

# PART II

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## POLICY AND DECISION-MAKING

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# CHAPTER 1

## THE PRINCIPAL POLICY AND DECISION-MAKING INSTITUTIONS

The principle of consensus decision-making is applied throughout the Alliance, reflecting the fact that it is the member countries that decide and each one of them is involved in the decision-making process. This principle is applied at every level of the Organisation.

The principal policy and decision-making institutions of the Alliance are the North Atlantic Council, the Defence Planning Committee and the Nuclear Planning Group. Each of these plays a vital role in the consultative and decision-making processes that are the bedrock of the cooperation, joint planning and shared security between member countries.

The decisions taken by each of these bodies have the same status and represent the agreed policy of the member countries, irrespective of the level at which they are taken. Subordinate to these senior bodies are specialised committees also consisting of officials representing their countries. This committee structure provides the basic mechanism that gives the Alliance its consultation and decision-making capability, ensuring that each member country can be represented at every level and in all fields of NATO activity.

### Consensus decision-making

NATO decisions are taken on the basis of consensus, after discussion and consultation among member countries. A decision reached by consensus is an agreement reached by common consent and supported by each member country. This implies that when a NATO decision is taken, it is the expression of the collective will of the sovereign states that are members of the Alliance. It is this decision-making process that gives NATO both its strength and its credibility.

When there is disagreement, discussions take place until a decision is reached, and in some circumstances this may be to recognise that agreement is not possible. In general, however, mutually acceptable solutions are normally found. The process is rapid since members consult on a continuous basis and therefore frequently know and understand each other's positions in advance. Consultation is a vital part of the decision-making process. It facilitates communication between members whose prime goal is to ensure that decisions taken collectively are consistent with their national interests.

## The North Atlantic Council

The North Atlantic Council (NAC) has effective political authority and powers of decision, and consists of permanent representatives of all member countries meeting together at least once a week. The Council also meets at higher levels involving foreign ministers, defence ministers or heads of state and government, but it has the same authority and powers of decision-making, and its decisions have the same status and validity, at whatever level it meets. The Council has an important public profile and issues declarations and communiqués explaining the Alliance's policies and decisions to the general public and to governments of countries which are not members of NATO.

The Council is the only body within the Alliance which derives its authority explicitly from the North Atlantic Treaty. The Council itself was given responsibility under the Treaty for setting up subsidiary bodies. Many committees and planning groups have since been created to support the work of the Council or to assume responsibility in specific fields such as defence planning, nuclear planning and military matters.

The Council thus provides a unique forum for wide-ranging consultation between member governments on all issues affecting their security and is the most important decision-making body in NATO. All member countries of NATO have an equal right to express their views round the Council table. Decisions are the expression of the collective will of member governments arrived at by common consent. All member governments are party to the policies formulated in the Council or under its authority and share in the consensus on which decisions are based.

When the Council meets at the level of ambassadors or permanent representatives of the member countries, it is often referred to as the "Permanent Council". Twice a year, and sometimes more frequently, it meets at ministerial level, either in formal or informal session, when each country is represented by its minister of foreign affairs. Meetings of the Council also take place in defence ministers' sessions. Summit meetings attended by heads of state or government are held whenever particularly important issues have to be addressed or at seminal moments in the evolution of Allied security policy.

While the Council normally meets at least once a week, it can be convened at short notice whenever necessary. Its meetings are chaired by the Secretary General of NATO or, in his absence, by his Deputy. The longest serving permanent representative on the Council assumes the title of Dean of the Council. Primarily a ceremonial function, the Dean may be called upon to play a more specific presiding role, for example in convening meetings and chairing discussions at the time of the selection of a new secretary general.

At ministerial meetings of foreign ministers, one country's foreign minister assumes the role of honorary president. The position rotates annually among the member countries in the order of the English alphabet. An order of precedence in the Permanent Council is established on the basis of length of service, but at meetings of the Council at any level, permanent representatives sit round the table in order of nationality, in English alphabetical order. The same procedure is followed throughout the NATO committee structure.

Items discussed and decisions taken at meetings of the Council cover all aspects of the Organisation's activities and are frequently based on reports and recommendations prepared by subordinate committees at the Council's request. Equally, subjects may be raised by any one of the national representatives or by the Secretary General. Permanent representatives act on instructions from their capitals, informing and explaining the views and policy decisions of their governments to their colleagues round the table. Conversely they report back to their national authorities on the views expressed and positions taken by other governments, informing them of new developments and keeping them abreast of movement towards consensus on important issues or areas where national positions diverge.

When decisions have to be taken, action is agreed upon on the basis of unanimity and common accord. There is no voting or decision by majority. Each member country represented at the Council table or on any of its subordinate committees retains complete sovereignty and responsibility for its own decisions.

The work of the Council is prepared by subordinate Committees with responsibility for specific areas of policy. Much of this work involves the Senior Political Committee (SPC), consisting of deputy permanent representatives, sometimes reinforced by appropriate national experts, depending on the subject. In such cases it is known as the SPC(R). The Senior Political Committee has particular responsibility for preparing most statements or communiqués to be issued by the Council and meets in advance of ministerial meetings to draft such texts for Council approval. Other aspects of political work may be handled by the regular Political Committee, which consists of political counsellors or advisers from national delegations. Similarly, the work of the Defence Planning Committee and the Nuclear Planning Group (NPG) is prepared by the Defence Review Committee and the NPG Staff Group respectively, and by other senior committees.

When the Council meets at the level of defence ministers or is dealing with defence matters and questions relating to defence strategy, other senior committees, such as the Executive Working Group, may be involved as the principal advisory bodies. If financial matters are on the Council's agenda, the Senior Resource Board, or the Civil or Military Budget Committees, or the

Infrastructure Committee, depending on which body is appropriate, will be responsible to the Council for preparing its work. Depending on the topic under discussion, the respective senior committee with responsibility for the subject area assumes the leading role in preparing Council meetings and following up on Council decisions.

The work of the Council is supported by the relevant divisions and offices of the International Staff, and in particular by the Council Secretariat, which coordinates Council activities and ensures that Council mandates are executed and its decisions recorded and disseminated.

## **The Defence Planning Committee**

The Defence Planning Committee (DPC) is normally composed of permanent representatives but meets at the level of defence ministers at least twice a year, and deals with most defence matters and subjects related to collective defence planning. With the exception of France, all the member countries are represented in this forum. The Defence Planning Committee provides guidance to NATO's military authorities and, within its scope of activity, has the same functions and attributes and the same authority as the Council on matters within its area of responsibility.

The work of the Defence Planning Committee is prepared by a number of subordinate committees with specific responsibilities and in particular by the Defence Review Committee, which oversees the force planning process within NATO and examines other issues relating to the integrated military structure. Like the Council, the Defence Planning Committee looks to the senior committee with the relevant specific responsibility for the preparatory and follow-up work arising from its decisions.

## **The Nuclear Planning Group**

The Defence Ministers of member countries which take part in NATO's Defence Planning Committee meet at regular intervals in the Nuclear Planning Group (NPG), where they discuss specific policy issues associated with nuclear forces. These discussions cover a broad range of nuclear policy matters including the safety, security and survivability of nuclear weapons, communications and information systems, deployment issues and wider questions of common concern such as nuclear arms control and nuclear proliferation. The Alliance's nuclear policy is kept under review and decisions are taken jointly to modify or adapt it in the light of new developments and to update and adjust planning and consultation procedures.

The work of the Nuclear Planning Group is prepared by an NPG Staff Group composed of members of the national delegations of the countries participating in the NPG, members of the International Military Staff and representatives of the Strategic Commanders. The Staff Group carries out detailed work on behalf of the NPG Permanent Representatives. It meets once a week and at other times as necessary.

The High Level Group (HLG) is a senior advisory body to the NPG on nuclear policy and planning issues. The High Level Group is also charged with overseeing nuclear weapons safety, security and survivability matters. The Group is chaired by the United States and is composed of national policy-makers and experts from capitals as well as members of NATO's International Staffs and representatives of the Strategic Commanders. It meets several times a year to discuss aspects of NATO's nuclear policy, planning and force posture, and matters concerning the safety, security and survivability of nuclear weapons.

## **The Military Committee**

The Military Committee is the senior military authority in NATO under the overall political authority of the Council, the Defence Planning Committee or the Nuclear Planning Group. It is an integral part of the policy and decision-making apparatus of the Alliance and provides an essential link between the political decision-making process within the North Atlantic Council, Defence Planning Committee and Nuclear Planning Group and the integrated command structures of NATO charged respectively with the conduct of military operations and the further military transformation of the Alliance.

The Military Committee is also responsible for overseeing the development of NATO's military policy and doctrine and for providing guidance to the NATO Strategic Commanders. The Strategic Commanders are responsible to the Military Committee for the overall direction and conduct of all Alliance military matters within their fields of responsibility. The Military Committee is supported in its activities by the International Military Staff.

## **The consultative process**

Policy formulation and implementation, in an Alliance of independent sovereign countries, depends on all member governments being fully informed of each other's overall policies and intentions as well as the underlying considerations which give rise to them. This calls for regular political consultation, whenever possible during the policy-making stage of deliberations before national decisions have been taken.

Political consultation in NATO began as a systematic exercise when the Council first met in September 1949, shortly after the North Atlantic Treaty came into force. Since that time it has been strengthened and adapted to suit new developments. The principal forum for political consultation remains the Council. Its meetings take place with a minimum of formality; discussion is frank and direct. The Secretary General, by virtue of his chairmanship, plays an essential part in its deliberations and acts as its principal representative and spokesman both in contacts with individual governments and in public affairs.

Consultation also takes place on a regular basis in other fora, all of which derive their authority from the Council. The Political Committee at senior and other levels, the Policy Coordination Group, the Atlantic Policy Advisory Group and other special committees all have a direct role to play in facilitating political consultation between member governments. Like the Council, they are assisted by an International Staff responsible to the Secretary General of NATO.

Political consultation among the members of the Alliance is not limited to events taking place within the Euro-Atlantic area. Events elsewhere that have potential implications for the Alliance regularly feature on the agenda of the Council and its subordinate committees. The consultative machinery of NATO is readily available and extensively used by the members in such circumstances, in order to identify at an early stage areas where, in the interests of security and stability, coordinated action may be taken.

Neither is the need for consultation limited to political subjects. Wide-ranging consultation takes place in many other fields. The process is continuous and takes place on an informal as well as a formal basis with a minimum of delay or inconvenience, as a result of the collocation of national delegations to NATO within the same headquarters. Where necessary, it enables intensive work to be carried out at short notice on matters of particular importance or urgency with the full participation of representatives from all the governments concerned.

Consultation within the Alliance takes many forms. In its most basic form it simply involves the exchange of information and opinions. At another level, it covers the communication of actions or decisions which governments have already taken or may be about to take and which have a direct or indirect bearing on the interests of their Allies. It may also involve providing advance warning of actions or decisions to be taken by governments in the future, in order to provide an opportunity for them to be endorsed or commented upon by others. It can encompass discussion with the aim of reaching a consensus on policies to be adopted or actions to be taken in parallel. And ultimately it is designed

to enable member countries to arrive at mutually acceptable agreements on collective decisions or on action by the Alliance as a whole.

By making their joint decision-making process dependent on consensus and common consent, the members of the Alliance safeguard the role of each country's individual experience and outlook while at the same time availing themselves of the machinery and procedures which allow them jointly to act rapidly and decisively if circumstances require them to do so. The practice of exchanging information and consulting together on a daily basis ensures that governments can come together at short notice whenever necessary, often with prior knowledge of their respective preoccupations, in order to agree on common policies. If need be, efforts to reconcile differences between them will be made in order that joint actions may be backed by the full force of decisions to which all the member governments subscribe. Once taken, such decisions represent the common determination of all the countries involved to implement them in full. Decisions which may be politically difficult, or which face competing demands on resources, thus acquire added force and credibility.

All NATO member countries participate fully in the political level of cooperation within the Alliance and are equally committed to the terms of the North Atlantic Treaty, not least to the reciprocal undertaking made in Article 5 which symbolises the indivisibility of their security – namely to consider an attack against one or more of them as an attack upon them all.

The manner in which the Alliance has evolved ensures that variations in the requirements and policies of member countries can be taken into account in their positions within the Alliance. This flexibility manifests itself in a number of different ways. In some cases, differences may be largely procedural and are accommodated without difficulty. Iceland, for example, has no military forces and is therefore represented in NATO military forums by a civilian if it so wishes. In other cases the distinctions may be of a more substantive nature. France, a founding member of the Alliance in 1949, withdrew from the Alliance's integrated military structure in 1966 while remaining a full member of its political structures.

Distinctions between NATO member countries may also exist as a result of their geographical, political, military or constitutional situations. The participation of Norway and Denmark in NATO's military dispositions, for example, must comply with national legislation which does not allow foreign forces or nuclear weapons to be stationed on their national territory in peacetime. In another context, military commands within the integrated military structure may involve only the forces of those countries directly concerned or equipped to participate in the specific function for which the command has been created.

## **Consultations with Partner countries, other non-member countries and contact countries**

Cooperation with non-member countries of NATO is an integral part of the Alliance's security policy and plays a fundamental role in its day-to-day work. Through its pursuit of cooperation and different forms of partnership with non-member countries, NATO not only increases security and stability for its Partner countries but also reinforces its own security. Partnership and cooperation are therefore part of a two-way process benefiting both Partner countries and member countries. It provides the opportunity for each of them to discuss security issues and cooperate in different fields, helping to overcome divisions and potential areas of disagreement that could lead to instability and conflict.

Regular consultations on relevant political issues take place with Partner countries in the context of the Euro-Atlantic Partnership Council, with Russia through the NATO-Russia Council, with Ukraine through the NATO-Ukraine Commission, and with participants in NATO's Mediterranean Dialogue through the Mediterranean Cooperation Group. NATO has also offered a framework for cooperation with countries of the broader Middle East, through the Istanbul Cooperation Initiative, and maintains a consultative forum for cooperation with countries in the Balkans, through the South-East Europe Initiative.

The principles which guide consultations in these forums are modelled on those which have long formed the basis for consultations within the Alliance itself and are conducted with the same openness and spirit of cooperation. The role of each of these institutions and the manner in which Partner and other non-member countries participate in the decision-making process with respect to NATO-led operations or actions to which they contribute are described in more detail in Part VII. Finally, there are provisions for NATO consultations with any active participant in the Partnership for Peace, if that Partner perceives a direct threat to its territorial integrity, political independence or security.

The process of cooperation at the national level is reinforced by cooperation between NATO and a number of other multinational organisations with a critical role to play in security-related matters. NATO does not therefore work in isolation. In addition to the tasks in which it plays the leading role, it acts to support and complement the work of other organisations in laying the foundation for a safer, more stable and more peaceful international environment in which economies can prosper and individuals flourish. In particular, NATO has undertaken military operations to support the principles and resolutions of the United Nations. It is working closely with its European member countries in developing an effective strategic partnership between the Alliance and the European Union. And the Alliance works closely in different contexts with the Organization for Security and Co-operation in Europe (OSCE), the Council of

Europe and other international organisations and non-governmental organisations. These various relationships are described in Part IX.

Although NATO has no formal institutional links with individual countries outside the framework of the bilateral and multilateral structures described above, the Alliance's role in the security of today's world leads many other countries to seek up-to-date information about NATO policies and activities, to remain in touch and to consider participating in specific projects. The various operational roles undertaken by the Alliance have also served to increase interaction with countries contributing to such efforts.

In such cases, in accordance with guidance issued by the North Atlantic Council, cooperation is considered on a case-by-case basis. Decisions are taken in the light of mutual benefits, potential costs, the priority given to cooperation with Partner countries and the extent to which the values that the Alliance represents are shared.

Contacts and exchanges take place with a number of countries, referred to as "contact countries", that have indicated their wish to establish dialogue with the Alliance. For a number of years, NATO has participated in a regular exchange of views at all levels with Japan. More recently, the Alliance has also responded positively to China's interest in informal contacts. Regular contacts at all levels with other countries like New Zealand and Australia have also been developed. In some cases these dialogues may be complemented by participation in specific NATO activities or joint participation in events.

The NATO-led operations in the Balkans, in the Mediterranean and in Afghanistan as well as the training mission in Iraq agreed upon in June 2004 provide concrete examples of practical cooperation between the Alliance and countries that are neither members of it nor linked to it through formal partnerships. Countries that have contributed forces to these operations include Argentina, Australia, Chile, New Zealand and the United Arab Emirates.



# CHAPTER 2

## CRISIS MANAGEMENT

The Alliance's Strategic Concept of 1999 identifies crisis management as one of NATO's fundamental security tasks. It commits the Alliance to stand ready to contribute to effective conflict prevention and to engage actively in crisis management, including crisis response operations. This requirement is fulfilled through a combination of effective consultation procedures, crisis management arrangements, military capabilities, and civil emergency planning preparations.

From the earliest years of its existence, NATO's basic task was to develop a defence planning process combined with the military capabilities needed to ensure that the Alliance had the capacity to deal with collective defence operations under Article 5 of the Treaty. However, it is only during its more recent history that NATO has taken decisions that have resulted in non-Article 5 operations outside the territory of member countries, designed to prevent a conflict from spreading and from threatening to destabilise other countries in the region, including NATO member or Partner countries. Simultaneously, the Alliance has undertaken a range of measures to develop its capacity to respond to non-Article 5 crisis situations.

### Developments since the early 1990s

An increasingly important part of NATO's role in the years since the end of the Cold War has therefore been the unique contribution it has been able to make to efforts by the wider international community to prevent conflict from occurring and, when it does occur, to restore and preserve peace. In June 1992, at a meeting of the North Atlantic Council in Oslo, NATO offered to support, on a case-by-case basis and in accordance with its own procedures, peacekeeping and other operations under the responsibility of the Conference for Security and Co-operation in Europe (which became the Organization for Security and Co-operation in Europe (OSCE) in 1995). A few months later, the same commitment was made with respect to peacekeeping operations under the authority of the United Nations. The Alliance stood ready to respond positively to initiatives that the UN Secretary General might take in seeking NATO assistance in implementing UN Security Council resolutions.

Between 1992 and 1995 NATO undertook a number of monitoring and enforcement operations in support of successive UN Security Council Resolutions relating to the continuing crisis and deteriorating situation in the

former Yugoslavia. However, the NATO-led Implementation Force (IFOR) in Bosnia and Herzegovina, created in December 1995 to implement the military aspects of the Dayton Peace Agreement that ended the Bosnian conflict, was the first major manifestation of this policy. Since that time the Alliance has undertaken further peace-support operations and crisis management tasks in Bosnia and Herzegovina, Kosovo, the former Yugoslav Republic of Macedonia\* and Afghanistan, in cooperation with the United Nations, the OSCE and the European Union. In August 2003 it took over the leadership of the International Security Assistance Force (ISAF) in Afghanistan. In August 2004, a NATO Training Mission for Iraq was established to assist the Iraqi government in training and building up its own national security forces. In May 2005, NATO decided to assist the African Union in Sudan. These operations are described in more detail in Part IV.

## **Varying forms of crises and crisis response**

Crisis management can involve both military and non-military measures to respond to a crisis situation threatening national or international security. A crisis may be essentially political in nature, or military, or humanitarian, and may be caused by political disputes or armed conflict, technological incidents or natural disasters. Crisis management consists of the different means of dealing with these varying forms of crises.

In practice, the national or international response to a crisis, or to an evolving situation that threatens to become a crisis, depends on the nature, scale and seriousness of the situation. In some cases, it may be possible to anticipate and prevent a crisis through diplomacy or other measures. At other times more robust measures may be necessary, including military action. Moreover, depending on the nature of the crisis, different types of crisis management operation may be contemplated by national authorities.

Within NATO, there are now two broad categories of crisis management operations that member countries may consider, namely operations calling for collective defence, and other crisis response operations in which collective defence is not involved.

Collective defence operations are based on the invocation of Article 5 of the North Atlantic Treaty and are referred to as “Article 5 operations”. They carry the implication that the decision has been taken collectively by NATO members to consider an attack or act of aggression against one or more members as an attack against all. NATO has invoked Article 5 once in its history, in September 2001, following the terrorist attacks against the United States.

Other crisis response operations include all military operations that the Alliance may decide to conduct in a non-Article 5 situation. They may be designed to support the peace process in a conflict area and, in those circumstances, are referred to as peace support operations. However, they include a range of other possibilities including conflict prevention, peacekeeping and peace enforcement measures, peace-making, peace-building, preventive deployment and humanitarian operations. NATO's involvement in the Balkans and Afghanistan are examples of crisis management operations in this category. Other illustrations include NATO's supporting role for Polish troops participating in the International Stabilisation Force in Iraq and the acceptance of responsibility for assisting the Iraqi government with the training of its national security forces by launching the NATO Training Mission for Iraq referred to above.

Natural, technological or humanitarian disasters may also result in intervention that comes within the category of crisis response operations and involves operations to assist member and partner countries that are victims of major incidents. NATO provided assistance to Pakistan following the catastrophic earthquake in October 2005 and, on different occasions, has also lent assistance to Ukraine, which has frequently been devastated by floods. Other examples are given in later chapters.

## **Cooperation with other organisations and with non-NATO countries**

NATO decides whether to engage in a crisis management operation on a case-by-case basis. Such decisions, as with all other Alliance decisions, are based on a consensus among the member countries. In many of the operational situations in which it has taken on responsibilities, cooperation and partnership with other organisations has been an important factor. Effective cooperation with the United Nations and with UN agencies on the ground, cooperation with the Organization for Security and Co-operation in Europe (OSCE), NATO's growing strategic partnership with the European Union in which support has been made available for EU-led operations using NATO assets and capabilities – all these have played a significant role in meeting the specific needs of different forms of crisis. Equally significant has been the Alliance's expanding cooperation in crisis management situations with non-NATO countries that are partners in the Euro-Atlantic Partnership Council (EAPC) or in the Alliance's Mediterranean Dialogue.

## **Policy evolution**

Readiness to respond to a crisis threatening the security of its member countries by invoking Article 5 of the Treaty and by implementing the mutual guarantees called for under Article 5 has been a fundamental obligation of NATO member countries from the outset. As such it plays an integral part in NATO's defence planning arrangements, which are designed to deter any possible threat and to stand ready, should deterrence fail, to take the action decided upon by the member countries at the political level to restore and maintain the security of the North Atlantic area. Throughout the Cold War years it was widely assumed that the only circumstances in which Article 5 would have to be invoked would be a crisis threatening the security of the European Allies. On the only occasion Article 5 has been invoked, it was in order to enable the allies of the United States to provide assistance in the wake of the terrorist attacks of 11 September 2001.

The need for the Alliance to consider undertaking military operations in response to non-Article 5 situations emerged during the early years following the end of the Cold War, the disintegration of the Warsaw Pact and the collapse of the Soviet Union. In a number of areas both within and on the borders of the former Soviet Union and in the Balkans, past tensions resurfaced and violent conflicts broke out among ethnic groups, whose rights in many cases had been suppressed for half a century. Nor did the struggle for independence in many of the newly emerging states take place without tensions and the potential for conflict.

When major ethnic conflict broke out in the former Yugoslavia in 1992 and repeated international efforts failed to resolve the crisis, NATO member governments took a series of unprecedented decisions to use the Alliance's military capabilities in an operational role. Other non-Article 5 crisis management operations were to follow (see Part V).

## **Disaster relief operations**

Crisis management is a broad concept that goes beyond military operations and may include issues such as the protection of populations threatened by or falling victim to natural or man-made disasters. NATO began developing civil protection measures for the eventuality of nuclear conflict as early as the 1950s and was able to take advantage of capabilities in this field to mitigate the effects of disasters caused by major flooding, earthquakes, incidents involving major industrial or technological disasters, and humanitarian crises.

In 1953, the first disaster assistance scheme was implemented following devastating flooding in northern Europe, and in 1958 NATO established

detailed procedures for the coordination of assistance between member countries in case of disaster. These procedures remained in place and provided the basis for civil emergency planning work in subsequent years. They were comprehensively reviewed in 1995 when they became applicable to Partner countries in addition to NATO member countries.

In 1998, a Euro-Atlantic Disaster Response Co-ordination Centre (EADRCC) was established, on the basis of a Russian proposal, to coordinate aid provided by different member and Partner countries to a disaster-stricken area in any one of them. A Euro-Atlantic Disaster Response Unit was also established based on non-permanent civil and military elements volunteered by member or Partner countries for deployment to a disaster area. Soon after its creation, the EADRCC was called upon to help to coordinate humanitarian assistance for Kosovo refugees in support of the United Nations High Commissioner for Refugees. Civil emergency planning measures have also enabled intervention in numerous civil emergencies in cases of flooding in Albania, Czech Republic, Hungary, Romania, Ukraine and the United States; earthquakes in Turkey and Pakistan; fires in the former Yugoslav Republic of Macedonia\* and in Portugal; and extreme weather conditions knocking out the power supply in Ukraine and Moldova. NATO also conducts civil emergency planning exercises on a regular basis. Further details of the arrangements and structures relevant to these aspects of crisis management are given in Part X.

## **Decision-making on crisis management**

In responding to a situation calling for crisis management arrangements, decisions are taken by the governments of NATO member countries collectively in the framework of the North Atlantic Council. They may include political and military measures as well as measures to deal with civil emergencies, depending on the nature of the crisis. All decisions on the planning, deployment or use of military forces are taken only with the political authorisation of the member countries. Such decisions may result in the use of different mechanisms to deal with the crises such as exchanging intelligence, information and other data, comparing different perceptions and approaches, and other measures aimed at harmonising views among the member countries. In reaching and implementing its decisions, the Council may be supported by specialised committees such as the Political Committee, the Policy Coordination Group, the Military Committee and the Senior Civil Emergency Planning Committee. It will also make full use of and draw on the communications and information systems available to it, including the NATO Situation Centre, which collects and disseminates political, economic and military intelligence and information on a permanent and continuous basis, every single day of the year.

In any crisis, NATO may take the lead or play a supporting role in the context of a crisis management activity undertaken under the responsibility of the United Nations, the OSCE, the European Union, or by one or more NATO member countries. In either case, the focus of NATO's involvement is on making a significant and distinct contribution to successful conflict management and resolution.

## **The crisis management process**

The Alliance must be prepared to conduct the full range of Article 5 and non-Article 5 missions in circumstances that in many cases will be difficult to predict since, to some extent, every crisis is unique. Nonetheless, the process by which the Alliance addresses and seeks to manage and resolve a crisis can be planned with reasonable confidence. The crisis management process is designed to facilitate political consultation and decision-making at a sufficiently early stage in an emerging crisis to give the appropriate NATO committees time to coordinate their work and submit timely advice to the Council. It also allows the Supreme Allied Commander Europe, as the Strategic Commander responsible for Allied Command Operations, to undertake preparatory planning measures in a reasonable timeframe. These activities may in turn contribute early on to the advice provided to the Council by NATO's military authorities.

In an emerging crisis calling for possible crisis response operations, the crisis management process consists of five successive phases ranging from initial indications and warning of an impending crisis, assessment of the situation and its actual or potential implications for Alliance security, development of recommended response options, and planning and execution of the Council's decisions.

The effectiveness of the crisis response system and of NATO's overall crisis management process may be determined to a great extent by the effectiveness and efficiency of the structures and procedures of the NATO Headquarters Crisis Management Organisation, which have to be responsive, flexible and adaptable. They must also facilitate the seamless and smooth inter-operation of the other main elements of the crisis management process, namely the NATO Crisis Response System (NCRS), the NATO Intelligence and Warning System (NIWS), NATO's operational planning system, and NATO Civil Emergency Planning crisis management arrangements. The NATO Situation Centre supports the process with communications and other essential facilities.

In the light of decisions taken at the Washington Summit meeting in 1999 to transform NATO structures and capabilities, the crisis management tools in place were considered to be no longer sufficiently well adapted to the risks and

challenges that the Alliance might face. Accordingly, in August 2001, the North Atlantic Council approved policy guidelines with a view to developing a single, fully integrated NATO Crisis Response System (NCRS).

The terrorist attacks on the United States in September 2001 brought new urgency to this task and a new dimension to the NATO's crisis management framework, which had hitherto focused primarily on requirements for collective defence. In June 2002, the Council also provided political guidance for the development of a Military Concept for Defence Against Terrorism. An important result of this decision has been the introduction of measures to strengthen civil emergency planning for Article 5 and non-Article 5 contingencies, as well as the management of the consequences of civil emergencies or disasters resulting from the use of chemical, biological, radiological or nuclear (CBRN) agents.

In view of new risks, as well as the need for the Alliance to be able to address more complex and demanding crisis management requirements, including the possibility of NATO support for non-NATO operations involving one or more member countries, further far-reaching decisions have been taken with regard to NATO's overall defence posture. These have resulted in a new force posture and a new command structure, transformation of staff structures, new measures relating to defence against terrorism, the establishment of the NATO Response Force, improvements in capabilities, the development of the strategic partnership with the European Union, enhanced cooperation with Partner countries, and reinforcement of the Alliance's Mediterranean Dialogue.

The NATO Crisis Response System under development takes full account of, and complements these new NATO concepts, capabilities and arrangements. It aims to provide the Alliance with a comprehensive set of options and measures to manage and respond to crises appropriately, taking full advantage of the tools and capabilities being introduced as a result of decisions taken by NATO heads of state and government at successive summit meetings.

Exercises to test and develop crisis management procedures are held at regular intervals in conjunction with national capitals and NATO Strategic Commanders. Such exercises and the arrangements, procedures and facilities on which the crisis management process depends are coordinated by the Council Operations and Exercise Committee (COEC).

Crisis management activities involving NATO's Partner countries are also coordinated by the COEC and are among the agreed fields of activity in the Euro-Atlantic Partnership Work Plan and in Individual Partnership Programmes. They include briefings and consultations, expert visits, crisis management courses, Partner country participation in an annual NATO-wide

crisis management exercise, and the provision of generic crisis management documents to interested Partner countries.

The coordination of crisis management responses to disasters or emergencies in the Euro-Atlantic area takes place in the framework of the Euro-Atlantic Disaster Response Coordination Centre (EADRCC). The Centre's role is to facilitate the coordination of responses to civil emergencies or disasters, including the management of consequences resulting from terrorist attacks. The Centre, which can be augmented if necessary, is able to operate on a 24/7 basis if circumstances require.

# CHAPTER 3

## THE DEFENCE PLANNING DIMENSION

In the present political and strategic environment in Europe, the success of the Alliance's role in preserving peace and preventing war depends, even more than in the past, on the effectiveness of preventive diplomacy and on the successful management of crises affecting security. The political, economic, social and environmental elements of security and stability are thus taking on increasing importance.

Nonetheless, the defence dimension of the Alliance is the concrete expression of the Alliance's overall deterrent role with regard to the defence of its member countries and thereby contributes to the maintenance of stability in Europe. The maintenance of an adequate military capability and clear preparedness to act collectively in the common defence remain central to the Alliance's security objectives. Ultimately this capability, combined with political solidarity, is designed to prevent any attempt at coercion or intimidation, and to ensure that military aggression directed at the Alliance can never be perceived as an option with any prospect of success, thus guaranteeing the security and territorial integrity of member states and protecting Europe as a whole from the consequences which would ensue from any threat to the Alliance.

At the same time, defence planning is the basis for all NATO's crisis management and military operations. Its scope has been extended to enable NATO to react to a much wider range of contingencies than in the past and Alliance forces have been radically reorganised in order to enable the full range of defence policy and plans, from conventional deterrence to conflict resolution, peace support, humanitarian intervention and other operational tasks to be fulfilled.

The framework for NATO's defence planning process is provided by the underlying principles which are the basis for collective security as a whole: political solidarity among member countries, the promotion of collaboration and strong ties between them in all fields where this serves their common and individual interests, the sharing of roles and responsibilities and recognition of mutual commitments, and a joint undertaking to maintain adequate military forces to support Alliance strategy and policy.

In determining the size and nature of their contribution to collective defence, member countries of NATO retain full sovereignty and independence of action. Nevertheless, the nature of NATO's defence structure requires that in reaching their individual decisions, member countries take into account the overall needs of the Alliance. They therefore follow agreed defence planning

procedures which provide the methodology and machinery for determining the forces needed for the implementation of Alliance policies, for coordinating national defence plans and for establishing force planning goals which are in the interests of the Alliance as a whole.<sup>1</sup> The planning process takes many factors into account, including changing political circumstances, assessments provided by NATO's strategic military commanders of the forces required to fulfil their tasks, technological developments, the importance of an equitable division of roles, risks and responsibilities within the Alliance, and the individual economic and financial capabilities of member countries. The process thus ensures that all relevant considerations are jointly examined to enable the best use to be made of collective national resources which are available for NATO roles.

Close coordination between international civil and military staffs, NATO's military authorities, and governments is maintained through an annual exchange of information on national plans. This exchange of information enables each country's intentions to be compared with NATO's overall requirements and, if necessary, to be reconsidered in the light of new ministerial political directives, modernisation requirements and changes in the roles and responsibilities of the forces themselves. All these aspects are kept under continual review and are scrutinised at each stage of the defence planning cycle.

## **Review of the defence planning process**

Following a review ordered by defence ministers in 2003, heads of state and government at the 2004 Istanbul Summit welcomed changes to make the Alliance's planning processes more responsive to current and future operational requirements. The agreed changes support the further transformation of Alliance military capabilities through a coherent and streamlined process designed to ensure that NATO continues to develop the forces and capabilities needed to conduct the full range of Alliance missions. This includes providing support for operations which might be led by the European Union in the context of its strategic partnership with NATO. Also in that context, the process enables all European Allies to benefit from NATO support in the context of their operational planning for the conduct of EU-led operations.

Since 1991, the starting point for defence planning has been the Alliance's Strategic Concept, which sets out in broad terms Alliance objectives and the means for achieving them. The original Strategic Concept has been superseded by the Alliance's new Strategic Concept approved by NATO heads of state at their Washington Summit meeting in April 1999. The review of defence

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<sup>1</sup> France does not take part in NATO's force planning arrangements.

planning conducted by the Defence Review Committee during 2003 and 2004, which resulted in changes designed to facilitate the transformation of NATO's military capabilities, also takes the Strategic Concept as its starting point, together with the development of the Alliance's new tasks and challenges and the evolution of the security environment as a whole.

While defence planning in the broadest sense embraces a wide spectrum of planning disciplines ranging from force and armaments planning to aspects such as logistics, standardisation, nuclear planning, communications, civil emergency planning, air defence (see Part X), and resource planning (see Part II), the area of defence planning examined in the course of the above review encompasses NATO's force planning procedures and their relationship with these disciplines. The role of defence planning in this context is to provide a framework which permits national and multinational defence planning arrangements to be harmonised in order to meet the Alliance's agreed requirements in the most effective way. The aim is to ensure the availability of national forces and capabilities required for the full range of Alliance missions by setting targets for implementation and assessing the degree to which these targets are being met.

The conclusions of the review recommended the retention of the basic principles of the defence planning process as it has evolved, including its three-pillar structure. This is based, firstly, on overall political guidance, secondly on the adoption of agreed planning targets to fulfil the objectives established in the guidance, and lastly on a systematic review process to monitor, and where necessary adjust or correct, the implementation of the targets. However, changes have been introduced that affect the duration of the planning cycle and the periodicity of the steps it involves. Changes in the procedures for the development of political guidance and the levels at which it is drawn up have also been made, introducing a distinction between the Comprehensive Political Guidance agreed upon at a high level and the more detailed guidance routinely elaborated as part of the normal procedures of the defence planning process within NATO under the authority of the North Atlantic Council or the Defence Planning Committee.

Political guidance will include consideration of a concept known as NATO's "level of ambition". This refers to the agreed assessment by the member governments of the number, scale and nature of operations that NATO should be able to conduct. With regard to force planning, in addition to that assessment, political guidance also encompasses the guidance agreed by defence ministers meeting in the Defence Planning Committee and supplementary guidance that may be agreed by the Defence Planning Committee meeting in permanent session at the level of ambassadors.

Two further specific areas covered by the review and leading to changes in the defence planning process should also be mentioned. Firstly, the review allows for the incorporation, within the planning procedures, of measures to enhance cooperation between NATO and the European Union in the field of defence planning and the improvement of capabilities. This is designed to enable the question of the availability of forces for EU-led operations to be addressed in a more comprehensive manner. And secondly, the review recognises the need for better coordination and harmonisation of all defence planning disciplines across the board and includes provision for further work to be done in appropriate areas to bring this about.

In accordance with the review's recommendations, the guidance required as the first step in the process is issued by defence ministers every four years, with the possibility of a biennial update if necessary, in a document known as "Ministerial Guidance". This gives guidance on defence planning in general and force planning in particular, reflecting political, economic, technological and military factors which could affect the development of forces and capabilities, and their strategic implications. It sets out the priorities and areas of concern to be addressed by the NATO Military Authorities in drawing up their force goals in the first instance, and secondly by countries in their own planning. It deals with planning for forces and capabilities required both for collective defence and for contingencies falling outside the scope of Article 5 of the Washington Treaty. It may also provide guidance on cooperation with other organisations and, since 1997, has included political guidance defining the likely scope of European-led operations.

## **Planning targets and force goals**

Specific planning targets for the armed forces of each member country are developed on the basis of ministerial guidance. These targets, for which the starting point is the identification of military requirements by the NATO Strategic Commands, incorporate NATO force goals developed from draft force proposals put forward by Allied Command Transformation and designed to enable Allied Command Operations to accomplish the full range of operational missions that may be assigned to it by the North Atlantic Council. The draft proposals are subsequently discussed with individual nations and if necessary amended, prior to being examined collectively by the NATO Military Committee. That examination takes into account the military validity and technical feasibility of the proposals and, based on the Military Committee's conclusions, results in draft force goals that are then submitted to the Defence Planning Committee for its approval and formal adoption as NATO force goals. The force goals may be complemented in some cases by reinvestment goals, which are drawn up in response to requests by member governments. These combine, on the one

hand, the identification of force elements that are no longer needed to meet Alliance requirements and can be eliminated and, on the other hand, the identification of other priority capabilities which may be met by the resources thus freed.

The goals generally cover a four-year period but in certain cases look further into the future. The procedures also make provision for the goals to be updated when circumstances require, normally at the mid-point of the planning cycle.

## **The defence review**

The third leg of the force planning cycle is the defence review process that takes place every second year and is conducted during a period of a little over twelve months. It consists of the individual and collective scrutiny and assessment of the force plans and corresponding financial planning of individual member countries, measured against the yardstick of the agreed NATO force goals for a ten-year planning period.

The defence review serves two purposes. It allows an assessment to be made of the degree to which individual countries are meeting their targets in terms of NATO's force goals, output targets and national usability targets. It also enables an assessment of the extent to which combined Alliance military forces and capabilities are able to meet the political guidelines issued for the current planning cycle. These assessments represent both a measurement and a corrective mechanism, allowing shortcomings to be highlighted as well as areas where increased multinational cooperation may offer advantages. More generally, the assessments provide an evaluation of the extent to which the burden of contributing to Alliance capabilities and military operations is equitably distributed among the member countries.

The conduct of the defence review itself draws on well-established mechanisms beginning with the issuing of a Defence Planning Questionnaire and the analysis of responses to it, resulting in draft Country Chapters based on inputs from NATO's international defence planning staff and from the two Strategic Commands. Following a trilateral meeting with each member country, normally taking place in the respective capitals, revised Country Chapters are subjected to a multilateral examination at the level of the Defence Review Committee. This aims in particular at reconciling possible differences between national and NATO force goals or plans. When this examination has been completed, the Country Chapters are transformed into individual national annexes to a general report to be submitted to the Defence Planning Committee at its spring ministerial meeting.

This process is repeated for each member country participating in NATO's integrated military structure, over a period of several months, culminating in the preparation of a General Report. The latter also includes a report by the Military Committee on the military suitability of the emerging NATO Force Plan and on the degree of military risk associated with it. Finally, the General Report contains a section coordinated with relevant bodies of the European Union, and based on the contributions of relevant European member countries, setting out the extent to which the emerging plan can be expected to meet EU force and capability requirements.

The overall force planning process may contain one further element in the form of an Overall Summary Appraisal of Defence Planning which may be presented at any time by the NATO Secretary General, giving his view of the current and future state of Alliance defence and of its force plans. The appraisal may serve to highlight points relating to specific national plans, identify issues that may need to be discussed by defence ministers, and help to establish links between different spheres of defence planning that might not otherwise be considered in relation to each other.

Many of the above elements of NATO's defence and force planning procedures are increasingly being used within the Partnership for Peace structure as a means of enhancing interoperability between the military structures of NATO and its Partner countries, assisting the process of defence reform within Partner countries and facilitating the participation of Partner countries in NATO-led operations.

## CHAPTER 4

### COMMON-FUNDED RESOURCES, BUDGETS AND FINANCIAL MANAGEMENT

NATO is an intergovernmental organisation to which member countries allocate the resources needed to enable it to function on a day-to-day basis and to provide the facilities required for consultation, decision-making and the subsequent implementation of agreed policies and activities. It is supported by a military structure which provides for the common defence of the member countries, cooperation with NATO's Partner countries and implementation of Alliance policies in peacekeeping and other fields. Since NATO has only a limited number of permanent headquarters and small standing forces, the greater part of each member country's contribution to NATO, in terms of resources, comes indirectly through its expenditure on its own national armed forces and on its efforts to make them interoperable with those of other members so that they can participate in multinational operations. Member countries also incur the deployment costs involved whenever they volunteer forces to participate in NATO-led operations.

Therefore, with few exceptions, NATO funding does not cover the procurement of military forces or of physical military assets such as ships, submarines, aircraft, tanks, artillery or weapon systems. An important exception is the NATO Airborne Early Warning and Control Force, a fleet of radar-bearing aircraft jointly procured, owned, maintained and operated by member countries and placed under the operational command and control of a NATO Force Commander responsible to the NATO Strategic Commanders. NATO also finances investments directed towards collective requirements, such as air defence, command and control systems or Alliance-wide communications systems which cannot be designated as being within the responsibility of any single member country to provide. Such investments are subject to maintenance, renewal and ultimately replacement in accordance with changing requirements and technological developments. The expenditures this requires also represent a significant portion of NATO funding.

Member countries make direct contributions to budgets managed directly by NATO, in accordance with an agreed cost-sharing formula broadly calculated in relation to their ability to pay. These contributions represent a small percentage of each member's overall defence budget and, as a general rule, finance the expenditures of those parts of the NATO structure in which they participate. These contributions, made within the framework of NATO, often follow the principle of common funding.

Projects can also be jointly funded, which means that the participating countries can identify the requirements, the priorities and the funding arrangements, but NATO has visibility and provides political and financial oversight. Joint funding arrangements typically lead to the setting-up of a management organisation and an implementation agency in areas such as aircraft and helicopter production, air defence and logistics. Additionally, NATO member countries can cooperate within the framework of NATO on an ad hoc basis for a range of other, more limited, activities. This cooperation can take the form of trust fund arrangements, contributions in kind, ad hoc cost sharing arrangements and donations.

## **Common funding**

As explained above, the large majority of resources are national. NATO resource planning aims to provide the Alliance with the capabilities it needs, but focuses on the elements that are joined in common funding, that is to say where member pool resources within a NATO framework. When a need for expenditure has been identified, discussions take place among the potential contributing countries to determine whether the principle of common funding should be applied – in other words whether the requirement serves the interests of all the contributing countries and therefore should be borne collectively.

The common funding structure is diverse and decentralised. Certain multinational cooperative activities relating to research, development, production and logistic support do not involve all and, in some instances, may only involve a small number of member countries. These activities, most of which are managed by NATO Production and Logistics Organisations, are subject to the general financial and audit regulations of NATO but otherwise operate in virtual autonomy under charters granted by the North Atlantic Council.

The criteria for common funding are held under constant review and changes may be introduced as a result of new contingencies - for example, the need to develop clear definitions of the parts of NATO's crisis response costs which should be imputed to international budgets and those which should be financed by national budgets. Other changes may result from organisational or technological developments or simply from the need to control costs in order to meet requirements within specific funding limitations. Despite these challenges, the principle of common funding on the basis of consensus remains fundamental to the workings of the Alliance.

Common funding arrangements principally include the NATO Civil and Military Budgets, as well as the NATO Security Investment Programme (NSIP). These are the only funds where NATO authorities identify the requirements and set the priorities in line with overarching Alliance objectives and priorities.

## ***The Civil Budget***

The Civil Budget is formulated on an objective-based framework, which establishes clear links between NATO's Strategic Objectives and the resources required to achieve them. It provides funds for personnel expenses, operating costs, and capital and programme expenditure required to achieve four front-line objectives and three support objectives.

The frontline objectives are:

- providing effective policy, planning and resourcing in support of NATO operations in the Euro-Atlantic region and beyond;
- conducting necessary policy and planning work to promote and support improved Alliance capabilities;
- supporting consultation and cooperative activities with partners to strengthen security and respond to new security challenges and threats to the Euro-Atlantic region;
- building awareness of, and support for, NATO, its operations, and its role in promoting security through public diplomacy.

The support objectives consist in:

- providing professional and support services to the North Atlantic Council, subordinate committees and the International Staff;
- operating and maintaining the NATO HQ facility and site;
- ensuring NATO-wide security policy and providing a safe and secure environment for all HQ staff and operations.

The Civil Budget is funded primarily by the foreign ministries of each member country, supervised by the Civil Budget Committee and implemented by NATO's International Staff.

## ***The Military Budget***

The Military Budget covers the operating and maintenance costs of the international military structure. This includes, for instance, the Military Committee, the International Military Staff, military agencies, the two strategic commands and associated command, control and information systems, research and development agencies and the NATO Airborne Early Warning and Control Force. The military budget also covers the operating costs of the command structures for crisis response operations and missions undertaken by NATO.

It is funded primarily by the ministries of defence of each member country, supervised by the Military Budget Committee and implemented by the individual budget holders.

## ***The NATO Security Investment Programme***

NATO member countries also contribute to the NATO Security Investment Programme (NSIP). This covers major construction and command and control system investments needed to support the roles of the NATO strategic commands, but which are beyond the national defence requirements of individual member countries. Both the Military Budget and the NSIP, are guided by the “over and above” rule: “Common funding will focus on the provision of requirements which are over and above those which could reasonably be expected to be made available from national resources”. The NSIP includes, for example, requirements for crisis response operations and military installations and capabilities such as communications and information systems, air command and control systems, satellite communications, military headquarters, airfields, fuel pipelines and storage, harbours, and navigational aids.

The NSIP is financed by the ministries of defence of each member country and is supervised by the Infrastructure Committee. Projects are implemented either by individual host countries or by different NATO agencies and strategic commands, according to their area of expertise.

## ***Resource management***

Since the mid 1990s, under pressures to optimise the allocation of military common-funded resources, member countries have reinforced NATO’s management structure by promoting the development of capability packages and by establishing the Senior Resource Board (SRB) which has responsibility for overall resource management of NATO’s military resources (i.e. excluding resources covered by the Civil Budget).

The capability packages identify the assets available to and required by NATO military commanders to fulfil specified tasks. They are a prime means of assessing common-funded supplements (in terms of both capital investment and recurrent operating and maintenance costs) as well as the civilian and military manpower required to accomplish the task. These packages are reviewed by the Senior Resource Board composed of national representatives, representatives of the Military Committee and the NATO Strategic Commanders and the Chairmen of the Military Budget, Infrastructure and NATO Defence Manpower Committees. The Board endorses the capability packages from the point of view of their resource implications prior to their approval by the North Atlantic Council or Defence Planning Committee as applicable. It also annually recommends for approval by the North Atlantic Council a comprehensive Medium Term Resource Plan which sets financial ceilings for the following year and planning figures for the four subsequent years.

Within these parameters the Military Budget and Infrastructure and Defence Manpower Committees oversee the preparation and execution of their respective budgets and plans. The Board further produces an Annual Report which allows the North Atlantic Council to monitor the adequacy of resource allocations in relation to requirements and to review the military common-funded resource implications for NATO's common-funded budgets of new Alliance policies.

## **Financial management**

Financial management within NATO is structured to ensure that the ultimate control of expenditure rests with the member countries supporting the cost of a defined activity, and is subject to consensus among them.

Control may be exercised, at all levels of decision-making, either in terms of general limitations (eg., allocation of fixed resources for operating costs), or by specific restrictions (eg., temporary immobilisation of credits or the imposition of specific economy measure). These controls may be stipulated in the terms in which approval of the budget is given or exercised by contributing countries through exceptional interventions in the course of the execution of the budget. The financial managers, such as the Secretary General, NATO Strategic Commanders and Subordinate Commanders and other designated Heads of NATO bodies, have relative discretion to propose and execute their budgets.

No single body exercises direct managerial control over all four of the principal elements of the Organisation's financial structure: the International Staff (financed by the Civil Budget); the international military structure (financed by the Military Budget); the Security Investment Programme; and specialised Production and Logistics Organisations. The latter fall into two groups: those which are financed under arrangements applying to the international military structure; and those which operate under charters granted by the North Atlantic Council, with their own Boards of Directors and finance committees and distinct sources of financing within national treasuries.

### ***Financial management of the organisational budgets***

The financial management of the Civil and Military Budgets differ from that of the Security Investment Programme. Financial regulations provide basic unifying principles around which the overall financial structure is articulated. They are approved by the North Atlantic Council, and are complemented by rules and procedures adapting them to specific NATO bodies and programmes.

The budget is annual, coinciding with the calendar year. It is prepared under the authority of the Head of the respective NATO body, reviewed and recommended for approval on the basis of consensus by a finance committee composed of representatives of contributing member countries, and approved for execution by the North Atlantic Council. Failure to achieve consensus before the start of the financial year entails non-approval of the budget and the financing of operations, under the supervision of the finance committee, through provisional allocations limited to the level of the budget approved for the preceding year. This regime may last for six months, after which the Council is required to decide either to approve the budget or to authorise continuation of interim financing.

When the budget has been approved, the Head of the NATO body has discretion to execute it through the commitment and expenditure of funds for the purposes authorised. This discretion is limited by different levels of constraint prescribed by the Financial Regulations regarding such matters as recourse to competitive bidding for contracts for the supply of goods and services, or transfers of credits to correct over or under-estimates of the funding required. Discretionary authority to execute a budget may be further limited by particular obligations to seek prior approval for commitments and expenditure. These may occasionally be imposed by the finance committee in the interests of ensuring strict application of new policies or of monitoring the implementation of complex initiatives such as organisational restructuring.

## ***Financial management of the NATO Security Investment Programme***

Implementation of the NATO Security Investment Programme has its starting point in the capability packages. Once these have been approved, authorisation of individual projects can commence under the responsibility of the Infrastructure Committee. The Host Nation (either the country on whose territory the project is to be implemented, a NATO agency or a strategic command) prepares an authorisation request. Once the Committee has agreed to the project, the Host Nation can proceed with its final design, contract award and implementation. Unless otherwise agreed by the Infrastructure Committee, the bidding process is conducted among firms from those countries contributing to the project.

The financial management system which applies to the NSIP is based on an international financial clearing process. Host nations report on the expenditure foreseen on authorised projects within their responsibility. Following agreement of the forecasts by the Infrastructure Committee, the International Staff calculates the amounts to be paid by each country and to be received by each

host nation. Further calculations determine the payment amounts, currencies and which nation or NATO agency will receive the funds – these are computed on a quarterly basis. Once a project has been completed, it is subject to a Joint Final Acceptance Inspection to ensure that the work undertaken is in accordance with the scope of work authorised. As soon as this report is accepted by the Infrastructure Committee, it is added to the NATO inventory.

There are several levels of financial reporting. Twice a year the International Staff prepares for each Host Nation Semi-Annual Financial Reports on projects under implementation. Quarterly, the pre-paysheet and paysheet are published. These reports refer to the transfer of funds between host nations. An NSIP Expenditure Profile is prepared every spring, which covers the NSIP expenditure levels for the next 10 years. The NSIP Financial Statements are prepared in the spring of each year. They portray the financial situation of the NSIP as at 31 December of each year and the summary of activity during the year. These statements serve as the baseline for Infrastructure Committee discussion on the state of the NSIP.

## ***Financial control***

With respect to the Military Budget and the Civil Budget, the head of the respective NATO body is ultimately responsible for the correct preparation and execution of the budget, the administrative support for this task is largely entrusted to his Financial Controller. The appointment of this official is the prerogative of the North Atlantic Council, although the latter may delegate this task to the relevant finance committee. Each Financial Controller has final recourse to the finance committee in the case of persistent disagreement with the Head of the respective NATO body regarding an intended transaction. The responsibility for the management of the NSIP finances rests with the Controller for Infrastructure. Through a professional staff, he exercises financial control and implementation oversight.

The Financial Controller is charged with ensuring that all aspects of execution of the budget conform to expenditure authorisations, to any special controls imposed by the finance committee and to the Financial Regulations and their associated implementing rules and procedures. He may also, in response to internal auditing, install such additional controls and procedures as he deems necessary for maintaining accountability.

A major task of the NATO strategic commands' Financial Controllers (i.e., the Financial Controllers of the Supreme Allied Command Europe and the Supreme Allied Command Transformation. See Part III for additional information on these commands) is to ensure that the funds required to finance execution of the budget are periodically called up from contributing member countries

in accordance with their agreed cost shares and in amounts calculated to avoid the accumulation of excessive cash holdings in the international treasury. The outcome of all these activities is reflected in annual financial statements prepared and presented for verification to the International Board of Auditors.

An independent International Board of Auditors for NATO is responsible for auditing the accounts of the different NATO bodies and the efficiency and effectiveness of their operations from a financial perspective as well as for auditing expenditure under the NATO Security Investment Programme. The Board's mandate includes not only financial but performance audits, therefore extending its role beyond safeguarding accountability to the review of management practices in general. The Board is composed of officials normally drawn from the national audit bodies of member countries appointed by Council and responsible for their work only to the Council. The principal task of the Board is to provide the North Atlantic Council and member governments with the assurance that common funds are properly used for the settlement of authorised expenditure and that expenditure is within the physical and financial authorisations granted.

# CHAPTER 5

## NUCLEAR POLICY

NATO's nuclear strategy and force posture are inseparable elements of the Alliance's overall strategy of war prevention. They fulfil a fundamentally political role in preserving peace and contributing to stability in the Euro-Atlantic region. However, under the momentous security improvements which have been achieved since the end of the Cold War, the Alliance has been able to reduce its reliance on nuclear forces radically. NATO's nuclear powers – France, the United Kingdom and the United States – took unilateral steps to cancel planned modernisation programmes for their nuclear forces. Moreover, the Alliance's strategy, while remaining one of war prevention, is no longer dominated by the possibility of escalation involving nuclear weapons and its nuclear forces no longer target any country. Among the steps taken to adapt to the new security environment, the changes to the nuclear elements of its strategy and force posture were among the first and most incisive measures.

NATO's nuclear forces contribute to European peace and stability by underscoring the irrationality of a major war in the Euro-Atlantic region. They make the risks of aggression against NATO incalculable and unacceptable in a way that conventional forces alone cannot. They also create uncertainty for any country that might contemplate seeking political or military advantage through the threat or use of nuclear, biological or chemical (NBC) weapons against the Alliance. By promoting European stability, helping to discourage threats relating to the use of weapons of mass destruction, and contributing to deterrence against such use, NATO's nuclear posture serves the interests not only of the NATO Allies but also of its Partner countries and of Europe as a whole.

NATO's reduced reliance on nuclear forces has been manifested in major reductions in the forces themselves. In 1991 NATO decided to reduce the number of weapons which had been maintained for its sub-strategic<sup>2</sup> forces in Europe by over 85 per cent compared to Cold War levels. In addition to the reductions of sub-strategic forces, the strategic forces available to the NATO Allies have also been dramatically reduced.

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2 The terms "strategic" and "sub-strategic" have slightly different meanings in different countries. Strategic nuclear weapons are normally defined as weapons of "intercontinental" range (over 5500 kilometres), but in some contexts these may also include intermediate-range ballistic missiles of lower ranges. The term "sub-strategic" nuclear weapons has been used in NATO documents since 1989 with reference to intermediate and short-range nuclear weapons and now refers primarily to air-delivered weapons for NATO's dual-capable aircraft and to a small number of United Kingdom Trident warheads in a sub-strategic role (other sub-strategic nuclear weapons having been withdrawn from Europe and subsequently eliminated).

The only land-based nuclear weapons which NATO retains in Europe are gravity bombs for dual-capable aircraft. These weapons have also been substantially reduced in number and are stored in a smaller number of locations in highly secure conditions. The readiness levels of dual-capable aircraft associated with them have been progressively reduced, and increased emphasis has been placed on their conventional roles.

The NATO Allies have judged that the Alliance's requirements can be met, for the foreseeable future, by this "sub-strategic" force posture. NATO has also declared that enlarging the Alliance will not require a change in its current nuclear posture. NATO countries have no intention, no plan and no reason to deploy nuclear weapons on the territory of new members, nor any need to change any aspect of NATO's nuclear posture or nuclear policy, and they do not foresee any future need to do so.

The collective security provided by NATO's nuclear posture is shared among all members of the Alliance, providing reassurance to any member that might otherwise feel vulnerable. The presence of US nuclear forces based in Europe and committed to NATO provides an essential political and military link between the European and North American members of the Alliance. At the same time, the participation of non-nuclear countries in the Alliance nuclear posture demonstrates Alliance solidarity, the common commitment of its member countries to maintaining their security and the widespread sharing among them of burdens and risks.

Political oversight of policies dictating NATO's nuclear posture is also shared among member countries. NATO's Nuclear Planning Group provides a forum in which the defence ministers of nuclear and non-nuclear Allies (except France, which does not participate) take part in the development of the Alliance's nuclear policy and in decisions on NATO's nuclear posture.

# CHAPTER 6

## THE ECONOMIC DIMENSION

The basis for economic cooperation within the Alliance is Article 2 of the North Atlantic Treaty, which states that member countries “will seek to eliminate conflict in their international economic policies and will encourage economic collaboration between any or all of them”.

NATO’s core business is security and defence, so its work in the economic field is focused on specific economic issues relating to security and defence where it can offer added value. It has a comprehensive approach to security, defined in the 1999 Strategic Concept which, in addition to the indispensable defence dimension of the Alliance, recognises the importance of economic factors as well as political, social and environmental aspects. Accordingly, the Organisation reinforces collaboration between its members whenever economic issues of special interest to the Alliance are involved. This applies particularly to issues which have direct security and defence implications. The Alliance acts as a forum in which different and interrelated aspects of political, military and economic questions can be examined.

The NATO Economic Committee is the only Alliance forum concerned exclusively with consultations on economic developments with a direct bearing on security policy. It meets in different formations and is supported by the Defence and Security Economics Directorate of the Political Affairs and Security Policy Division of NATO’s International Staff.

In the context of the Alliance’s overall security interests and in line with its evolving priorities, the work of the Committee covers a wide range of issues and regularly involves the preparation of analyses and assessments relating to NATO’s political and security agenda. Close cooperation is maintained with a network of experts from capitals, enabling the Directorate to serve as a unique forum for sharing information and expertise on defence and security economic issues related to countries and regions of concern to NATO and to areas where NATO is playing an operational role. The economic and financial dimensions of terrorism have become a firm part of this agenda. Based on contributions provided by member countries, agreed assessments of economic intelligence matters are regularly produced for the benefit of the North Atlantic Council, Allied capitals and military bodies.

The Defence and Security Economics Directorate is also involved in monitoring both general economic and defence economic aspects of the Membership Action Plan (see Part VI) such as the affordability and sustainability of defence spending.

Another significant facet of NATO's economic dimension is its cooperative activities with Partner and other countries with which the Alliance has developed cooperative relations, including security and defence economic work carried out in the framework of the Euro-Atlantic Partnership Council, the NATO-Russia Council, the NATO-Ukraine Commission, and NATO's relations with South East Europe Initiative, Mediterranean Dialogue and Istanbul Cooperation Initiative countries (see Part VII). This includes economic aspects of defence budgeting and resource management in defence spending, defence conversion matters (for example relating to retraining of military personnel and conversion of military sites and defence industries), economic aspects of the international fight against terrorism and other relevant economic security issues.

Cooperation in the context of the Euro-Atlantic Partnership Council takes place through conferences, workshops and experts meetings. Joint cooperation schemes have also been developed in association with external institutions such as the George C. Marshall Center for Security Studies. These mechanisms have enabled the experience of NATO countries to be made available to Partner countries in a number of fields, recent examples of which have included economic dimensions of defence institution-building, economic and financial aspects of terrorism, economic aspects of security and defence in the Southern Caucasus, and new techniques for managing defence resources in Allied and Partner countries. The Directorate also monitors defence and security economic issues included in Individual Partnership Action Plans.

Cooperation with Russia in the framework of the NATO-Russia Council's Ad Hoc Working Group on Defence Reform is focused in the first instance on expert-level exchanges on a wide spectrum of topics ranging from macro-economic, financial, budgetary and social aspects of defence reform to the restructuring of defence industries. Secondly, a Memorandum of Agreement was signed with the Russian Ministry of Defence in June 2001 on the opening of a NATO-Russia Information, Consultation and Training Centre for the resettlement of military personnel due for discharge or discharged from the Russian Federation armed forces. This Centre, which operates in the six Russian military districts, is financially supported by NATO and organises training courses, "train the trainer" courses and meetings of experts on current topics. The Centre also runs a comprehensive website including a wide range of practical information for released military personnel. The Centre's work is a very concrete and practical example of cooperation between NATO and the Russian Ministry of Defence.

Specific activities in the area of economic cooperation are also conducted within the framework of the NATO-Ukraine Annual Target Plans. They include meetings of the Joint Working Group on Economic Security, courses on

economic aspects of the defence budgetary process, exchanges on the restructuring of defence industries and social issues relating to defence reform. There are also regular consultations on general economic policy and on structural and macro-economic trends in Ukraine. Since 1999, NATO has financed retraining courses in various cities of Ukraine, which have facilitated training in foreign languages and in management techniques for some one hundred former Ukrainian military officers each year. This programme has produced tangible benefits, greatly facilitating the reintegration process for released military personnel.

Comprehensive programmes on the retraining of released military personnel and military base conversion in southeastern Europe are also monitored by the Defence and Security Economics Directorate. NATO has taken the lead on these issues in the framework of the Stability Pact for South Eastern Europe. Through teams of experts from Allied and Partner countries led by the Directorate, NATO has provided advice to a series of countries for the development of appropriate reconversion programmes adapted to their needs. The teams make available expertise, technical assistance and recommendations, based on general experience and taking into account the specific situation facing the countries concerned. NATO's work in this field contributes substantively to the difficult process of defence reform and conversion in the region. Defence conversion schemes worked out with NATO's assistance have demonstrated their worth as blueprints for project implementation.