

**2021 MILITARY BUDGET RECOMMENDATIONS**

**Report by the Budget Committee**

**EXECUTIVE SUMMARY**

1. The 2021 Military Budgets recommended for Council agreement take into account the security environment, the contribution ceilings and the other provisions set out in the 2021-2025 MTRP.
2. The military budget recommendations take into account the impact of the COVID-19 pandemic which has had a significant effect on implementation of the 2020 budgets and reflect the difficulties and uncertainties created by the enduring nature of the responses to the pandemic for execution of the budgets in 2021.
3. The recommended budgets for 2021 are shown in the table below.

**Table 1: Military Budget by Budget Group (EUR @ 01/01/2020)**

Budget Group	2020 BA3 EUR @ 01/01/2019	2021 Requirements	2021 Ceiling	2021 Requested	2021 Recommended	Requirements vs Recommended	Ceiling vs Recommended
NAEW&CF	281,000,000	316,000,000	305,000,000	316,000,000	315,989,782	10,218	(10,989,782)
AGS	78,979,416	99,480,000	87,500,000	87,480,000	87,390,518	12,089,482	109,482
AOM	277,907,813	293,000,000	293,000,000	255,020,443	254,945,669	38,054,331	38,054,331
NCSEP	726,153,893	786,000,000	750,000,000	776,379,380	775,061,223	10,938,777	(25,061,223)
NCS-ADAPTATION	49,500,000	42,800,000	42,800,000	42,785,349	42,718,690	81,310	81,310
PENSIONS	128,910,000	138,600,000	138,600,000	137,150,000	136,200,000	2,400,000	2,400,000
<b>TOTAL</b>	<b>1,542,451,121</b>	<b>1,675,880,000</b>	<b>1,616,900,000</b>	<b>1,614,815,172</b>	<b>1,612,305,883</b>	<b>63,574,117</b>	<b>4,594,117</b>

4. While the recommended NATO Command Structure Entities & Programmes (NCSEP) and the NATO Airborne Early Warning and Control Force (NAEW&CF) budget requirements for 2021 exceed the contribution ceilings for 2021 set out in the MTRP agreed by Council, the Nations also agreed in the MTRP that resourcing the agreed level of military requirements was going to need exceptional and one time mitigation measures to supplement the agreed 2021 Cash Contribution ceilings.

5. The table below shows the forecasted impact on the 2021 call for contributions of the retention and carry forward of 2020 surplus funds including the one-time mitigation measures agreed in the MTRP. The final results of the 2020 budget execution will not be known until the financial statements are finalised in March 2021 and any final adjustments to the 2021 call for contributions will be handled in accordance with the NATO Financial Regulations.

**Table 2: Impact of 2020 Surplus Funds on 2021 Contributions (EUR @ 01/01/2020)**

Budget Group	2021 Ceiling	2021 Recommended	2020 Contributions			2021 Contributions
			Lapsed Appropriations (MTRP)*	From NCIA Operating Fund (MTRP)*	Other Lapsed Appropriations	
NAEW&CF	305,000,000	315,989,782	11,000,000	0	3,000,000	301,989,782
AGS	87,500,000	87,390,518	0	0	300,000	87,090,518
AOM	293,000,000	254,945,669	0	0	485,750	254,459,919
NCSEP	750,000,000	775,061,223	20,000,000	6,500,000	12,344,060	736,217,163
NCS-ADAPTATION	42,800,000	42,718,690	0	0	4,883,480	37,835,210
PENSIONS	138,600,000	136,200,000	0	0	0	136,200,000
<b>TOTAL</b>	<b>1,616,900,000</b>	<b>1,612,305,883</b>	<b>31,000,000</b>	<b>6,500,000</b>	<b>21,013,290</b>	<b>1,553,792,593</b>

\*As per (C-M(2020)0027)

6. The NCSEP 2021 agreed military requirements will therefore be funded through a combination of new money made available directly in 2021 through the calls for contributions (which will be within the agreed 2021 contribution ceilings) and a further amount which Nations have agreed to carry forward from unused 2020 appropriations.

7. For the NAEW&CF recommended budgets totalling MEUR 315.9 which include the carry forward of MEUR 11 from unused appropriations in 2020 with which the NAEW&CF plans to meet all current operational tasks. The amount of new money that needs to be made available through the call for contributions in 2021 will be under the agreed contribution ceiling reflecting the impact of the total amount of unused 2020 appropriations.

8. In making its recommendations for 2021 the Budget Committee (BC) recognises the extraordinary impact caused by the COVID-19 pandemic on both the implementation of the 2020 budgets and the difficulties and uncertainties created for the 2021 budget year by the enduring nature of the responses to the situation.

9. Alliance Operations and Missions (AOMs) funding is recommended in a total amount of MEUR 254.9 to meet the requirements for the five ongoing operations and missions (Resolute Support, NATO Mission Iraq, the Balkans Operation, Sea Guardian and Support to the African Union). For operations and missions in Afghanistan, the BC has also agreed special carry forward (SCFs) of MEUR 40.7 for activities under execution, for emerging requirements and for potential liabilities. While the recommended budgets meet all requirements presented, the BC recognises the requirements are based on the assumption of operational continuity and that flexibility will be needed during budget execution to support the evolving political-military situations in the operations and missions in Afghanistan and Iraq.

10. The NCSEP budgets provide funding necessary for the full range of activities necessary to ensure entities in the NCS are capable of delivering the Alliance's core tasks and missions as well as agreed priorities and objectives.

11. With regards the funding recommended for NCS Programmes, the BC highlights in particular that there are pockets of funding dedicated to innovation and Emerging Disruptive Technologies (EDTs) across a wide number of NATO bodies but is concerned about the potential duplication of efforts, lack of coherence and effective coordination which could lead to less than efficient application of scarce common funded resources. Policy decisions on the level of ambition for common funded support to innovation are needed quickly in order to clarify where to draw the line between what nations do themselves and what is done collectively through common funding. Once the level of ambition is confirmed the next planning round will then consider the need for a corresponding shift in the allocation of common funded resources (either up or down).

12. The BC continues to note the growing technical complexity inherent in the Communications and Information Systems (CIS) requirements. Within the budgets, a number of funding shifts are also continuing as in-service operation and maintenance funding for capabilities moved from the completed NATO Security Investment Programme (NSIP) projects to the Military Budget.

13. The major problems and continuing delays to the IT Modernisation project have increased pressure on Budget Holders to deal with increased obsolescence due to the ongoing delays, and remediation measures designed to address business continuity requirements. This has made it more difficult to reinforce the distinction between CIS acquisition and CIS service support. Funds included in the local HQ CIS budgets are not intended to meet the cost of procuring new equipment to meet new requirements. The responsibility for funding the procurement and implementation of new or additional CIS infrastructure should fall to the NSIP.

14. The NATINAMDS budget BC-166 has been recommended as screened. However, pending important decisions to be taken on the future of the ACCS programme by the NAC in February 2021, the BC has recommended that 32% of the ACCS In-Service Support (ISS) component of this budget is frozen with the commitment by all nations to unfreeze the appropriations in strict accordance with the NAC decision on the future of the programme.

15. The NCS-Adaptation budgets for 2021 are recommended in an amount of MEUR 42.7 to support the ongoing transition agreed to in 2018, noting that transition has been extended to the end of 2023. The amount of new money that Nations need to provide through the calls for contributions in 2021 will be below the agreed contribution ceiling reflecting the impact of unused 2020 appropriations.

16. The NATO Alliance Ground Surveillance Force (NAGSF) budgets are recommended in an amount of MEUR 87.4 to meet the continued progress to full operational capability. The BC has also agreed SCFs of MEUR 50.6 to ensure spare parts can be procured as required and Operational Tests and Evaluations carried out.

17. Defined Benefit Pension Scheme (DBPS) funding for the Military Budget shortfall is recommended in an amount of MEUR 136.2. The increase continues to place an additional funding requirement on nations and competes for the national resources made available to NATO and will continue to rise until 2026.

18. The budgets and recommended SCF of unused lapsable appropriations for use in 2021, in a total amount of MEUR 1,734 will be closely monitored to ensure sufficiency in carrying out the agreed level of requirements and missions.

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