 and 15).]

13. The new financial regulations could become effective only when detailed rules were drawn up by the authorities concerned and those rules were approved by the appropriate budget committee. A first draft for consideration by the CBC was submitted by the Financial Controller on 22nd December 1954 (BC-D(54)28). It was laid out in the same manner as the draft SACLANT rules (MBC-M(54)80 of 29.4.54) in the interest of uniformity and to facilitate comparison. It also took into account the MBC's comments on the SACLANT rules (MBC-M(54)101 of 4.6.54).

14. The CBC considered the draft at its meeting in March 1955 (BC-R(55)3 of 15 and 17.3.55) and agreed to entrust the study of the draft financial regulations to a working group comprised of representatives of the Civil and Military Budget Committees, in which the Financial Controllers or their representatives would participate. The CBC would be represented on this working group by the national representatives of Belgium, France, Italy and the U.K. Similarly the MBC referred the detailed examination of the draft financial rules and procedures of SACLANT (MBC-M(54)215 of 6.12.54 and Addendum of 17.1.55 - a revise of MBC-M(54)80 - to accord with the MBC's comments) to the same working group set up by the CBC (MBC-R(55)4 of 22.3.55). The draft financial rules and procedures for Allied Command Europe were prepared in a format corresponding to that used for the NATO and SACLANT draft rules (MBC-M(55)26 of 18.2.55). They too were referred to the same working group for consideration (MBC-R(55)4 of 22.3.55).

15. The working group on the rules and procedures for the International Staff/Secretariat of NATO, for SHAPE and for SACLANT in implementation of the Council approved financial regulations (C-M(55)18) prepared a report to the CBC and MBC (draft is BC-WP(55)5/MBC-WP(55)21 of 26.4.55; final report is BC-D(55)14/MBC-M(55)63 of 5.5.55). The rules and procedures for SHAPE were revised in accordance with the recommendations on 20th May 1955 (MBC-M(55)64; Corr. MBC-M(61)18 of 25.1.61). As the SHAPE rules were the most comprehensive, the CBC and MBC jointly agreed that the NATO Secretariat and SACLANT rules should be amplified to bring them into line with those drawn up by SHAPE. The three sets of rules were to be ready by 1st July 1955 (BC-R(55)6/MBC-R(55)8 meeting on 24.5.55). The rules and procedures for SACLANT were circulated to the MBC for comment on 20th July 1955 (MBC-M(55)125) while the comparable rules and procedures for the NATO Headquarters was circulated to the CBC on 4th July 1955 (BC-D(55)22).

16. The SACLANT rules and regulations went into effect on 1st July 1955 while the SHAPE and NATO Headquarters rules were to have effect from 1st January 1956. At the request of the German delegation the Financial Regulations (C-M(55)18) and their implementing rules and procedures (BC-D(55)22 and ON(55)60) were declassified on 29th March 1956 in order to make them available in the German Bundestag so that all political parties could be informed of the use of these funds and the appropriations and control procedures.

M. Working Group on Rules and Procedures for Implementation of NATO Financial Regulations (AC/102)

1. Draft articles 5 and 6 were submitted by SHAPE as addendum to the "ACE Financial Rules and Procedures" on 14th October 1955 (MBC-M(55)189). The proposal provided for controllers of commands subordinate to SHAPE. The MBC and the CBC agreed to reconstitute the former "Joint Working Group on Instructions for Implementation of the NATO Financial Regulations" (BC-R(56)2 meeting on 23 and 25.1.56 and MBC-R(55)18). The Working Group (AC/102) was made up of representatives of Belgium, France and the U.K. presided over by the Italian representative. The Joint Working Group Secretariat requested from the CBC, the MBC, the Board of Auditors, and the Financial Controllers of the International Staff, SHAPE and SACLANT all comments, recommendations or remarks so that they could be coordinated for the attention of the new Working Group (AC/102-N/1 of 28.2.56).

2. SHAPE (in MBC-R(56)3 meeting on 14-16.2.56) and SACLANT (in MBC-M(56)34 of 8.2.56) raised questions concerning the interpretation of Article 11 of the NATO Financial Regulations. The Board of Auditors submitted its interpretation of Article 11 in the first document of the "Working Group on Rules and Procedures for Implementation of NATO Financial Regulations" on 6th April 1956 (AC/102-D/1)(also referred to as the "Working Group on NATO Financial Regulations").

3. The enlarged Working Group consisting of representatives of Belgium, France, Germany, Italy, the Netherlands and the U.K. presided over by the Chairman of the Budget Committees, prepared a draft report to the two budget committees on the revision of articles 11, 24 and 27 of the NATO Financial Regulations on 7th June 1956 (AC/102-WP/4). The final report by the Working Group - reflecting the further consideration given the issues at a meeting on 14th June 1956 - was presented in a joint document dated 20th June 1956 (BC-D(56)13/MBC-M(56)110). The Working Group proposed a compromise reflecting the desire not only to avoid carrying over credits other than contract authority indefinitely, but also to overcome the practical difficulties which might be experienced through the application of any unduly stringent measures.

4. At a joint meeting of the Budget Committees on 12th July 1956 the proposal was discussed and amended and a draft report to the Council (BC-WP(56)4/MBC-WP(56)30) was approved (BC-R(56)8/MBC-R(56)10). The report and the annexed language of the revised Article 11 was submitted to the Council on 31st July 1956 (C-M(56)102). The proposal to amend the Financial Regulations

was approved by the Council at its meeting on 5th September 1956 (C-R(56)47).

5. At the same time the Working Group on Rules and Procedures for Implementation of NATO Financial Regulations was considering also comments and proposals on the implementing rules and procedures. The Netherlands delegation commented on the responsibilities of the financial controller and the budget and accounts officer of the International Staff/Secretariat (AC/102-D/2 of 6.4.56). The Financial Controller proposed a number of clarifying language and interpretation changes (AC/102-D/3 of 10.4.56). The U.K. suggested changes in the SACLANT rules on write off of superfluous, damaged or lost property to bring it into conformity with the SHAPE and International Staff/Secretariat procedures (AC/102-D/4). The Chairman of the Working Group drew attention to a number of desirable language changes to the rules and procedures for Allied Command Europe, the Military Agencies and SACLANT in implementation of the NATO Financial Regulations (AC/102-D/5 and D/6 of 16.4.56).

6. SACLANT responded to the suggestions directly to the Chairman of the Working Group proposing changes of their rules and procedures to suit their unique organization (memorandum SER 590 of 15.5.56). Several of the other proposals were considered in turn by the Working Group with draft revisions of the effected articles (e.g., AC/102-WP/1 of 15.5.56 considered as AC/102-D/2 and D/5).

7. The Working Group Secretariat prepared a summary of the various positions concerning amendments to the three sets of rules and procedures on 16th May 1956 (AC/102-WP/2). After several meetings of the Working Group held between 12th April and 14th June 1956, a draft report to the Budget Committee was prepared covering the major points of concern in each of the sets of rules and procedures (AC/102-WP/3 of 7.6.56). The final report submitted to the Committees (BC-D(56)14/MBC-M(56)111) on 20th June 1956 also considered the further comments of the Chief of Budget and Finance Division of SHAPE on Article 32 of their rules (AC/102-D/7 of 6.6.56).

8. The Working Group's report was considered at a joint meeting of the Budget Committees on 12th July 1956. Modifications of certain sections were ordered but most of the changes were to be immediately implemented. The revised text of the SACLANT rules was circulated to the MBC for information on 24th November 1956 (MBC-M(56)258). But the MBC was to decide in agreement with the Standing Group on the procedures for implementation of the SHAPE Financial Regulations by the military agencies (paragraph 34(2) of BC-R(56)8/MBC-R(56)10); while the CBC was invited to reconsider the revised rules and procedures in the light of the report of the Management Survey Team (*Ibid.*, paragraph 34(4)). The Working Group presented its recommendations for implementing the changes resulting from the Management Survey Team report (BC-D(56)20) in a report to the CBC on 6th November 1956 (BC-D(56)27). The bulk were approved by the CBC at its meeting on 26th November 1956 (BC-R(56)14, Item III).

9. The Working Group met again on 19th February 1957 (attended by representatives of Germany, Belgium, Italy, France, the Netherlands, U.K. and U.S.) and considered various draft amendments to the 3 sets of rules and procedures. A

draft report (AC/102-WP/5) was sent to the Budget Committees on 18th March 1957. The final version of the report (BC-D(57)9/MBC-M(57)86 of 22.5.57), already accepted by the financial controllers of NATO International Staff/Secretariat, SHAPE and SACLANT, was approved by the MBC (at its meeting on 4-6.6.57, MBC-R(57)9) and by the CBC (at its meeting on 11.7.57, BC-R(57)5). Further changes to the three implementing sets of rules and procedures were considered in 1957 and 1958 by the MBC or the CBC separately or together as appropriate. The Joint Working Group (AC/102) was not convened again to study or make recommendations on proposed changes until 1959. And no separate documents bearing the designation "AC/102" were created after 1957.

10. All of the records of the Working Group on the Coordination of NATO Financial Procedures (AC/49) and most of the records of the Working Group on Rules and Procedures for Implementation of NATO Financial Regulations (AC/102) were proposed for downgrading in EXS(82)36 (19.4.82, Part I, pp. 6 and 7). The U.S. delegation requested a delay in the effect of the proposed silence procedure and has not responded subsequently on the AC/49 and the AC/102 records submitted in the listing for downgrading. These documents remain as originally classified, NATO Restricted.

11. The Civilian Budget Committee and the Military Budget Committee jointly should review the 11 documents and 2 notices originated by the AC/49 Working Group (on microfilm roll 124) and the 7 documents, 1 notice and 8 working papers of the AC/102 Working Group (on microfilm roll 189) for declassification and release. The Committees should advise the Council of their joint determination. The Consultants recommend that they all be released without reservation.

### COST SHARING

#### N. Ad Hoc Committee on Budget Cost Sharing Formula (AC/70)

1. The problem of devising an acceptable cost-sharing formula for NATO was a recurring issue. It was initially addressed by the Working Group on the Establishment of an International Budget for NATO (described in DES(92)1, paragraphs 219-229). The Council Deputies were left with the problem of establishing a cost-sharing formula to cover the operating and capital budget of SHAPE and its subordinate headquarters (*ibid.*, paragraph 229). A Working Group on the Sharing of the Costs of SACLANT Headquarters (AC/11) also was established by the Council Deputies to address this issue in the fall of 1951. The main obstacle was the difference of opinion between the French and U.S. Governments over the various semi-grouping and semi-capacity-to-pay formulas submitted. The AC/11 Working Group's final compromise report to the reorganized Council (C-M(52)5 of 30.4.52) was approved at its third meeting on 13th May 1952 (C-R(52)3(Revised)). That same agreed formula was extended to cover the 1953 civil and military expenditures (C-M(52)74 of 10.9.52, agreed at C-R(52)25, Item IV meeting on 15.10.52).

2. The Council agreed again in 1953 to extend the old cost-sharing formula to 1954 expenditures (C-M(53)84 of 22.6.53 approved at C-R(53)35

meeting on 15.7.53). At the same time the Council decided to establish an ad hoc committee to consider the formula to be applied to 1955 and subsequent years. At its first meeting in 1954, the Council agreed to set up the Ad Hoc Committee on Budget Cost Sharing Formula (hereafter the AC/70 Ad Hoc Committee) with instructions to report by 1st June 1954. The Financial Controller was to act as Chairman of the Committee (C-R(54)1 meeting on 13.1.54).

3. The Chairman of the AC/70 Ad Hoc Committee provided the Committee representatives with a note (AC/70-D/1 of 24.2.54) laying out the various formulas for operational and capital costs used for SHAPE's 1951 budget, the formula used for the 1951 civilian agencies (using only the operational costs portion of the SHAPE budget formula), and the common cost-sharing formulas (differentiating operational and capital costs) for all NATO civilian and military agencies as approved in May 1952 and extended through the 1954 budget cycle. He identified three issues to be faced:

- (a) whether to maintain the prevailing system of common formulas for all NATO international budgets;
- (b) whether to maintain the prevailing distinction between operational and capital expenditures or whether a single formula should be recommended; and
- (c) whether replacement of capital items should be shared as operational or as capital expenditures (if (b) was unchanged).

The Chairman felt that to abandon the prevailing common formulas ("a" above) would be a step backwards. He provided figures to the Committee showing how capital expenditures had changed from absorbing 79.26% of the actual expenditures in 1951 to just 13.5% of the approved budget for 1954. The final question was referred to the AC/70 Ad Hoc Committee on the recommendation of both the Civil and the Military Budget Committees (C-M(53)137 and 143).

4. The Chairman also included in his note a possible formula based in part on the conclusions arrived at in the negotiations which had led to the revision of the OEEC cost-sharing formula. Strict application, however, could not be used as it would mean an excessive share of the burden would be borne by the United States. He applied a 33 1/3 % share to the U.S., the balance being spread over the other member countries (paragraph 10 of AC/70-D/1). The statistical basis for the calculation and an explanation of the OEEC formula was given in a second note provided to the AC/70 Ad Hoc Committee representatives by the Chairman (AC/70-D/2 of 23.3.54; U.S. legislation prohibited a contribution to an international organization in excess of 33.33% of its budget).

5. On 7th April 1954 the Chairman provided additional details on (a) cost-sharing formulas including the principles applied by the United Nations; (b) revised calculations by the International Staff using the OEEC methods taking into account the current official rate of exchange of the Greek drachmas; and (c) a cost-sharing formula based on the total contribution of the NATO member countries during the four years, 1951 through 1954 (as supplied by the Italian representative and

amended by the International Staff) (AC/70-D/3). Those studies were requested by the AC/70 Ad Hoc Committee at its first meeting on 29th March 1954 (AC/70-R/1 and corrigenda of 12.4.54 and 26.5.54). A joint Franco-Italian proposal for a single cost-sharing formula based on capacity-to-pay and corrected to alleviate the U.S. contribution by an increase of 200% of the rate contributed by the European countries was tabled on 10th May 1954 (AC/70-D-4). When discussed at the AC/70 Ad Hoc Committee's second meeting on 20th May 1954, both delegations characterized their joint paper as a purely pragmatic formula, but suggested that it had the merit of overcoming the very real difficulties raised by the problem of cost-sharing and of eliminating the anomalies of the prevailing system. "Moreover, it might well afford a solution to the problems arising out of the question of replacements of capital items, and the apportionment of the maintenance costs of certain infrastructure works" (AC/70-R/2, paragraph 2; Corr. of 16.9.54). The U.S. representative was bound by his instructions and could not accept any of the solutions thus far put forward (in AC/70-D/3 and D/4).

6. The third meeting was equally inconclusive. It directed the International Staff to prepare a draft report describing the differences (AC/70-R/3 meeting on 13.9.54). The draft report was circulated on 16th September 1954 (AC/70-D/5) and revised on 25th September 1954 following consideration at the Ad Hoc Committee's meeting on 24th September (AC/70-R/4). The report was submitted to the Council on 19th October 1954 (C-M(54)86). The AC/70 Ad Hoc Committee concluded that it was unable to achieve unanimity for the adoption of a single formula and that the renewal of the existing formula for the year 1955 was subject to certain provisos which were not unanimously approved. The report was intended to bring this deadlock to the attention of the Council so that it could deal with the problem as it saw fit (paragraph 9, C-M(54)86).

7. The Council considered the report at a meeting on 27th October 1954. It was pointed out by the Council Chairman that the recent decisions taken by the Ministerial Meeting with regard to Germany would have made any cost-sharing formula obsolete. Consequently, the Council agreed that the prevailing cost-sharing formula should be extended for at least the early months of 1955 pending clarification of the situation with regard to German accession to NATO and assessment of its share of the Organization's costs (C-R(54)40, Item IV).

8. The Council also reassigned responsibility for determining whether the replacement cost of worn out equipment should be classified as capital expenditure to the Budget Committees. The Infrastructure Committee was asked to examine the problem of sharing the maintenance cost of the unoccupied alternate airfields. The Committees were to report to the Council by the end of 1954 (*ibid.*).

9. The Budget Committees' report was a temporizing one providing a solution sufficient for 1955 replacement costs. But the Budget Committees agreed that if a dual cost-sharing formula was maintained beyond financial year 1955, the problem of the classification of the costs for worn out equipment would arise again (C-M(54)124 of 21.12.54). The Council accepted the recommendation at its meeting on 13th January 1955 (C-R(55)1, Item II).

10. The Infrastructure Committee provided an interim report to the Council

on the cost of maintenance of unoccupied alternate airfields (C-M(55)5) on 6th January 1955 which was examined by the Council at the same meeting on 13th January 1955 (C-R(55)1, Item III). Subsequently the Infrastructure Special Committee issued a comprehensive report on "Maintenance of NATO Common Infra-structure," C-M(56)60 on 30th April 1956 recommending that those costs should be financed according to the Military Budget cost-sharing formula.

11. The AC/70 Ad Hoc Committee resumed its deliberations at a meeting on 7th June 1955 (AC/70-R/5). It had before it a paper prepared by the International Staff showing the effect of applying the "capacity-to-pay" formula (AC/70-D/6 of 31.5.55). A U.S. memorandum was circulated rejecting the capacity-to-pay concept and advocating a political concept based on the prevailing formulas applied to the approved 1955 budgets with special adjustments to bring the U.K., French and German shares into parity (AC/70-D/7 of 4.6.55).

12. The discussions continued over the course of the summer of 1955 (AC/70-R/5 through R/9; 7.6.55 through 13.7.55), examining various presentations of the formulas and their effect, and the particular arguments brought forward by different delegations (e.g., AC/70-D/8 of 17.6.55, AC/70-WP/2 through WP/5). At its ninth meeting on 13th July 1955 the Ad Hoc Committee appeared to have developed a formula which would be unanimously approved. But at a discussion in the Council on 20th July 1955 the Committee Chairman conceded that it had proven impossible to reach agreement on any single principle which would serve as the basis for a cost-sharing formula. The AC/70 Ad Hoc Committee had been obliged to indulge in the kind of "haggling" which was regrettable. He expressed the hope that two delegations which had expressed reservations would be instructed to withdraw them and enable the Committee to submit a unanimous report to the Council on 27th July 1955 (C-R(55)33, Item VII).

13. The AC/70 Ad Hoc Committee's report was submitted to the Council on 23rd July 1955 as C-M(55)70. It called for a single cost-sharing formula applicable to all NATO expenditures (excluding expenditures for construction of the new permanent headquarters) based on average contributions during past financial years adjusted to allow for certain anomalies and for particular problems in countries. The cost sharing formula applicable to expenditures on the new permanent headquarters was based on the old formula for capital costs, making proportional reduction to allow for the share to be borne by the Federal Republic of Germany. The Council accepted the two formulas recommended in the AC/70 Ad Hoc Committee's report at its meeting on 28th July 1955 (C-R(55)35, Item II and Addendum 2 thereto of 19.8.55).

14. The 8 documents, 1 notice, 10 summary records of meetings and 5 working papers and the report, C-M(55)70, were downgraded to Unclassified by the Civil Budget Committee in 1974 (OCB(74)172 of 13.10.74 confirmed by OCB(74)177 of 29th October 1974). A downgrading notice to that effect was issued on 26th May 1975 (DN(75)7). They are on microfilm roll 133. The Civil Budget Committee should review the same documents for release that it declassified and advise the Council of its determination. The Consultants recommend that they all be released without reservation.

O. Ad Hoc Working Group on Communications (AC/115)

1. The Council eliminated from the 1956 budget for Commander in Chief, Eastern Atlantic Area (CINCEASTLANT) and Headquarters, Air Commander in Chief, Eastern Atlantic Area (CINCAIREASTLANT) certain sums for the hiring of communications facilities (C-R(56)30 meeting on 13.6.56, Item II). The Council felt that it was difficult to justify the expenditure to hire circuits on a permanent basis when in peacetime they would be used only for a few days during exercises in order to be available to the military in an emergency on demand.

2. The Standing Group (SG) submitted a paper on the general problem of the hiring of communications circuits (C-M(56)106 of 12.9.56). SACLANT submitted a comprehensive and detailed statement of their circuit requirements with the second supplemental budget request for that headquarters (MBC-M(55)74). The SG endorsed that request and noted that similar requirements existed in all Allied Command Europe. (SHAPE's submission was MBC-M(56)145 of 2.8.56.) The circuits were deemed necessary to link air defense facilities to an interim early warning system (MBC-M(56)61 and MBC-M(56)98). Additional circuits would be required to insure immediate implementation of the atomic strike plans which were being developed. A briefing of the Council was arranged.

3. The Chief Signal Officer at SHAPE, General Garland, presented the military's argument at the Council's meeting on 3rd October 1956 (C-R(56)53).<sup>3</sup> When the Council met a fortnight later it agreed to reinstate the sums previously deleted from the 1956 budget for CINCEASTLANT/CINCAIREASTLANT without prejudice to the general problem of provision of communications facilities for wartime use. The representatives discussed the problem at length at their meeting on 17th October 1956 (C-R(56)55) and concluded by inviting the Secretary General to submit proposals for the constitution of a working group of communications experts.

4. The Secretary General's proposal for the terms of reference and composition of an "Ad Hoc Working Group on Communications" was submitted two days later (C-M(56)119) and was discussed at the next meeting of the Council (C-R(56)56 meeting on 24.10.56). The Secretary General proposed that the Chairman of the Budget Committee, Mr. Vidaud, chair the Ad Hoc Working Group as he felt it would be desirable that they hold a joint session with the Budget Committee before reporting to the Council. The terms were amended during the discussion and the final version was published on 25th October 1956 (C-M(56)119 (Final)).

5. The terms of reference of the working group called for it:

(a) to examine the method proposed by the NATO military authorities to meet their requirements for wartime long-lines communications, and any possible alternative methods of meeting these requirements, and to make general recommendations;

(b) to assess the cost of the present proposals for hiring the required circuits and of any alternative method of meeting the military requirements including investigation of present methods of

establishing PTT rates for NATO;

(c) to study and report on the effect which the Forward Scatter System would have on NATO communications requirements in terms of numbers, types, and costs of circuits affected;

(d) to consider and make recommendations as to machinery which might be considered necessary to keep the communications requirements of NATO Headquarters and the methods of meeting them under constant review; and

(e) to report to the Council on (a) through (d) as soon as possible and to submit a progress report by 1st January 1957.

The Ad Hoc Working Group was to be made up of not more than one representative from each member country wishing to be represented, and one representative each from ELLA, SGLO, SACEUR AND SACLANT.

6. The Working Group's Secretariat initiated an inquiry into the methods employed by the European Governments to establish PTT rates for NATO - item (b) of the terms of reference - by requesting them to make available official documents describing the basis for the rates charged to NATO in comparison to rates charged for circuits let to their national military authorities and circuits let for commercial purposes (AC/115-N/1 of 29.10.56).

7. SHAPE, ELLA and the International Staff jointly prepared papers<sup>4</sup> dealing with the first three items in the terms of reference for discussion at the first meeting of the Ad Hoc Working Group on Communications (hereafter AC/115 Working Group). At that meeting on 5th through the 7th of December 1956, the Chairman reminded the representatives that as a result of the new strategic concepts, the distinction between peacetime and wartime needs had lost much of its significance. Whereas originally the military budget was concerned primarily with the peacetime needs of the NATO Headquarters, the fact that a number of installations were now needed on a continuous basis in order to provide permanent preparedness against surprise attack had considerably increased the size of the military budget and changed its character. The problem the AC/115 Working Group had to solve was the manner in which additional circuits were to be put at the disposal of the military authorities who had stated the need for such circuits in the light of the M.C. 48 series of documents (paragraph 1 of AC/115-R/1).

8. The AC/115 Working Group discussed the papers covering points (a) and (c) of the terms of reference (AC/115-D/1 and WP/1). The investigation of the method of establishing PTT rates for NATO, point (b), required further study, as did point (d) on which the International Staff was preparing a paper. The Chairman proposed that the Working Group meet jointly with the MBC in order to discuss the financial implications of the problems and to prepare a progress report to the Council (paragraphs 2-41 of AC/115-R/1).

9. At its second meeting (together with the MBC) on 31st December 1956, the AC/115 Working Group: (Item I) determined on the criteria to apply to the

funding of the hiring of permanent circuits in the NATO international peacetime budget (AC/115-D/1 and MBC-M(56)218); (Item II) considered the list of minimum peacetime circuit requirements submitted by SHAPE and the cost of hiring them; (Item III) considered the procedures which could be employed to review communications requirements of NATO Headquarters - the concept of a separate communications budget submitted for technical review by ELLA was discussed; (Item IV) postponed discussion of the technical problems mentioned at the first meeting for consideration at a later meeting; and (Item V) considered a draft report to the Council and a paper on the effect of the Forward Scatter System on NATO communications circuit requirements which would be annexed to the report (MBC-R(56)21/AC/115-R/2).

10. The AC/115 Working Group progress report (C-M(57)2 of 1.1.57) was considered by the Council at its meeting on 16th January 1957 (C-R(57)3). The Council approved the recommendation of the Working Group to authorize SHAPE to hire the circuits on the basis of the plan it had submitted. This was to be limited to three months during which the Working Group and the Budget Committee would consider the possibility of making certain savings - a task they had not been able to carry out during the first phase of their discussions. The same procedure was recommended for SACLANT and CHANCOM.

11. The Portuguese representative interjected a reservation and appealed at a subsequent meeting of the Council that the Ad Hoc Working Group be reconvened to consider the Portuguese position. The Portuguese Government felt that such expenses as those proposed in C-M(57)2 should not be considered as part of the accepted cost-sharing formula for operational expenses at military headquarters (C-R(57)4 meeting on 23.1.57). SHAPE promptly sent a delegation of four senior officers to Lisbon and persuaded the Portuguese Government to withdraw its reservation (RDC/42/57 of 29.1.57 and C-R(57)9 meeting on 14.2.57). The Portuguese representative announced that he would insist that the question of principle remain open for introduction whenever appropriate.

12. The U.K. delegation introduced a note calling for communication projects for all of SHAPE's subordinate commands be consolidated into a single annual communications budget submission with narrative report on the requirement and separate technical details for examination by national communications experts to assess the type of equipment requested, the quantities necessary and the costs involved to complete the project (AC/115-D/4 of 12.2.57). The Chief of the SHAPE Budget and Finance Division endorsed the suggestion and directed submission along the lines suggested (MBC-M(57)35 of 27.2.57). The MBC agreed to discuss the SHAPE directive at a joint meeting with the AC/115 Working Group (MBC-R(57)5 of 3.4.57).

13. The fourth meeting of the AC/115 Working Group was held jointly with the MBC and considered the future procedure for reviewing communications requirements of SHAPE and its subordinate commands. The consolidated communications budget for capital expenditures was to be examined by the MBC in collaboration with national experts and utilizing the assistance of a representative of the NATO Infrastructure Section. The Working Group agreed that it was undesirable to consolidate the requests for the hiring of circuits in one special budget and

preferred to have these requests included in the respective headquarters' budgets with a general presentation of the circuits requirements given to the Committee who would screen them as a whole. The MBC would do this screening with the assistance of national experts on the basis of the lists of circuits thus far agreed (AC/115-D/5 as amended periodically by SHAPE). The possibility of obtaining the technical assistance of ELLA during the screening of the circuit requirements of ACE was to be explored with the Standing Group. These determinations were to be the main parts of the next report to the Council (MBC-R(57)6/AC/115-R/4 of 3-5.4.57).

14. The report to the Council by the AC/115 Working Group, "Procedures and Methods for Examining and Meeting the Communications Requirements of the NATO Military Headquarters" (C-M(57)74 of 7.5.57) was examined and approved by the Council on 22nd May 1957. The Standing Group representative noted that ELLA was a military agency having a primary responsibility to advise the Supreme Commanders. To ask them to then criticize the Supreme Commanders' requirements would be an improper request. This was accepted. The Working Group Chairman suggested that as an alternative the delegations on the MBC requiring technical advice should seek it from their ELLA representative acting in their national capacity (C-R(57)33 of 25.5.57, Item V).

15. At the same fourth meeting the AC/115 Working Group agreed on the criteria for the eligibility for common financing of SHAPE's circuit requirements (draft considered at the meeting was the addendum to MBC-WP(57)21 (Revised) of 25.3.57; MBC-R(57)6/AC/115-R/4, Item III). After making certain textual changes the MBC approved the revised draft report to the Council on the criteria of eligibility for international financing of the peacetime hiring of long-lines for NATO military headquarters and installations (MBC-WP(57)21 (2nd Revise) of 16.4.57 at MBC-R(57)8 of 6-7.5.57). The Council considered this matter (C-M(57)75 of 7.5.57) at its meeting on 22nd May 1957 (C-R(57)33, Item VI). The AC/115 Working Group Chairman reported that this document was a working document for use of NATO authorities preparing military budgets. It brought up-to-date and should be considered as replacing the criteria listed in C-R(53)43.

16. The AC/115 Working Group circulated to its members copies of the military headquarters' international circuit plans.<sup>5</sup> The SHAPE requirements were discussed in detail at the joint MBC-AC/115 meeting on 12th-15th March 1957 (MBC-R(57)4/AC/115-R/3, Item I). After reviewing the SHAPE response the modified plan was approved for submission to the Council along with the plan for SACLANT at the meeting of the joint committees in April (MBC-R(57)6/AC/115-R/4). The Working Group Chairman prepared and revised a draft report to the Council on the peacetime circuit requirements of SHAPE, SACLANT and CHANCOM based on these documents and the discussions (AC/115-D/7 of 25.3.57 and revised version of 16.4.57). This report was received by the Council on 7th May 1957 (C-M(57)73) and approved at its meeting on 22nd May 1957 (C-R(57)33).

17. On 1st May 1957 the U.S. delegation suggested that the Council require a thorough technical study of the circuitry now existing and programed in the various member countries with special attention to the U.S. "engineered military reserve circuits" system (AC/115-D/8). The joint committee agreed that the question of the feasibility of saving hire charges by adopting a system of switching circuits to

military use at short notice should be studied at a further meeting of the Committee (MBC-R(57)6/AC/115-R/4 meeting on 3-5.4.57). The U.S. representative reiterated the need for a comprehensive and detailed technical study of the existing and programmed circuit systems in the various NATO countries. He felt that the budgetary estimates (presented in C-M(57)73) were of a substantial and recurring nature and apparently for an indefinite period in the future. He felt that it was reasonable that the Council should ascertain that all technical avenues had been explored and that full-time peacetime leasing was the only effective method available. The U.S. representative held that such a technical study should be completed before the 1958 budget was submitted (C-R(57)33).

18. The subject of accelerated manual switching and the related topic of the lack of trained personnel at switching and repeater centers on a 24-hour basis were discussed at the 5th meeting of the AC/115 Working Group (AC/115-R/5 meeting on 27-28.5.57). It was apparent that in most countries a great deal of attention had been devoted to lessening the time needed to set up military circuits. At least five countries had developed solutions that enabled the delay to be notably reduced. However, none of the solutions adopted would enable the immediate establishment of the critical circuits requested by SHAPE for the implementation of the atomic strike plan. The Working Group agreed to recommend to the Council that the Chairman of ELLA be instructed to undertake research work on accelerated manual switching, in cooperation with the PTT services of all the NATO countries (paragraphs 17 and 21). The Working Group also agreed that it was the responsibility of the member countries to provide adequate staff to ensure the proper switching or rerouting of NATO circuits. Further, the U.K. suggestion for practical application of a system they employed (AC/115-D/2 of 17.1.57) should be studied by the NATO countries and military commands (Item III of AC/115-R/5).

19. The Chairman of ELLA reported that the information compiled showed great divergencies in the PTT tariffs/rentals charged for NATO circuits by the various countries. While it was agreed in principle that NATO should enjoy preferential terms or that uniform rates should be applied throughout the NATO area, governmental action would be necessary in most countries (AC/115-R/5, paragraph 53). The discussion that followed led the AC/115 Working Group to conclude that it must invite the Council to give a ruling on the expediency of ascertaining the feasibility of unifying or reducing the rentals for NATO circuits. Such a ruling would clarify the terms of reference of the Working Group and would mean that governments had accepted the principle of revising tariffs - without such agreement on the principle any further examination of the problem of tariffs would be abortive (Ibid., paragraphs 58 & 59).

20. These proposals were incorporated into a report to the Council (draft is AC/115-D/12 of 29.5.57; the final report is C-M(57)107 of 17.7.57). The Council accepted the recommendations of the Ad Hoc Working Group on Communications concerning the proposed technical studies at a meeting on 24th July 1957 (C-R(57)53; progress reported by the Chairman of ELLA is C-M(58)6 of 16.1.58) but deferred to a later meeting consideration of the desirability of undertaking a study on tariffs for NATO circuits (Item I of C-R(57)53). When the Council resumed its discussion on the tariff question on 18th September 1957, it elected to set up a new working group (as proposed in the AC/115 Working Group report, C-M(57)107)

under a chairman who would not be a national official. But further consideration was to await the outcome of the study of the technical issues by ELLA<sup>6</sup> and the submission by the International Staff of a general memorandum covering the whole field (C-R(57)61 meeting on 25.9.57).

21. The International Staff study concluded that the problem of tariffs for the charges made to NATO for the lease of special direct circuits could not be examined separately from other financial problems including reimbursement under the agreement on the economic interest, the residual value of the facilities, the use in peacetime for national purposes of NATO installations surplus to immediate requirements, and the costs incurred for the maintenance of NATO-financed installations (C-M(58)104 of 4.7.58). When submitting the report to the Council at a meeting on 16th July 1958, the Secretary General expressed doubt as to whether the creation of a working group would serve any useful purpose. As he saw it, "The problem as a whole was so complex, and so little progress had been made during the past fourteen months that it seemed that the best course was to call a halt to the proliferation of documents and expenditure of effort necessitated by lengthy discussions." The Council agreed (C-R(58)43). The Ad Hoc Working Group on Communications had served its purpose as far as it could and expired.

22. The 13 documents created by the AC/115 Working Group in 1956 and 1957 are on microfilm roll 190 while the 4 notices, 5 summary records of meetings and 2 working papers are on roll 193. Nine of the 13 documents and 3 of the 5 records of meetings are classified at the Secret level. Most of the remaining documents are classified at the Confidential level. The records of the Working Group were proposed for regrading along with hundreds of other documents relating to administration and budget in EXS/82/36. Action on that request was postponed at the U.S. delegation's request. The records of the Ad Hoc Working Group were not subsequently reviewed. Consequently, these documents remain at the level at which they originally were classified.

23. The Budget Committees should review the 24 documents originated by the Ad Hoc Working Group on Communication for declassification and release. They should advise the Council on their determination. The Consultants recommend their release without reservation.

P. Working Group on the Imputation of Certain Types of NATO Common Expenditure (AC/131)

1. By 1957 the problem of assigning certain common costs to the military headquarters budget or to the infrastructure budget was of considerable concern to the national delegations and to the budget committees and the Infrastructure Committee within NATO Headquarters.<sup>7</sup> In April 1957 the Portuguese delegation pointed out how the rise in expenditures for military headquarters made an examination of the matter an urgent one. The Portuguese authorities noted that approval of M.C. 48 had not been accompanied by any objective analysis or general study of the principles of financing these new concepts. They suggested the urgent need to define the framework in which wartime operational needs should be financed and defining criteria by which sharp distinctions could be drawn between the needs that should be financed through military budget and those that should be paid for

under infrastructure. The formulas for each differed and the result was a more or less serious impact on different member countries (C-M(57)70 of 29.4.57).

2. In a covering note the Secretary General proposed the establishment of an ad hoc working group to study this matter. He proposed that the working group be composed of representatives of those countries whose contribution percentage was roughly the same under the cost-sharing formulas for both international budgets and the common infrastructure programs (i.e., Canada, Italy and Turkey). Other delegations were to be free to attend its meetings and to take part in discussions. The International Staff were to assist the Working Group and the chairman was to be appointed by the Secretary General and would not be a member of any delegation (*ibid.*).

3. The Council considered this proposal at its meeting on 22nd May 1957 (C-R(57)33) and modified it following discussion. The Council agreed to set up an ad hoc working group to study the points submitted by the Portuguese delegation but felt that this working group should be composed of representatives of all interested delegations. The terms of reference were to be developed and considered at a subsequent meeting. The U.K. delegation proposed an alternative approach seeking a case-by-case resolution for those requirements or projects which did not then fall clearly within the scope of either the infrastructure or the military budgets (C-M(57)87 of 27.5.57). There was general support for the U.K. proposed terms of reference following discussion of its interpretation at a meeting of the Council on 31st May 1957 (C-R(57)35). The Council approved the terms of reference for the Working Group based on the U.K. proposal as amended by RDC/215/57 at its meeting on 5th June 1957 (C-R(57)36). It called for the Working Group:

(a) to isolate and define in the light of experience those categories of requirements or projects to which it has been agreed that common financial arrangements should apply but which do not, at present, fall clearly within the scope of either infrastructure or the military budget;

(b) to recommend in each case a clear and definite solution. The Working Group should first try to fit all items into one of the two existing budgets and shall only consider the creation of a new formula if this proves impossible and after prior reference to the Council.

4. The Chairman of the Working Group, J.M. Vidaud, informed the Council at a meeting on 24th July 1957 that the Group had found itself deadlocked as some delegations were of the opinion that the expenditures in question could not be considered as peacetime expenditures and consequently could not be charged to the NATO budget. Others considered that these expenditures resulted merely from a peacetime extension of the activity of the NATO commands and that, since they constituted current expenditures, they could not be considered as forming part of the infrastructure programs. The same difficulty arose over capital expenditures. Some of the delegations believed that the problem could be simplified if there were a single cost-sharing formula. In an interim report the Working Group asked the Council to authorize it to consider the problem in the light of a possible single formula (C-M(57)110 of 20.7.57 and C-R(57)53, Item II). The Council initially deferred action on

this request but agreed at its meeting on 18th September 1957 to extend the terms of reference of the AC/131 Working Group to include authorization to study the possibility of reaching agreement on a unification of the existing cost-sharing formulas for infrastructure and military headquarters budgets (C-R(57)60).

5. The International Staff prepared an initial paper outlining the problem for consideration by the AC/131 Working Group on the Imputation of Certain Types of NATO Common Expenditure. The background of the issues and the prevailing definitions of "common infrastructure" and "military budget expenditures" were described along with a background note on the cost-sharing formulas in use and the resolution of cases involving mobile signals equipment which could be considered as precedents which might or might not be desirable to follow (AC/131-D/1 of 26.6.57 with Addenda of 2.12.57 and 16.12.57). At the request of the Working Group following its first meeting on 5th July 1957 (AC/131-R/1), the International Staff also submitted a note on the financial implications of suggested criteria for imputing the cost of the types of expenditures resulting from the M.C. 48 concepts and future costs as between infrastructure and military budgets (AC/131-D/2 of 16.7.57). The study used the four-year period 1957-1960 which coincided with the four-year infrastructure program covering slices VIII to XI and laid out the national cost estimates using both the infrastructure formula (C-M(57)22) and the budget formula (C-M(55)70). The distinctions were based on capital and recurrent costs on the one hand and between expenditures based on wartime needs and on peacetime needs on the other hand.

6. Following Council approval of their requests for additional authorization the AC/131 Working Group Secretary presented proposals for a combined cost-sharing formula. The essence of the proposal was to estimate national contributions to accepted military budgets and infrastructure programs over a given period on the basis of existing formulas and to express the resulting total liability of each member nation for both categories of expenditure as a percentage of their combined cost. This percentage would then be adopted to establish the new combined cost-sharing formula. The implications of this approach were presented as alternative ways of addressing capital and operational costs (AC/131-D/3 of 18.10.57). But when this proposal was discussed at the Working Group's third meeting on 2nd December 1957, it was evident that unanimity was not possible (AC/131-R/3).

7. A compromise was suggested by the Canadian representative on 10th December 1957 which would preserve the distinction between the infrastructure and the military budgets. The Canadian proposal was for all NATO communications requirements for common financing be funded on the basis of a single formula (using the AC/131-D/3 proposed formula). A separate committee would be set up to consolidate the planning, programming, screening and the operation and maintenance of the communications facilities to be financed under the single cost-sharing formula. The Canadian Representative suggested that the Ad Hoc Working Group on Communications (AC/115) serve as the nucleus of the necessary agency (AC/131-D/4).

8. Discussion of the single formula proposal and the Canadian compromise took place at the Working Group's fourth and fifth meetings on 9th and

27th January 1958 (AC/131-R/4 and R/5). The Working Group agreed that it needed more information based on a closer assessment of the combined formula calculation and a study of all its implications before expressing a definite opinion on the question. The Secretary was asked to compute the costs whose imputation was considered controversial: (a) in the four-year program (infrastructure slices VIII to XI); (b) for the maintenance of infrastructure facilities (including the maintenance of the Forward Scatter System) during the period 1957-1960; and (c) in the military budgets for the period 1957-1960, including the foreseeable costs which, however, had not been included so far (such as TO & E's of support units). The Secretary was also requested to prepare a draft report to the Council taking into account the various discussions of the Working Group (AC/131-R/5 paragraph 12).

9. The Secretary submitted a note on the data he proposed to take into consideration in calculating the combined cost-sharing formula for military budgets and infrastructure on 12th February 1958 (AC/131-D/5). He concluded that the annual average expenditure for items whose imputation was contested was approximately £3 million.

10. A first draft of the report to the Council was submitted by the Secretary on 25th February 1958 for consideration at the next meeting of the Working Group scheduled for 5th March 1958 (AC/131-D/6 with addendum of 27.2.58 and Corr. of 28.2.58). Following meetings on 6th and 10th March 1958 a revised version of the draft report was prepared and circulated on 14th March 1958 for consideration at a further meeting scheduled for 19th March (AC/131-D/6(Revised)). The Danish delegation proposed another compromise approach on 7th March 1958 urging that the items presently being contested be financed under one or the other of the two existing budget formulas in accordance with concrete proposals from the Working Group and that future problems of this character be divided based on the distinction between capital and operational costs (AC/131-D/7).

11. The Chairman of the Working Group held meetings with the majority of members and came to the conclusion that there was no agreement on applying a combined cost-sharing formula applicable to military budgets. Consequently, he submitted on 16th April 1958 a proposal for a provisional compromise solution which would cover only the period from 1957 through 1960. He argued that negotiations would have to be instituted during those years to arrive at a new cost-sharing formula based either on a single cost-sharing formula or on a two-fold formula based on the distinction between capital and operational expenditures as suggested by the Danish delegation (AC/131-D/8).

12. After discussion at a meeting on 18th April 1958 the Working Group undertook to seek instructions from their authorities on the proposition at which they had arrived. The proposition was incorporated into a further revise of the draft report to the Council (AC/131-D/6(2nd Revise) of 21.4.58). At the Working Group's meeting on 2nd May a further revise of the draft report was prepared and circulated (AC/131-D/6(3rd Revision) of 7.5.58). A fourth revision resulted from discussions by the AC/131 Working Group on 19th May 1958. The Working Group acknowledged that efforts to arrive at a combined cost-sharing formula as authorized by the Council had proven as unsuccessful as had been their attempt to fit the controversial categories of expenditure into the infrastructure program or the annual military

budgets. A compromise was proposed which would serve as a solution to the problem which the Working Group was set up to examine (AC/131-D/6(4th Revision) 20.5.58). An amendment was made to this draft by a note from the Secretary on 5th June 1958 (AC/131-D/10) and a final meeting to agree on the report was held on 11th June 1958.

13. The summary record of the meetings held by the AC/131 Working Group on 6th and 19th March, 18th April, 2nd and 19th May and 11th June 1958 were combined in a single record (AC/131-R/6 of 30.7.58). The final agreed report, "Imputation of Certain Types of NATO Common Expenditure," reached the Council on 18th June 1958 (C-M(58)95) and was approved at its meeting on 9th July 1958 (C-R(58)42).

14. The 10 documents, 6 notices and 6 summary records of meetings of the Working Group on the Imputation of Certain Types of NATO Common Expenditure were regraded Unclassified by DN(81)18 further to EXS(81)3. The 1957 items are on microfilm roll 222 while the 1958 items are on rolls 238 and 239. The final summary record of meetings (AC/131-R/6) is on Roll 243.

15. The Infrastructure Committee and the Budget Committees jointly should review the records originated by the AC/131 Working Group and advise the Council of their determination. The Consultants recommend their release without reservation.

## TAXES AND STAFF BENEFITS

### Q. Working Group on Taxation of Certain International Employees (AC/30)

1. When the Legal Working Group on Military Status presented its report and draft protocol on the status of international military headquarters on 25th July 1952 (C-M(52)56) it recommended that the Council make arrangements for further study by experts of the question of exemption from income tax of the emoluments of the International Staff of NATO and of NATO military headquarters. The Council agreed and instructed the Secretariat to make arrangements for the study to be undertaken (C-R(52)18 meeting on 20.8.52).

2. The Executive Secretary circulated a copy of the minutes of a meeting of experts on the fiscal position of international officials called by the Brussels Treaty Permanent Commission (Commission Document no. A/1100(Revised) of 5.2.51) at the same time he invited delegations to nominate delegates to form a Working Group on Taxation of Certain International Employees (hereafter the AC/30 Working Group). He suggested that delegates should be in a position to deal with the matter both from a technical and from a political point of view (AC/30-D/1 of 3.10.52). The Netherlands delegation submitted a memorandum on tax problems arising from international cooperation within the NATO-framework and in other fields. The memorandum proposed that the Working Group could extend the examination to include examination of the privileges and immunities both in the field of the direct tax and in that of indirect tax; the fiscal status of international organizations in general and of NATO in particular (AC/30-D/2 of 22.10.52).

3. The AC/30 Working Group held its first meeting on 27th October 1952. The U.S. representative, Mr. J.E. Fobes, was elected Chairman. Delegates from Belgium, Canada, Denmark, France, Italy, Luxembourg, the Netherlands, Norway, Portugal, Turkey and the U.K. also attended. The Working Group agreed that the question of taxation of international employees should be studied further by experts within the terms of reference of the Working Group. They requested the Secretariat to collect and prepare material on principles and methods adopted by other international organizations with regard to tax immunity, invited delegations to make available information with respect to taxation of diplomatic personnel, and invited delegations to submit memoranda stating their governments' views on the general subject (AC/30-R/1).

4. The International Staff collected information from the United Nations, UNESCO, FAO, WHO, International Monetary Fund (IMF), International Bank for Reconstruction and Development (IBRD), OEEC, International Civil Aviation Organization (ICAO), the Brussels Permanent Commission, the EDC and the International Authority for the Ruhr. It synthesized the information (in AC/30-D/4 of 17.4.53) on the principles adopted by these organizations with respect to the taxation of their employees under three headings:

(a) tax levied by the organization (employed by the UN, ICAO and the International Authority for the Ruhr);

(b) tax levied by the national state of the employees on the staff (employed by FAO, IMF, UNESCO, WHO, the European Community for Coal and Steel, and the EDC; in most instances the organization reimbursed employees for taxes paid); and

(c) complete tax exemption (employed by OEEC and NATO).

5. The Netherlands delegation submitted a further memorandum arguing the case for and against the various principles involved (AC/30-D/3 of 9.2.53). The Belgian delegation also responded to the Executive Secretary's request for its national views on the subject and reacted to the Netherlands' memorandum (AC/30-D/6 of 21.5.53). The Chairman sent a note to the AC/30 Working Group on 27th April 1953 commenting on the information and views expressed thus far. As he saw it, each government should form its judgments as to the need to apply a system of taxation at the present time, whether action should be initiated in NATO rather than in other older organizations of broader membership, and whether action should be concerted with other international organizations. He also pointed out that the Working Group had largely agreed at its first meeting that NATO salaries would have to be increased by approximately the amount of taxation introduced (paragraphs 4 and 5 of AC/30-D/5).

6. When the AC/30 Working Group met again on 16th June 1953 it discussed the two types of schemes proposed by those countries which favored the introduction of some kind of taxation scheme. There seemed to be general agreement among the fiscal experts that in principle taxation was desirable though there were differences of opinion as to the system to be employed. The French

representative thought the right to tax should belong to the country of origin, while other representatives for reasons of principle or for practical considerations favored a system of internal taxation by the organization itself. The Group had also emphasized that care should be taken to avoid reopening the discussion of the level of contributions paid by member nations and that no system should be applied which would place NATO employees in a position of inferiority to employees of other international organizations. The Working Group agreed that the Chairman, assisted by the Secretariat, should prepare a draft interim report to the Council setting out the points on which agreement had been reached and indicating that further discussion would be necessary regarding the system to be adopted (AC/30-R/2).

7. A draft report was circulated on 1st July 1953 (AC/30-D/7) and discussed paragraph by paragraph at a meeting of the AC/30 Working Group on 21st July 1953. It was amended in several parts. The Working Group agreed that the revised version should be circulated to governments to allow sufficient time for consideration before submission to the Council (AC/30-R/3, paragraph 32). The revised version of the draft report was circulated on 29th July 1953. The Working Group had agreed that the only feasible form of taxation would be a so-called internal assessment scheme, but they had not reached agreement on recommending the introduction of such a scheme. The report merely set out the various considerations which might assist the Council in deciding for or against the scheme (paragraphs 12 and 23(a) of AC/30-D/7 (Revised) as amended by AC/30-D/8 of 28.10.53).

8. The inconclusiveness of the report and the fact that it contained no firm recommendations reflected the reluctance of most delegations to go ahead with an artificial scheme. It left to the Council to decide whether or not to introduce an internal assessment scheme which would affect seriously the prevailing salary scale which was based on income without taxation. In the end the report was held back from presentation to the Council by the Secretary General in consultation with certain delegations. They awaited the result of further informal discussion on the subject between some of its members. In the meantime the WEU countries discussed the matter in London and reached agreement on the principle of taxation by the Western European Union Organization for its own benefit (in Article 21 of Agreement on the Status of WEU signed in Paris on 11.5.55). In the light of that decision, the delegations from the BENELUX countries invited the Council to adopt the principle of taxation to such extent and in accordance with whatever procedures the Council might decide to apply to the international staff of NATO and to international military headquarters staff. They urged the amendment of Article 19 of the Ottawa Agreement on the Status of NATO National Representatives and International Staff (signed 20.9.51) and of Article 7 of the Protocol on Status of International Military Headquarters (signed 28.8.52) to permit such taxation. The memorandum also urged the establishment of an ad hoc committee of fiscal experts to elaborate a detailed taxation scheme (C-M(56)35 of 15.3.56).

9. When the Netherlands representative introduced the BENELUX memoranda at the Council meeting on 11th April 1956 (C-R(56)14, Item II) he argued again that the adoption of the principle would have a very good effect psychologically in a number of member countries since it would help to kill the feeling that a new class of privileged international civil servant was coming into being. After discussion of the practical effects and difficulties involved, the Council agreed to consider it

again at a later meeting (*ibid.*, paragraph 16). On 18th April 1956 the Council examined the question again (C-R(56)16, Item III). The Canadian representative urged that the fiscal experts referred to in the BENELUX proposal should not be called in at the beginning of the exercise, but only as and when the Civil Budget Committee (CBC) felt that their assistance would be of real value. This was agreed as was the principle that no member of the organization should suffer a net loss as a result of the introduction of the taxation scheme; in other words, that reductions in take-home pay due to application of the scheme, would be offset by corresponding increases in emoluments. The Council directed the Civil Budget Committee, assisted by fiscal experts to be called on at its own discretion, should (a) examine the taxation scheme being introduced by WEU as soon as it was approved; (b) examine the financial and administrative implications of that scheme and its impact on the emoluments of the staff; and (c) to report to the Council within two months of receipt of the WEU report (*ibid.*, paragraph 31).

10. The fiscal regulations adopted by the WEU were received and distributed to the members of the CBC in December 1956 (BC-D(56)34 of 20.12.56). Between the time of the Council's decision to study the tax issue and the meeting of the CBC to study the WEU regulations in February 1957, the Council had agreed to participate in a joint study aimed at harmonizing to the maximum the conditions of employment of the international organizations in Europe (C-R(56)77 meeting on 19.12.56). Many of the delegations felt that this group of experts was the one most suited to study this issue. But the Belgian and Netherlands representatives would not agree and urged the need to handover to a working group of the CBC the task it had been given by the Council. Following discussion of various proposals regarding the composition of this working group, the Committee left it to the Chairman to propose the composition of the working group which would be tasked: (a) to study the system of taxation adopted by WEU; (b) to study the financial and administrative implications of this system and its impact on the emoluments of the international staff; and (c) to prepare a draft report to the Council (BC-R(57)2 meeting on 4.2.57).

11. The Chairman of the CBC proposed a working group made up of Italian, Turkish and U.S. representatives, but that it would be open to any other members of the CBC who wished to participate and express their point of view before it (BC-R(57)3 meeting on 14.2.57). A notice of the first meeting scheduled for 19th March 1957 was issued as an AC/30 Notice (AC/30-N/1) and the group was identified as the "Working Group on the Taxation of International Staff Emoluments," a change from its original name of the "Working Group on Taxation of Certain International Employees."

12. The resuscitated AC/30 Working Group produced as a working paper a draft report to the CBC enclosing a proposed report to the Council by the Budget Committee (AC/30-WP/2 of 23.4.57). It described the features of the tax regulation adopted by the Western European Union and proposed a simplified version for consideration by the Council. It provided an account of the factors which the Council might wish to consider when deciding on whether any tax regulation might be adopted by NATO. One of those factors was the outcome of the emoluments survey then being undertaken by NATO and the other international organizations in Europe. The Committee recommended that if the Council decided

in favor of taxation, the system to be adopted should be referred to the emoluments survey group for inclusion in its overall proposals and the introduction of the scheme should be deferred until decisions were taken on these proposals. The administrative consequences of introduction of a taxation scheme and its effect on emoluments of the NATO staff were also examined in the draft report of the AC/30 Working Group.

13. The Working Group's report was circulated in the CBC on 21st May 1957 (BC-D(57)8) and was discussed at a meeting on 30th July 1957 (BC-R(57)5). Some of the delegations felt that it needed to submit a fuller and more comprehensive report to the Council in order to acquaint it with all of the factors which had to be taken into consideration. All agreed that an interim report should be prepared and considered before submission to the Council. The draft interim report (BC-WP(57)5 of 22.8.57) called for the Council to authorize the CBC to:

examine all questions (other than political questions) bearing on the advisability or otherwise of introducing a tax scheme for the international staff of NATO and to submit a comprehensive report as soon as possible on which a decision of principle can be based.

14. The CBC examined the interim report and found that there continued to be differences of opinion as regarded the principle of taxing emoluments of members of the international staff. The Experts on Emoluments were asked whether or not they proposed examining the question (BC-R(57)7 meeting on 28.10.57). The Committee of Experts on Emoluments submitted its report to the Organization on 16th May 1958. "The Committee considered that it was not within its terms of reference to examine whether a system of internal taxation for international civil servants should be introduced and it confines itself to noting the existing situation." However, in comparing emoluments, the Committee took into account the level of salaries after tax deduction (BC-R(57)7, paragraph 57). There was no follow-up by the Council.

15. The 8 documents, 2 notices, 3 summary records of meetings and 1 working paper issued by the AC/30 Working Group, 1952-53 and 1957, were regraded Unclassified by DN(85)8 of 22nd May 1985. The 1952-1953 documents are on microfilm roll 58 and the notice and working paper produced in 1957 are on roll 218. The Civil Budget Committee should review these items and inform the Council of its determination. The Consultants recommend that they be released along with the records of the Council and the Civil Budget Committee bearing on the same subject.

R. Working Group on NATO Provident Fund (AC/69)

1. The International Staff Secretariat negotiated the terms for a provident fund for members of the staff. The principle of such coverage had been agreed by granting to separating staff members a benefit amounting to one month's emolument for every year's service with NATO. This indemnity was being held against a future pension or provident scheme being adopted by the Organization. On 18th December 1953 the Secretary General put a provident fund and life insurance scheme for NATO staff members before the Civil Budget Committee (BC-D(53)24).

The two schemes proposed either for a 5% contribution by staff and 10% contribution by NATO with the departing staff member receiving a total amount increased by compound interest at the rate of 4% (Scheme A); or for contributions similar to Scheme A but 1/3 of the amount to be paid into a life insurance maturing at the age of 60 and 2/3 would continue to be paid into the provident fund so long as the individual was employed by the Organization.

2. The Civil Budget Committee discussed the proposal at a meeting on 19th January 1954 (BC-R(53)14). The Committee exchanged views and decided to set up a working group composed of the Canadian, French, Italian, the Netherlands and U.S. representatives to study the provident fund schemes operated by other international organizations and to examine the scheme proposed by the Secretariat. The working group was to prepare a report on the possibility of changing the system then in force in NATO.

3. The Working Group on NATO Provident Fund (AC/69) was provided with a summary of the calculations regarding the estimated differences in the cost to NATO between the prevailing scheme and the Secretariat's proposed scheme. The Financial Controller also provided information on the application of the exchange rate guarantee under the proposed scheme (AC/69-D/1 of 1.2.54).

4. The AC/69 Working Group met a number of times (no separate AC/69 summary records of meetings were prepared) and studied the provident schemes applied in or projected for other international organizations (UN, OEEC, Council of Europe, Coal and Steel Community). It concluded that even though the scheme proposed by the Secretariat involved an expected additional expenditure of about 25 million francs per year the overall cost to member nations was substantially less than that involved in similar schemes in existence in other international organizations. The Working Group's report to the Civil Budget Committee (BC-D(54)2) also noted the profound disagreement of certain members over the contribution percentage being based on total emoluments and the compulsory contribution by staff members. There were also outstanding questions on the choice of insurance companies and the application of the exchange rate guarantees. All but one member of the Working Group agreed that there should be a gradually increasing rate of benefit in some proportion to the length of service in conjunction with a life insurance cover provided by the Organization during the period of service of the staff member and that all members of the staff should be entitled to the same rate of benefits irrespective of whether they were government officials or not. The AC/69 Working Group recommended that the Budget Committee consider the problem further in the light of their report (BC-D(54)2 of 24.2.54).<sup>8</sup>

5. The Financial Controller provided an additional note on the subject of the provident fund for NATO staff members before it was considered by the Civil Budget Committee. The Secretariat recognized that the pension schemes of the other international organizations studied presupposed organizations of indefinite duration and that member governments of NATO were not yet prepared to enter into such long term commitment. Nevertheless, he proposed (in BC-D(54)6 of 18.5.54) the CBC give serious consideration to a scheme modified from that proposed by the AC/69 Working Group (in BC-D(54)2).

6. When the CBC first examined these two papers on 26th May 1954 (BC-R(54)1) they postponed any decision and asked the Secretariat to supply additional information on life insurance coverage and the cost to NATO of the modified proposal (in BC-D(54)6). The scheme was further discussed by the CBC at its meeting on 18th June 1954 and 26th July 1954. But the Committee had instructed the Secretariat to await the outcome of the studies in progress at OEEC so that the funds to be provided for staff insurance could be determined along similar lines. It was expected that a pension scheme would be in place at the OEEC by the end of the year (BC-R(54)2 and 3).

7. When the CBC met in January 1955, the Committee was asked to authorize the International Staff to submit further proposals for a provident fund financed with contributions similar to those contemplated by OEEC. It was agreed that NATO would not give effect to those provisions until they had been approved by OEEC (BC-R(55)1). A proposal covering complementary life and accident insurance and a request for commitment on a modified NATO provident fund to parallel the OEEC pension fund was presented to the CBC on 24th February 1955 by the Financial Controller (BC-D(55)1). The Committee agreed to discuss the proposal at its meeting on 17th May 1955 whatever was the stage reached in the OEEC discussions (BC-R(55)2 meeting on 15-17.3.55).

8. Resolution on these issues was postponed again on 15th June 1955 when the Council invited the CBC to establish a group of experts to study the system of emoluments and other benefits of the International Staff/Secretariat of NATO and directed the Committee to submit the group's report to the Council together with the Committee's comments and proposals (C-R(55)26, Item I).

9. The report of the Group of Experts on Emoluments of the International Staff was completed in October and circulated to the CBC (BC-D(55)34). In submitting their evaluation of the Group of Experts report the CBC recommended the Council: (a) approve the recommendation of the report as a whole with the modifications suggested; (b) invite the Secretary General to propose the date of the application of the new measures; and (c) direct the CBC to settle the terms of application of the recommendations in agreement with the International Staff/Secretariat (C-M(56)31 of 13.3.56). The Council discussed the report of the Group of Experts on Emoluments at a private meeting and then formally at the Council's meeting on 16th May 1956 accepting the CBC's recommendations with some modification of details and set the effective date as from 1st July 1956 (C-R(56)25, Item XII).

10. The Military Budget Committee requested the application of the same revised system of emoluments to the administrative civilian employees of NATO military headquarters and agencies (C-M(56)124 of 12.11.56). The Council approved the application with some modification based on scale of emoluments in various locations outside of Paris at its meeting on 21st November 1956 (C-R(56)59, Item I).

11. In the meantime the Financial Controller provided the CBC with additional information in response to questions arising from the application of the report on emoluments effecting certain administrative costs (BC-D(56)17 of 18.7.56

in response to questions raised at BC-R(56)7). These were discussed and largely resolved by the CBC at its meeting on 24th July 1956 (BC-R(56)10).

12. The single circulated document of the Working Group on NATO Provident Fund (AC/69-D/1 of 1.2.54) was regraded Unclassified by DN(85)8 (22.5.85). The document is on microfilm roll 132. The Civil Budget Committee should review this document for release together with the related CBC documents described in this subsection and advise the Council of its determination. The Consultants recommend their release without reservation.

### HEADQUARTERS BUILDING IN PARIS

#### S. Working Group to Examine the Question of a Permanent Headquarters for NATO (AC/18)

1. As a part of the reorganization, the Council decided at its meeting on 25th February 1952 to transfer NATO Headquarters from London to Paris (C.9-R/5, Item II). "All civilian activities of the Organization will be concentrated in the geographical area where are situated other international agencies whose work is closely related to that of the Treaty Organization and with which close administrative connection is essential to efficiency. These are presently situated in the vicinity of Paris" (C.9-D/22(Final) of 26.2.52).

2. The Council Deputies set 16th April 1952 as the date for the transfer of the Secretariat to Paris (D-R(52)24, Item I). The French Foreign Minister promised to make the temporary buildings at the Palais de Chaillot available to NATO on an interim basis until a permanent headquarters could be found or built. The temporary buildings were considered as not suitable for occupancy for more than a year. At its first meeting the Chairman of the Council drew attention to the need for considering the question of a permanent headquarters for the Organization in the Paris area. The Council invited the French representative to ascertain and communicate any proposals by the French Government and invited the Chairman to convene a small working group to examine the question as soon as possible and to put forward proposals to the Council (Item IV of C-R(52)1 meeting on 28.4.52).

3. The Working Group to Examine the Question of a Permanent Headquarters for NATO (hereafter AC/18 Working Group) was to be composed of representatives of Belgium, France, Norway, Portugal and the United States with the Deputy Secretary General acting as Chairman (AC/18-D/1 of 2.5.52). It held its first meeting on 30th May 1952 (AC/18-R/1) and submitted an interim report to the Council (C-M(52)24 of 3.6.52).

4. In the following months the AC/18 Working Group considered several sites offered by the French Government at Versailles, Rond-Point de la Defense and sharing the OEEC site at Muette. A second report to the Council by the Chairman of the AC/18 Working Group on 16th June 1952 reported on the details of the OEEC site (C-M(52)33 of 16.6.52). In another report the Chairman informed the Council of the advantages and disadvantages of the property adjacent to the Rond-Point de la

Defense (C-M(52)42 of 24.6.52). The preferred solution appeared to be the OEEC site at Mulette and discussions were opened with the Secretary General of the OEEC (C-R(52)14 meeting on 2.7.52, C-R(52)16 meeting on 16.7.52 and C-M(52)54 of 19.7.52). At its meeting on 24th July 1952 the Council, "agreed to move NATO Headquarters to the Mulette, recognizing that this was not an ideal situation and that it was open to the Council to continue its search for a better alternative..." (Item III of C-R(52)17).

5. The negotiations with the OEEC did not proceed as hoped. The Chairman of the AC/18 Working Group reported to the Council on 22nd October 1952 that the OEEC delegation had hedged their agreement by so many conditions that in his opinion it would take at least six months to complete the negotiations and legal procedures. The Council agreed that the Secretary General should not proceed with negotiations to acquire the OEEC site and asked the French representative to continue to investigate other possible sites (C-R(52)26).

6. The French Government offered a large site 7 kms. from the Porte de St. Cloud at the Manoir du Bel Air, in Le Chesnay, which was promptly accepted by the Council (C-R(52)30 meeting on 26.11.52) and a press release issued to that effect on 28th November 1952. The decision appeared to end a 7-month search by NATO and the French Government for a new location for its headquarters.

7. The French representative reported on the progress in planning for the new NATO headquarters at a Council meeting on 25th February 1953. The Chairman requested that as many delegations as possible should have offices in the new headquarters even though they might also be based in their respective embassies. He stressed the advantages of maintaining contact on the spot. Delegations were asked to inform the Secretariat of their requirements for accommodations in the new building (C-R(53)7). The discussion at the meetings of the Council on 25th March and 1st April 1953 showed a divergence between the concept of working intimately together at the new building and the inconvenience for certain delegations if they had to leave Paris, particularly because of the distance from OEEC. The earlier decision had to be considered further (C-R(53)11 and C-R(53)13). At the April meeting the Council Chairman stated that "...it would be disastrous if the Secretariat alone should go to Bel Air and that delegations, or the bulk of them, should remain in Paris. He would never have approved of the decision to move to Bel Air if he had imagined that a segregation of this kind would take place" (Paragraph 22 of C-R(53)13).

8. At a Council meeting on 17th June 1953 the French representative announced that he had asked the appropriate French authorities to see whether a site in Paris could in fact be found. A proposal under consideration was the site of Gare d'Orsay and might include the adjacent hotel, Palais d'Orsay. A new working group composed of members of the Secretariat, delegations and the appropriate French services was to be convened to consider in detail the proposal (C-R(53)30).

#### T. Working Group on New NATO Headquarters (AC/51)

1. The Secretary General nominated the Financial Controller, H.D. Pierson, to chair the AC/51 Working Group on New NATO Headquarters.

Delegations were asked to submit the names of their representatives to him. A meeting would be convened when fuller details of the proposed site were supplied by the French Government (AC/51-D/1 of 24.6.53).

2. On the 24th July 1958 the Chairman of the AC/51 Working Group met with the Chef des Services Techniques of the Quai d'Orsay. He learned that the site could not be considered a firm offer and that even if agreed to would take 3 years to convert the buildings for use by NATO. The nearby hotel was leased and could not be made available before July 1955. The negative report by Mr. Pierson meant that there was no need to convene the AC/51 Working Group to consider the putative proposal made by the French representative at the Council Meeting on 17th June 1953.

U. Committee on NATO Permanent Headquarters (AC/75)

1. On 23rd April 1954 the Chairman of the Council was able to inform the Council that the French Government had found a site in Paris which met the requirements of the delegations. It was in the area of the Porte Dauphine. The Permanent Representatives were invited to visit the site to consider the conditions in which the building could be constructed to form the permanent headquarters of the Organization. The French Government was making the site available free of charge. The Council in permanent session was to examine the technical aspects of the proposal (Item VI of C-R(54)18).

2. At the following meeting of the Council the majority of the delegations stated that they would like to transfer their offices to the new building. The French offer (C-M(54)41) was accepted gratefully. The Council agreed to set up a committee, with the Financial Controller as Chairman, to act as advisor to the Council on all aspects of the construction of the permanent headquarters. The French Government was invited to nominate an architect to be in charge of the construction work. Approval of the nominee by the Council would be based on the recommendation of the committee. The committee was to report within 2 weeks and to submit periodic progress reports thereafter (Item VI of C-R(54)19 meeting on 28.4.54).

3. The AC/75 Committee on NATO Permanent Headquarters held its first meeting on 29th April 1954 to discuss its status, the choice of an architect and its role in supervising the actual construction work. At a second meeting on 5th May 1954 the AC/75 Committee discussed the division of responsibility between the Secretariat, the Committee and the Civil Budget Committee. The Committee agreed that the Secretariat would be responsible for the execution of the work and the screening of contracts. When the time came for the Committee to give its opinion on a specific plan, it would have to consider the financial aspects - in particular the number of offices to be provided, the way in which they were to be equipped, the building material to be used, etc. The Committee would have to give the Civil Budget Committee, with Council approval, certain directives or guidance to facilitate its role in providing fundiing. The Committee also agreed to advocate the adoption of plans which provided for the maximum of construction consistant with the capacity of the site and the restraints imposed on the type of building in that location (AC/75-R/2 meeting on 5.5.54).

4. The AC/75 Committee's draft first report to the Council (AC/75-WP/1 of 6.5.54) was discussed at the Committee's third meeting on 7th May 1954 (AC/75-R/3) amended and submitted to the Council on 10th May 1954 (C-M(54)43). The Council discussed this first report at a meeting on 12th May 1954 (C-R(54)21) and approved all of the recommendations of the Committee. At that meeting the Council also decided that the Deputy Secretary General would serve as the Chairman of the Committee (*Ibid.*, paragraph 41).

5. A press release on the new NATO headquarters was issued on 4th April 1955 providing the public with the first details of the plan - the new NATO headquarters would be a six-story building constructed over a basement garage. The main Council Chamber of the NATO, a number of smaller committee meeting rooms and 900 offices were planned. In addition there would be a number of restaurants and cafeterias and facilities for the press, press conference rooms equipped with simultaneous translation facilities, film, radio and television studios, work rooms and a library. The headquarters was to be of fire-proofed steel frame construction with cut stone facing. It was estimated that the total cost would be around 2 billion francs and would take approximately 2 years to build. The cost of the building would be shared by the member countries. The cost of land plus construction of approaches would be borne by the French Government.

6. The lease "Agreement on Transference of Deeds for the Site of the New Permanent Headquarters" was signed on 20th December 1955 (draft agreement is AC/75-D/8(Revised) of 3.8.55; signing announced at AC/75-R/18 meeting on 18.1.56). The lease was to run for 99 years and was to commence from the date that NATO took possession of the site - which took place on 4th June 1957.

7. The French Government nominated Mr. Jacques Carlu as the architect for the construction of the headquarters building. Mr Carlu was the official architect of the French Ministry of Foreign Affairs and was the architect of both the permanent and temporary buildings of the Palais de Chaillot occupied by NATO in Paris. He was very familiar with the property, the restrictions of the Ville de Paris for the construction of buildings in the area and of the requirements of NATO. The Committee recommended that the Council approve the nomination in its first report on 10th May 1954 (C-M(54)43).

8. The Council agreed with the recommendations but added the phrase "subject, of course, to a satisfactory contract being drawn up and accepted by him" (C-R(54)21 meeting on 12.5.54). The language of the contract was drafted, amended several times and finally approved by the Council for signature by the Secretary General on behalf of the Council and signed by Mr. Carlu on 20th December 1954.<sup>9</sup>

9. In order to meet the International Staff's duties in connection with the construction a "NATO Permanent Headquarters Office" was established and attached to the office of the Secretary General. It was to act as designated NATO representative as provided in paragraph 9 of the architect's contract (BC-R(55)3). In an attempt to control costs (the new estimate on 1st January 1957 was 3,722 million francs) the Deputy Secretary General proposed engaging an outside firm to review

all engineering matters relating to the construction of the building (including any modifications and alterations to designs and all contract procedures) and to review the cost estimates. He also proposed the establishment of a Restricted Committee of construction experts from 3 or 4 delegations to oversee the work of the consulting engineer (C-M(57)6 of 28.1.57). The Council approved of this approach but directed that the Restricted Committee report directly to the Council rather than through the AC/75 Committee (C-R(57)6 meeting on 30.1.57; initial membership proposal is in C-M(57)37 of 25.2.57).

10. At its meeting on 7th February 1957 the Council authorized the Deputy Secretary General to engage an engineering firm to serve both as consultant engineers for the construction of the headquarters building and as NATO's representative in the sense of article 9 of the architect's contract (C-R(57)8). At one stage it was proposed that the engineering firm supersede the Headquarters Office to perform the task of direct oversight of construction (C-R(57)39 of 14.6.57). Following discussion in the Council on 14th and 26th June (C-R(57)39 and 43) and by the Restricted Committee on 18th June 1957, however, the contract with the firm was redrafted to stipulate clearly that the firm was to act exclusively as consultant to NATO and to assist the head of the NATO Permanent Headquarters Office (paragraph 2 and Annex I of C-M(57)100 of 27.6.57).

11. A new head of the Permanent Headquarters Office was employed with new terms of reference designating him as the representative of the Organization in its relations with the architect. He would advise the Secretary General on all actions to be taken with respect to the building and see that the approved action was carried out (C-M(57)100, Annex II).

12. Originally the AC/75 Committee had a part to play in the establishment of estimates and the approving of contracts. But this function was transferred to the Restricted Committee and to the Council under the terms of reference of the Restricted Committee on the Permanent Headquarters Building proposed by the Deputy Secretary General on 27th May 1957 (C-M(57)86) and revised on 27th June 1957 (C-M(57)100, Annex III). The Restricted Committee was limited only in that it could take no decisions to approve contracts involving expenditures beyond or endangering the estimate finally approved by the Council. The Restricted Committee could delegate limited authority to effect minor changes in existing contracts to the head of the Permanent Headquarters Office but the Restricted Committee's permission would be required to draw upon the funds set aside by the Council to cover contingencies or increase in costs of labor and materials. The final approval of revised terms of reference of the Restricted Committee came at a meeting of the Council on 4th July 1957 (C-R(57)46; the revised document, C-M(57)100(Final) was produced on 9.7.57). The Deputy Secretary General presided over the Restricted Committee while continuing to chair the AC/75 Committee. No separate records were created by the Restricted Committee.

13. The AC/75 Permanent Headquarters Committee would continue to concern itself with all questions regarding the new building which were not dealt with by the Restricted Committee. It pursued its study of the rent to be paid by delegations for space occupied in the new building and the distribution of available space to prospective tenants. It expected to study the furnishings and interior

decoration of the building (C-M(57)86, paragraph 11), but a year later the Council transferred this responsibility also to the Restricted Committee (C-R(58)39 meeting on 13.6.58).

14. The Restricted Committee discussed the questions of interior decoration and furnishing of the headquarters building at a meeting and agreed that special attention should be given to those parts of the premises which would be open to the public or accessible to large numbers of representatives of member nations and where photography and television would afford world-wide publicity. The Restricted Committee proposed that international competition be used in selecting a qualified interior decorator (C-M(58)90 of 3.6.58). The Council established a working group, known as the "Taste Committee," consisting of the Belgian, French, German, U.S. and U.K. representatives to make recommendations to the Council regarding the special decoration of certain parts of the building, at a meeting on 13th June 1958 (C-R(58)39).

15. The Headquarters Office in the submission for the 1958 budget, put forward proposals for new furniture, carpets, curtains, cooking equipment and special decorations. The Civil Budget Committee examined the issues at several fruitless meetings and then referred the matter to a working group of experts under the chairmanship of the head of the Headquarters Office in July 1958. The Working Group prepared a report that same month. The report and revised estimates were approved by the Civil Budget Committee on 18th September 1958.

16. The AC/75 Committee used temporary working groups to examine several particularly difficult issues. The first of these working groups, (AC/75(WG)), was established by the Committee at its meeting on 24th August 1954 (AC/75-R/8) to study in detail the requirements of the delegations, the International Staff, the Standing Group Liaison Office and to investigate the areas for general use. They were to examine these requirements in the light of the architect's plans. The working group suggested changes in the plans to meet requirements and called upon the architect to provide a draft plan giving precise details on construction, revised cost estimates, specifications on finish and materials.

17. The Committee established another working group in October 1956 (AC/75(WG/56)) to study the architect's newest estimate for the cost of the building (F. Frs. 3,043 billion, AC/75-D/34 of 4.10.56) in light of the previous estimate of F. Frs. 2.455 billion accepted by the Committee in January 1956 (AC/75-N/15 of 31.1.56). The working group was to examine the feasibility of reducing the expenditure by more economical planning and execution. The working group reported the results of its study on 14th November 1956 (AC/75-D/37). A letter to the Architect (draft annexed to AC/75(WG/56)R/3 meeting on 24.10.56) was sent directing him to examine into several areas to achieve economies (AC/75-D/38 of 17.11.56).

18. The Council decided at a meeting on 15th February 1960 to put an end to the activities of the AC/75 Committee (along with the Ad Hoc Group of Secretaries of Delegations (PH(Sec)) and the Committee on Specific Security Questions in the NATO Permanent Headquarters (AC/154). A Headquarters Administration and Security Committee (AC/184) was established to carry on

essential responsibilities (C-R(61)5, Item II).

19. The single document and 4 summary records of meetings created in 1952 by the Working Group to Examine the Question of a Permanent Headquarters for NATO (AC/18) were regraded Unclassified by DN(86)5 of 14th March 1986. All are on microfilm roll 57. The single document created in 1953 by the aborted Working Group on New NATO Headquarters (AC/51) was regraded Unclassified by DN(85)8. It is on microfilm roll 59.

20. Most of the 68 documents, 20 notices, 25 summary records of meetings and 4 working papers created between 1954 and 1959 by the Committee on NATO Permanent Headquarters (AC/75) were declassified by the Committee itself in 1956 (AC/75-N/17 of 19.7.56, confirmed by DN/10) or were issued as NATO Unclassified. The 19 items not already Unclassified by 1985 were regraded Unclassified by DN(85)8 of 22nd May 1985. The 15 documents created by working groups of the AC/75 Committee (identified in Annex X, 3) were issued as NATO Unclassified or were regraded Unclassified by their originator in 1960. The single summary record of a meeting of the Restricted Committee on the Permanent Headquarters inexplicably issued as an AC/75 Committee record (AC/75-R(57)8, issued on 21.11.57, meeting on 20.11.57), was produced as NATO Unclassified. The rolls of microfilm containing the documents, notices, records of meetings and working papers of the AC/75 Committee and its working groups are identified in Annex X, 3.

21. The records created by the AC/18 and AC/51 Working Groups and by the AC/75 Committee and its working groups described in this section should be reviewed for release by the NATO Office of Management. That Office should advise the Council of its determination. The Consultants recommend their release without reservation.

## QUESTIONNAIRES AND REPORTS

### V. Working Group on Coordination and Standardization of Questionnaires and Reports (AC/45)

1. As early as 1951 there were complaints by a number of countries over the numerous requests being made by different military and civil agencies in NATO for submission of similar information. Clearly, better coordination was required. The Council established a Working Group on Production, Finance and Military Requirements Problems (AC/8) in August 1951 to address the need for broad statistical figures on certain types of expenditures and to coordinate the statistical questionnaires issued by the various NATO agencies. The activities of the Working Group are described in paragraphs 185 through 189 of DES(92)1. The records of the AC/8 Working Group are listed in Appendix III, I-8 to that report.

2. The AC/8 Working Group prepared a draft of terms of reference of a "Statistical Co-ordinating Group" in December 1951. "The aim of the Group would be to provide a suitable means of collaboration among the several NATO agencies for the purpose of satisfying each agency's needs of statistical information with

proper consideration of all relevant substantive and technical features." At the same time it was "...to limit the number of separate requirements upon member countries to those which could be justified clearly in terms of need, and to prevent duplication and overlapping of requests issued by NATO agencies" (AC/8-D/7(2nd Revise) of 4.12.51). The Council Deputies took no action on this matter before the reorganization of the Council.

3. In September 1952 the Standing Group Liaison Office with the North Atlantic Council informed the Secretary General that the Standing Group was establishing its own statistical section and was initiating a study on the standardization of military questionnaires. The SGLO suggested that a similar study be undertaken by the International Staff and that these two efforts be coordinated and the results standardized before final acceptance (SGLP 219/52 of 4.9.52). The Executive Secretary responded by stating that the International Staff fully agreed on the necessity for establishing appropriate procedures for standardizing and controlling questionnaires and pledged to cooperate with the Standing Group (RDC/308/52 of 18.9.52).

4. The International Staff, in consultation with a staff officer of the Standing Group, made a preliminary examination of the questionnaires issued by NATO and its agencies. A report was submitted to the Council on 9th February 1953 setting out the problem and suggesting the establishment of a temporary committee of the Council on standardization of questionnaires and reports and proposed its terms of reference (C-M(53)5). The Council endorsed the proposals contained in the report at its meeting on 11th February 1952 (C-R(53)5, Item III). The Secretariat was instructed to take the initiative and prepare concrete proposals and to work in close collaboration with national experts. A meeting of an expert working group was to be deferred until the Secretariat's proposals had been formulated (*ibid.*, paragraph 16). The Belgian representative reiterated at the following meeting of the Council that a method of liaison with the future EDC should be worked out to avoid duplication of NATO and EDC questionnaires (C-R(53)6, Item X, meeting on 18.2.53).

5. The Director of Statistics, Glen S. Taylor, issued International Staff Memoranda proposing changes in the classification of defense expenditures (ISM(53)8 of 25.2.53) and providing a listing of the questionnaires and reports required by NATO agencies as of 31st December 1952 (ISM(53)6 of 23.2.53).<sup>10</sup> The lists and proposals were circulated for review by appropriate experts. Country experts were invited to submit comments so that the work of the expert working group could be as effective as possible.

6. The Director of Statistics was designated the Chairman of the Expert Working Group. An agenda was prepared and distributed (not on microfilm and not in NISCA files) in addition to the two ISM. On 10th March 1953 a notification was sent out announcing the first meeting of the Expert Working Group on Coordination and Standardization of Questionnaires and Reports on 8th through 11th April 1953 at the Palais de Chaillot (AC/45-N/1).

7. When the AC/45 Working Group met on 8th April 1953, they promptly agreed to set up two subgroups to consider the questions of equipment reporting

and the classification of defense expenditures (AC/45-R/1, Item I).<sup>11</sup> During the discussion of the list of questionnaires and reports required by NATO agencies, several were added and a number were determined to be unnecessary. The Working Group agreed that it should concentrate on the periodic reports but that one-time reports were often so extensive and detailed that they should be considered as well (*ibid.*, paragraph 5).

8. The AC/45 Working Group also discussed the suggested measures for coordinating and standardizing reports including those in C-M(53)5 (AC/45-R/1 paragraph 2) and those in the minutes of the Military Conference on the Coordination and Standardization of Reports and Questionnaires held at SHAPE on 1st, 2nd and 3rd April 1955 (not on microfilm and not in NISCA files). Among the conclusions reached was agreement to recommend that a reports review officer be designated in each of the principal agencies and commands. This officer was to be responsible for assuring adequate advance review of all proposed questionnaires and report requirements. Whenever possible, and in all cases where a major reporting problem was likely to be involved, consultation with national experts in advance of issuance of a questionnaire was recommended (*ibid.*, Item III, paragraph 35).

9. The Chairman of the Working Group asked the members for their views on the setting up of a panel of consultants (as suggested in paragraph 2(d) of C-M(53)5) made up of statistical experts or of technical subject matter experts, or of both. The Working Group agreed that it was unnecessary to have so formal a procedure and recommended that when questionnaires were being reviewed and approved for sending out, statistical and/or technical experts should be called upon to give their advice (*ibid.*, paragraphs 36 and 37).

10. Following discussion of the prevailing procedures for coordinating EDC and NATO questionnaires, it was agreed that the Secretariat would be responsible for liaison and for undertaking a comparison of the NATO and the proposed EDC classifications of defense expenditures to ensure that they were fully coordinated in the future (*ibid.*, paragraphs 48 and 49).

11. At its final session on 10th April 1953, the AC/45 Working Group examined a draft report to the Council based on the discussions. A number of amendments were proposed. The Working Group also agreed to recommend that a draft prepared by the Secretariat on suggested basic principles and procedures for preparing questionnaires and coordinating the issuance of new data requests be used as a guide by NATO agencies and commands. Annex C to the minutes of the Military Conference held at SHAPE was also to be recommended as a guide by NATO agencies and commands. The Secretariat was requested to redraft the report on the lines of the further discussion and to circulate it to delegations for their comment (*ibid.*, Item VI. The "Basic Principles" first appears as an annex to the summary record of the meeting). This was done on 16th April 1953 (AC/45-D/2).

12. The Equipment Reporting Subgroup of the AC/45 Working Group held a meeting in the afternoon on 9th April 1953. The Subgroup examined a document prepared by the Secretariat and circulated at the meeting (AC/45-D/1 of 8.4.53). The Subgroup agreed that there should be no attempt in the near future to adopt a uniform equipment reporting and record system in the nations (as suggested in

AC/45-D/1). The national experts requested more time to examine the proposals and agreed to submit their comments to the Secretariat for consideration in preparing the final text of the report to the Council (AC/45-R/2).

13. The Subgroup on Classification of Defense Expenditures of the AC/45 Working Group met the morning of 9th April 1953. The Subgroup considered the proposals in the International Staff Memorandum circulated on 25th February 1953 by the Director of Statistics (ISM(53)8). Several modifications of the existing practices were accepted and other procedures were confirmed. Delegations were invited to submit additional revised proposals in the light of the discussion. Finally, the Subgroup agreed that should further technical problems arise in the future in the field of defense expenditure, it would be useful to convene a similar working group to consider them (AC/45-R/3).

14. The AC/45 Working Group Chairman's report to the Council was submitted on 29th April 1953 as G-M(53)57. It was unchanged from the draft circulated to the Working Group for comment on 16th April 1953 (AC/45-D/2). It was considered by the Council at its meeting on 6th May 1953. The Netherlands representative said that his Government wished to make certain proposals to improve the report of the Working Group at a later meeting (C-R(53)25, Item VII).

15. The report was considered again at the Council's meeting on 20th May 1953. The Netherlands' amendment was approved (C-R(53)27, Item VII).

16. The Executive Secretary directed the implementation of the Council's approved recommendation in G-M(53)57 in an Office Notice issued on 15th June 1953 ("Coordination and Standardization of Questionnaires and Reports," ON(53)43). The Director of Statistics was designated as the Reports Officer of the International Staff/Secretariat. His responsibility extended to questionnaires and data requests issued by Council committees and working groups as well as those issued independently by the International Staff. The "Basic Principles and Procedures for Preparing Requests for Information" was annexed to this Office Notice and all concerned officials were instructed to abide by them. Each request that was approved by the Reports Officer was to be assigned a "NATO Approved Questionnaire Number" from a register kept by the Reports Officer. Its inclusion indicated to the recipients that it had been reviewed and approved under the procedures set out in G-M(53)57 and that it should be answered as a matter of official NATO business (*ibid.*, paragraphs 1, 2 and 4 and Annex).

17. To ensure compliance the Executive Secretary specifically called the Office Notice to the attention of the Head of Conference Services (to assure that questionnaires and data requests submitted for reproduction and circulation had been cleared by the Reports Officer (RDC/338/53 of 24.6.53), to the SGLO and to the Secretaries of delegations (RDC/339/53 and RDC/340/53). On 22nd July 1953 the SGLO identified the designated reports officers in the military commands and agencies (SGLP 678/53).

18. A year later the Executive Secretary issued another Office Notice on the review and issuance of requests for information. Experience had indicated the need for a more detailed explanation of the system of advance review and of the

procedures to be followed in the issuance of approved requests (ON(54)38 of 1.7.54). Further instructions to the International Staff for implementing the reports coordination were issued by the Executive Secretary on 28th December 1954 (RDC/658/54). Detailed lists of questionnaires circulated under the procedures were issued periodically by the statistical service in the "ISM" series of documents.<sup>12</sup>

19. The Working Group on Coordination and Standard-ization of Questionnaires and Reports produced 2 documents, 3 summary records of meetings and a single notice in 1953. They are listed in Annex X, 4. The records are on microfilm roll 59. All are classified at NATO Confidential.

20. The Executive Secretary should review the 6 records created by the AC/45 Working Group and its subgroups and inform the Council of its determination. The Consultants recommend that they be declassified and released without reservation.

#### W. Statistical Reports

1. The Annual Review Committee (AC/19) recommended that the International Staff/Secretariat continue to prepare statistical reports on a quarterly basis to track progress in meeting the defense objectives accepted by the Council. The Office of Statistics was responsible for preparing and submitting quarterly questionnaires to the member nations and compiling statistical reports based on country responses. That office also prepared and distributed to the delegations periodic summaries, making comparisons with previous periodic reports and, less frequently, drawing conclusions based on the numbers provided.

2. The statistical reports covered four defense-related areas: defense expenditures (DR/1), defense production and procurement programs (DR/2), the military forces and their readiness status (DR/3) and the physical and/or financial status of the NATO common infrastructure programs (DR/4). Most of these reports were continuations of series of quarterly reports prepared by the Defence Production Board (DPB) or the Financial and Economic Board (FEB). The earlier reports are identified in footnotes in the relevant section. Annex X, 5 identifies all the defense statistical reports produced between 1952 and 1958 under the four headings (DR/1 - DR/4) and the microfilm rolls where they can be found.

3. At a meeting on 2nd July 1952 (C-R(52)14), the Council authorized the Secretariat to draw up a stock-taking report showing the state of NATO forces and equipment as at 30th June 1952. This stock-taking report was divided into four sections paralleling the defense reports described above and was based on responses to the same questionnaires. This 4-part report is included in the listing in Annex X, 5 with information on the microfilm rolls where it is located.

#### X. Statistical Reports on Defense Expenditures, 1952-1957 (DR/1)

1. The Quarterly Questionnaire on Defence Expenditures continued the series of quarterly questionnaires initiated by the Financial and Economic Board.<sup>13</sup> The first questionnaire (DR/1-Q/1 of 12.7.52) was intended to cover the April-June

quarter of 1952. The country responses were to constitute one of four basic sources of information to be used in the preparation of a report on the current status of defense programs which the International Staff planned to prepare for the Council as a preliminary to the Annual Review (AC/19-D/6(Revise)). The countries were asked to respond 45 days after the end of the reporting period.

2. Annexed to this first questionnaire were "Definitions and Classifications of Defence Expenditures," a restatement of the DFEC definition of defense expenditure in FEC STAFF(50)D-8/17 and the SG's "Dictionary of Cost Category Definitions" (SGM-317-50). The classification of defense expenditures were: (a) military personnel, (b) major equipment, (c) military construction, (d) operations and maintenance, and (e) other defense expenditures.

3. The responses to the first questionnaire received from Belgium, Canada, Denmark, Luxembourg and the U.K. were reproduced and distributed on 26th August 1952 (DR/1-R/1). The replies from the other countries were intended to be distributed separately as received, but instead were incorporated as tables of the Stock-taking Report on Defence Expenditure (STR(52)-1) described below.

4. In August 1952 the NATO Office of Statistics issued a statistical report on defense expenditures of NATO countries based on data submitted by member countries (in response to FEB-D(52)13) covering the first quarter of 1952 (DR/1-SP/1) modeled on the draft report for the fourth quarter of 1951 (circulated as GT/3-D(52)1).<sup>14</sup> Only the first quarter of 1952 was covered and no attempt was made to analyze or interpret the data presented. It did, however, present revised and corrected data for the preceding years and quarters and for the first time summary tables covering all NATO countries combined.

5. The next report in the series was a part of the "stock-taking" report to the Council. The portion on defense expenditures covered the amounts actually spent by governments on their defense programs up to 30th June 1952, and, for major equipment, the amount of funds committed. The data was drawn from the replies to the NATO quarterly questionnaire (DR/1-Q/1 and replies circulated under reference DR/1-R/1). The data was summarized and conclusions drawn on trends in defense expenditures; an analysis of the composition of the expenditures for total NATO, NATO Europe and the individual countries; expenditures on major equipment and funds committed for major equipment. Summary tables showed expenditures by category and country from 1949 through June 1952 (STR(52)-1 of 18.10.52).

6. The following quarterly questionnaire on defense expenditure (DR/1-Q/2 of 9.10.52) and statistical report (DR/1-S/2 of 18.2.53) were representative of the remaining documents in this series. Each covered the succeeding quarter. Responses were due 45 days after the end of the reporting period. The responses might be distributed separately (as DR/1-R/-) and bear page and table numbers according to their place in the statistical report (DR/1-S/-) or might be accumulated and reproduced again. Each quarter new summary tables were prepared allowing comparison to the preceding quarter and the same quarter of the preceding year. In each instance the opportunity was provided for the reporting country to revise and update its earlier reported figures. Typically the statistical reports covering the fourth quarter contain more analytical information and conclusions were drawn.<sup>15</sup> Changes

in definitions, categories, presentation of tables, interpolations of quarterly periods, and conversions to U.S. dollars are all explained in notes to the questionnaire and/or the statistical report.

7. The final report in this series contained only the country replies to the quarterly questionnaire on defense expenditures for the period ending 31st December 1957 (DR/1-R/23 of 7.5.58). The replies were to form part of the quarterly report on defense expenditure and bore the document reference and page numbers appropriate to that document. The final two questionnaires issued under this system (DR/1-Q/24 and Q/25) requested information for the first and second quarters of calendar year 1958. A new reference numbering system was assigned and reporting scheme implemented as described in the following section in continuation of this series of statistical reports.

#### Y. Annual and Quarterly Reports on Defense Expenditures, 1957-1958 (STAT)

1. The Statistics Section of the Economics and Finance Division wanted to distinguish more clearly between the two report series it published, the quarterly reports on defense expenditures and the annual report which reviewed and summarized the previous quarterly reports. The Section began publishing its annual report under reference STAT/RA/19...[the year to correspond to the year covered by the annual review] while the quarterly reports (i.e., the statistical tables prepared on the basis of the country replies to the quarterly questionnaires) were published under reference STAT/RT/19../1, 19../2, 19../3, etc. [the year to represent the year covered by each of the quarterly reports and each quarter assigned its serial number].

2. The first annual report of defense expenditures under the new reference system covered the period ending 31st December 1957 (STAT/RA/1957). The figures given were taken from the country replies to NATO Questionnaire DR/1-Q/23 of 17th January 1958 and preceding questionnaires in the same series.<sup>16</sup> Like the other reports covering the final quarter of each year, this report covered defense expenditures by NATO countries from the beginning of fiscal year 1949 to 31st December 1957. It also gave the forecast expenditure for fiscal years 1957/58 and 1958, or 1958/59 as appropriate. The amount of funds committed for major equipment was shown also.

3. The replies to the quarterly questionnaires on defense expenditure for the first two quarters of 1958 (STAT/RT/1958/1 of 26.8.58 and STAT/RT/1958/2 of 19.2.59) were responses to the questionnaires issued under the previous reference system (DR/1-Q/24 of 3.4.58 and Q/25 of 9.7.58). The first of the new reference questionnaires (STAT/QT/1958/3 of 10.10.58) asked the same questions as had the earlier series of questionnaires. The "Quarterly Report of Defence Expenditures" for period ending 30th September 1958 (STAT/RT/1958/3) was published on 18th March 1959.

4. The fourth quarterly report which was a "close of year" report, contained not only the quarterly statistics on expenditures, on forecast expenditure, and on funds committed for fiscal year 1959 or 1959/60; but also an analytical section and fuller statistical data. This report (STAT/RA/1958 of 29.7.59) drew on country replies to NATO questionnaire (STAT/QT/1958/4 of 5th January 1959) and

previous questionnaires in the same series. The analytical section provided:

- (a) trends in defense expenditures for total NATO countries, for regional groups (North America and Europe), and for individual member countries;
- (b) the composition of defense expenditures by region (North America and Europe) and by country;
- (c) expenditures on major equipment, ammunition, explosives and missiles (actual expenditures and funds committed); and
- (d) definitions employed and technical terms.

Additionally, there were three sets of tables:

- (a) Tables 1 presented defense expenditures for each major category for which information was supplied by countries, by fiscal year, calendar year, by July-June year and by quarter;
- (b) Tables 2 presented defense expenditures for the three regional areas (total NATO, North America and NATO Europe) and for each country for which information was provided by category and subcategory of expenditure; and
- (c) Table 3 summarized defense expenditures and funds committed by country and in cumulative value for the various subcategories of major equipment.

The comments, analysis and presentation of tables had evolved slowly over the years 1952 through 1958. This annual report was the latest version of the statistical presentation of such information. Comparison with previous years' reports was possible bearing in mind the caveats in the footnotes to the tables.

Z. Statistical Reports on Defense Production and Procurement Programs, 1952-1953 (DR/2)

1. On 15th July 1952 the Office of Statistics distributed a questionnaire on deliveries of items of major equipment (DR/2-Q/1). The report was to cover the quarter ending on 30th June 1952. It was in large part a continuation of the report series begun by the Defense Production Board<sup>17</sup> with some changes in reporting details and dropping the requirement for a response on Annex III of the earlier requirement. The intention was to collect information on deliveries of equipment for all of the armed forces of the reporting country (both for forces assigned to NATO and for other national forces) but limited to data on quantities of major items of equipment used in Annex B, Table 12 of ARQ(52) a copy of which was attached. The desire was to collect figures for each calendar quarter from the beginning of 1951 through the second quarter of 1952. The questionnaire was divided into three parts: deliveries from self-financed indigenous production and rehabilitation for own forces, deliveries from self-financed foreign procurement for own forces, and

deliveries from mutual assistance programs.

2. The replies from the member countries were summarized in the stock-taking report on equipment (STR(52)-2 of 17.10.52) authorized by the Council (C-M(52)14). It showed the deliveries of ca. 80 items of major equipment to the armed forces of the member countries from January 1951 to 30th June 1952. Excluded was equipment delivered to French forces in Indo-China in accordance to the procedure followed in the annual review. Statistical information on the value of the equipment was not included but information on expenditures on the various categories of major equipment was contained in the defense expenditures portion of the stock-taking report (STR (52)-1) described above. The major parts of the stock-taking report were the detailed tables for each country. The conclusion drawn was that there was clear evidence of an uneven tempo of deliveries which was probably inconsistent with the force goals which required a continuous buildup of forces for all services.

3. The second "Quarterly Questionnaire on Deliveries of Items of Major Equipment" (DR/2-Q/2 of 22.10.52) and the statistical report growing out of it (DR/2-S/2 of 7.1.53) covered the third quarter of 1952 and set the pattern for succeeding quarterly questionnaires and statistical reports. The reports for the fourth quarter typically contained greater analysis and some conclusions. For example, the "Summary Report on Major Equipment Deliveries, 1952" (DR/2-S/3 of 10.4.53) not only covered the fourth quarter of 1952 but also provided comparable figures for the earlier quarters of 1952 and totals for 1952. The nine categories covered were: aircraft, artillery, combat vehicles, ammunition and explosives, electronics, weapons and small arms, engineering equipment, transport vehicles and ships. The summary on equipment delivered during the fourth quarter of 1953 (DR/2-S/7 of 29.7.54), the final report in this series, compares deliveries made from January 1951 to December 1953.

#### AA. Statistical Report on Forces, 1952 (DR/3)

1. The Office of Statistics sent to delegations a "Questionnaire on Forces in being as of 30 June 1952" (DR/3-Q/1 of 15.7.52) as part of its effort to prepare a stock-taking report in advance of the annual review (as provided in AC/19-D/6(Revise)). The request was for certain information for the annual review to be collected prior to the normal submission of country replies.<sup>18</sup>

2. The "Stock-taking Report on Status of Forces, 30th June 1952" was completed and distributed on 26th September 1952 (STR(52)-3). The compiled data giving a comprehensive picture through the second quarter was compared with the Lisbon force goals<sup>19</sup> on military forces to be met by 31st December 1952. The status of forces was classified under three broad headings:

- (a) NATO command forces at approved standards of readiness,<sup>20</sup>
- (b) NATO command forces not at approved standards of readiness;  
and
- (c) National command forces for defense of NATO area.<sup>72</sup>

BB. Statistical Report on NATO Common Infrastructure Programs, 1952-1955 (DR/4)

1. The Office of Statistics began a series of quarterly statistical reports on NATO common infrastructure. The first issue provided a summary of the financial position of the infrastructure program at 30th June 1952. It was based on the AC/4(PP)-D Reports regularly submitted to the Payments and Progress Sub-Committee.<sup>21</sup> The information in the first report (DR/4-S/1 of 27.8.52) was intended for reference and use of all services and for the stock-taking review. The picture of actual progress made in the infrastructure program could be obtained from the physical progress reports submitted to SHAPE. The financial data given in the first report, however, did give a picture of the NATO common infrastructure program as a whole and showed up difficulties arising on the financial side of the program. The data on the tables in the first report covered slices II and III of NATO common infrastructure. Inasmuch as slice II (program approved at the Ottawa session) was due to be completed at the end of 1952 the data was fairly comprehensive. Slice III, however, had only been agreed at the 9th Session of the Council at Lisbon in February 1952. For slice II programs the initial appraisal was that more money had been committed on signals than the total originally estimated and the cost of the program had risen considerably over the estimates submitted by the host countries (notably in France, Belgium and the Netherlands).

2. On 7th October 1952 the Secretariat issued the portion of the stock-taking report covering NATO common infrastructure through 30th June 1952 (STR(52)-4). The report covered only those programs financed under the common infrastructure slices II and III<sup>22</sup> and required by SACEUR in support of forces assigned or earmarked to his command.<sup>23</sup> Progress was reported on both the physical and the financial status of NATO infrastructure programs through 30th June 1952. The report was based on the quarterly Physical Progress Reports from nations to SHAPE and the quarterly financial reports from host nations to the Payments and Progress Committee. Three conclusions were drawn from a study of the collected data:

- (a) There were extensive delays (27 of the 66 airfields and 29 of the 73 signals projects were carried over to 1953);
- (b) The estimated total cost of slice II programs had risen 49% over original estimates while the increase thus far for slice III projects had increased by 10%; and
- (c) As a consequence of (a) and (b) the expenditures required for NATO common infrastructure would be considerably higher in 1953 than was anticipated in earlier plans.

3. Similar reports on the physical and financial status of NATO common infrastructure programs were issued by the Office of Statistics through the third quarter of 1953 (DR/4-S/2 through S/5). Beginning with the report covering the fourth quarter of 1953 (DR/4-S/6 of 12.5.54) the report showed only the financial status.<sup>24</sup>

The tables provided no information about the SHAPE programs in western Germany financed by the U.S., U.K. and France. Some expenditures on NATO common infrastructure projects did not fall within the NATO financial arrangement and also were not included in this report (e.g., expenditure on land acquisition and local utilities which was borne by the host country, or expenditure on housing at airfields which was the user nation's responsibility). Information on total expenditure on NATO common infrastructure could be found, however, in the "Quarterly Reports on Defence Expenditures" (DR/1-S/ series).

4. The final statistical report in this series covered the financial status of NATO common infrastructure through 31st December 1955 (DR/4-S/13 of 18.5.56). The report also contained information on authorizations in this area through calendar year 1956 and expenditure forecasts through June 1956.

#### CC. Conclusions and Recommendations on Statistical Reports

1. The questionnaires issued in these series were typically classified NATO Confidential. The Country replies usually were classified at the NATO Secret level as were the statistical summary reports. In 1965 the Infrastructure Committee regraded the NATO Secret and COSMIC TOP SECRET statistical reports in the DR/4 series to NATO Confidential (DN/211 of 25.3.65 per Infrastructure Committee proposal in AC/4(PP)WP/291). The Secret summary reports on major equipment deliveries (DR/2 series) were regraded NATO Confidential by DN/246 of 8th March 1966 (documents are listed on p. 12 of downgrading proposal by the Armaments Committee in AC/74-D/1032 of 26.4.65).

2. The seventy-seven 1952-1958 questionnaires, country responses and statistical reports on defense expenditures (DR/1 and STAT series) described in Sections X and Y of this Part and listed in Part A of Annex X, 5 to this report, should be reviewed for declassification and release by the Economics Directorate and the Economics Committee. The Council should be informed of their determination. The Consultants recommend that they be released without reservation.

3. The fifteen quarterly questionnaires and reports on defense production and procurement programs (DR/2 series) described in section Z of this Part and listed in Part B of Annex X, 5 to this Part and copied on microfilm roll 74 should be reviewed for declassification and release by the Conference of National Armaments Directors. The Council should be informed of their determination. The Consultants recommend that they be released without reservation.

4. The 1952 Questionnaire on Forces (DR/3-Q/1) and the Stock-taking Report on Status of Forces (STR(52)-3) described in section AA of this Part, listed in Part C of Annex X, 5 and copied on microfilm roll 74 should be reviewed for declassification and release by Defence Review Committee (DRC). The Committee should inform the Council of its determination. The Consultants recommend that these two documents be released without reservation.

5. The 13 statistical reports (1952-1956) and the Stock-taking Report on NATO Common Infrastructure (STR(52)-4 of 1952) described in section AB of this Part and listed in Part D of Annex X, 5 to this report should be reviewed for

declassification and release by the Infrastructure Payments and Progress Committee (AC/4(PP)). That Committee should inform the Council of its determination. The Consultants recommend that these 14 documents be released without reservation.

<sup>1</sup> The MBC report to the Council on the criteria used in deciding whether certain items should be included in an international military budget or in infrastructure programs follows MBC-R(52)37 of 7.8.52.

<sup>2</sup> The Board decided that the replies to the questionnaire should be regarded as working documents for the Board itself and should, therefore, not be distributed as official NATO documents.

<sup>3</sup> Annexed is "Briefing by General Garland." Addendum of 25.10.56 is 16 charts used by General Garland at briefing along with additional information on some of the questions put to General Garland on (a) effect of forward scatter implementation on long-lines leasing (savings), (b) the feasibility of automatic switching of long-lines circuits, and (c) the rate for hiring circuits.

<sup>4</sup> AC/115-D/1 of 20.11.56 and Addendum 1 of 22.11.56 [listing SHAPE circuits]; Addendum 2 of 18.12.56 [provision of communications facilities in Europe for SACLANT, i.e., EASTLANT]; AC/115-WP/1 "Effects of the Forward Scatter System on NATO Communications Circuit Requirements;" and AC/115-WP/2, ELLA's comparative survey of the approximate cost involved in hiring PTT circuits in European NATO countries.

<sup>5</sup> "Channel Commands' International L/T Plan" (AC/115-D/4 of 25.1.57), "ACE Permanent Peacetime Signal Communications Network" (AC/115-D/5 of 5.3.57), "ACE Additional Leased Circuit Requirements" (AC/115-D/6 of 6.3.57), and the "Second Supplemental 1957 EASTLANT/AIR-EASTLANT Budget: Activation of Circuits" (MBC-M(57)46 of 19.3.57).

<sup>6</sup> ELLA progress report is C-M(58)6 of 16.1.58, discussed at C-R(58)12 meeting 28.2.58 and further at C-R(58)18 meeting on 2.4.58. ELLA's final report recommending abandoning the study is EL/510(T) of 30.8.58.

<sup>7</sup> See AC/4-D/735 of 11.4.57 on financing of signals communications equipment in war headquarters, and the problems discussed by the AC/115 Ad Hoc Working Group on Communications discussed elsewhere in this Part.

<sup>8</sup> The final version of a draft report prepared by the Financial Controller on 12.2.54 was labeled "Annex" to AC/69-D/2 but was never mimeographed and was distributed only in typescript.

<sup>9</sup> AC/75-D/4 of 9.8.54, D/4(Revised) of 26.11.54 and further amended by the Committee at AC/75-R/9 meeting on 13.12.54. Committee recommendation is in its report, C-M(54)119 of 14.12.54. Council approval of contract and procedure is in Item VI of C-R(54)49 meeting on 15.12.54.

<sup>10</sup> Three addenda supplemented the initial listing: the first covered the reports of the Interim Commission of the proposed European Defence Community (Addendum to ISM(53)6 of 31.3.53); another, the additional data requests of the various Council

Committees (Addendum 2 to ISM(53)6 of 9.4.53); and finally a list of data requests issued by SACLANT (Addendum 3 to ISM(53)6 of 9.4.53). The ISM are listed in Annex V-5 of DES(92)1. These are on microfilm roll 1824.

<sup>11</sup> Some discussion of these questions was raised in the context of the review of the items listed in ISM(53)6 and addenda (AC/45-R/1, Item II, paragraphs 7-10 and 15).

<sup>12</sup> For example, ISM(53)51 of 27.11.53, ISM(54)6 of 15.2.54, ISM(54)20 of 22.7.54, ISM(54)28 of 26.11.54, etc. See Annex V-5 to DES(92)1 for listing of ISM documents for 1955-1958.

<sup>13</sup> FEB-D(51)63 covering July-September 1951, FEB-D(52)3 covering October-December 1951 and FEB-D(52)13 covering January-March 1952.

<sup>14</sup> Previous reports were FEB-D(52)9, a preliminary report on country submissions for the third quarter of 1951, and FEB-D(52)11, a draft report giving country tables and notes for the fourth quarter of 1951.

<sup>15</sup> DR/1-S/3 of 20.5.53 (to 31st December 1952), DR/1-S/7 of 2.6.54 (to 31st December 1953), DR/1-S/11 of 18.7.55 (to 31st December 1954), etc.

<sup>16</sup> Some of the charts attached to this report bear the reference DR/1-S/23 instead of STAT/RA/1957 owing to the late date it was decided to change the reference system.

<sup>17</sup> DPB(CODP)21 of 23.7.51, "Collection of basic data" and Annex III of 10.8.51 [total procurement program by value]. The resulting report, DPB(51)90 of 7.11.51 showed the status of each country's military material procurement program as of 30th June 1951.

<sup>18</sup> The truncated request was for information from column 1 of Table 1, column 1 and 2 of Table 2 and column 1 of Table 3 of ARQ(52) to be submitted by 1st August 1952.

<sup>19</sup> Goal approved at Lisbon in C.9-D/23 and not to be confused with higher requirements that the Military Committee had listed in M.C. 26/1.

<sup>20</sup> The standard of readiness was set out in MRC 12(Final) and two related documents, M.C. 39 and SCS portion of the Report of the Temporary Council Committee. A summary of the Standards was Annex A to STR(52)-3.

<sup>21</sup> The Office of Statistics had given a similar summary covering the first quarter of 1952 (AC/4(PP)-D/34).

<sup>22</sup> Excluded were slice I projects which were financed and completed under Western Union auspices and also projects in Germany financed from occupation funds.

<sup>23</sup> Excluded infrastructure requirements for SACLANT and Channel Command whose infrastructure requirements had not yet been approved by the Council

<sup>24</sup> Information on the physical implementation of the approved programs as of 31st December 1953 could be obtained from various sources including progress reports from the Supreme Commanders to the Standing Group and comments on these reports by the International Staff in Infrastructure Committee documents