

2022 CIVIL BUDGET RECOMMENDATIONS AND 2022-2026 MEDIUM TERM FINANCIAL PLAN

EXECUTIVE SUMMARY

1. The Budget Committee recommends for Council agreement the 2022 Civil Budget ceiling and total 2022 Civil Budget in the amount of EUR 289.1M, comprising EUR 237.0M for the core Civil Budget, (including EUR 3.8M for the IBAN¹), funding from prior years' lapses (EUR 1M), and EUR 53.1M for Pensions liabilities (Table A). Allies contributions will be reduced by the projected level of income to the 2022 Civil Budget (EUR 13.4M).

Table A

Description	2021	2022	2021-2022 Change	% Change
Core Civil Budget (excluding IBAN) ¹	214,230,141	233,244,216	19,014,075	8.9%
IBAN	3,662,835	3,788,857	126,022	3.4%
TOTAL CORE CIVIL BUDGET (EUR)	217,892,976	237,033,073	19,140,097	8.8%
<i>One-off funding from prior years' lapses</i>		(1,009,783)	(1,009,783)	-
TOTAL CORE CIVIL BUDGET CONTRIBUTION (EUR)	217,892,976	236,023,290	18,130,314	8.3%
NATO Pension Schemes	47,711,800	53,114,300	5,402,500	11.3%
TOTAL GROSS CIVIL BUDGET (EUR)	265,604,776	289,137,590	23,532,814	8.9%
<i>Projected Income</i>	(12,367,267)	(13,400,334)	(1,033,067)	8.4%
TOTAL CIVIL BUDGET CONTRIBUTION (EUR)	253,237,509	275,737,256	22,499,747	8.9%

¹ the 2021 core CB includes EUR 6,727,619 provided from prior years' lapsed appropriations

2. The recommended 2022 core Civil Budget (including the IBAN) allocates resources to enable the International Staff to deliver on Alliance-agreed political priorities supporting the three core tasks of the Alliance (Crisis Management and Operations, Collective Defence, and Cooperative Security), as well as to maintain a fit for purpose NATO Headquarters in the current security context.

3. The increase in the total 2022 core Civil Budget over 2021 (EUR 19.1M (8.8%)) is unprecedented and is recommended for Council approval based on the results of a diligent screening exercise conducted by the Budget Committee. The Budget Committee thoroughly assessed the proposed budget, applying savings to those areas where the requirements are not yet sufficiently defined to be included in the budget, can be deferred to future years or are no longer required in 2022. The Budget Committee recommends that some requirements be taken at risk particularly in areas where expenditures will be incurred later in 2022. The Budget Committee will continue to employ the mechanisms used in 2021 to maintain oversight of the in-year reallocation of appropriations within the approved 2022 budget envelope to ensure Alliance priorities are achieved.

¹ International Board of Auditors for NATO.

4. Furthermore, appropriations that will not be committed in 2021 and would be returned to nations at end-2021 will be retained to finance certain requirements in 2022 (e.g., programmatic requirements for NATO cyber adaptation, the estimated salary costs associated with 16 new post creations).

5. The main cost driver in 2022 is NATO cyber adaptation. The Budget Committee strongly supports NATO cyber adaptation efforts and considers it the utmost priority. At this time, pending quantified and validated requirements, the Budget Committee recommends funding for the 23 posts for the Office of the Chief Information Officer (OCIO) agreed by the Council in 2021. The Budget Committee recognises the need to fund urgent and critical cyber adaptation requirements in 2022 and has put in place specific measures to ensure the necessary level of funding.

6. Additionally, in light of current/on-going developments, the Budget Committee's recommendations incorporate revised requirements for Afghanistan activities and some of the key functions previously performed by the NATO Information Office (in Moscow).

7. Starting in 2023, the Civil Budget is expected to increase based on requirements to deliver the NATO 2030 agenda. Defined and costed requirements will be presented by the International Staff to Allies in early 2022, and will be, to the extent possible, captured in the MTFP 2023-2030 that the Budget Committee will consider in the March/April 2022 timeframe. The funding projections over the period 2023-2026 (Table B) are currently driven by the annual salary adjustment, the multi-year investment plan and anticipated increases in the NCI Agency Service Level Agreement. It is not yet clear what impact cyber adaptation requirements will have on NATO Headquarters (NHQ) obsolescence management requirements and whether the Civil Budget could benefit from the rationalisation of NHQ/NATO Enterprise requirements or from Enterprise wide-efficiencies and economies of scale (e.g., via Capability Programme Plans). The work the OCIO is currently undertaking in collaboration with other stakeholders should provide some clarity to inform future asset replacement plans and Medium Term Financial Plans.

7.1. The liabilities for the NATO Pension Schemes continue to increase, driven mainly by the anticipated diminishing contributions by active staff and the higher than expected number of retirees in the NATO Defined Benefit Pension Scheme (DBPS).

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Table B

Description	Year	2021 baseline (EUR) ¹	2022 BC Recommended (EUR)	2023 (EUR)	2024 (EUR)	2025 (EUR)	2026 (EUR)
Initial Core 2021 Civil Budget		217,892,976	217,892,976	217,892,976	217,892,976	217,892,976	217,892,976
<i>Changes in Requirements</i>			45,372,139	32,911,995	29,163,317	27,947,565	28,269,168
<i>BC Screening</i>			(26,232,042)	208,000	-	-	-
TOTAL CORE CIVIL BUDGET (ex. Cyber Adaptation) (EUR)		217,892,976	237,033,073	251,012,971	247,056,293	245,840,541	246,162,144
<i>% Change total core Civil Budget year-on-year</i>			8.8%	5.9%	-1.6%	-0.5%	0.1%
<i>One-off funding from prior years' lapses</i>			(1,009,783)				
<i>Pension Liabilities</i>		47,711,800	53,114,300	54,273,400	56,530,100	57,463,100	58,659,200
TOTAL GROSS CIVIL BUDGET (EUR)		265,604,776	289,137,590	305,286,371	303,586,393	303,303,641	304,821,344
<i>% Change total Civil Budget year-on-year</i>			8.9%	5.6%	(0.6%)	(0.1%)	0.5%
<i>Total Projected Income</i>		(12,367,267)	(13,400,334)	(13,714,318)	(13,844,917)	(13,978,776)	(14,142,271)
TOTAL CIVIL BUDGET CONTRIBUTIONS (EUR)		253,237,509	275,737,256	291,572,053	289,741,476	289,324,865	290,679,073
<i>% Change total Civil Budget Contributions year-on-year</i>			8.9%	5.7%	(0.6%)	(0.1%)	0.5%
<i>Cyber Adaptation Provision (PO(2021)0253)</i>				16,983,940	16,938,699	16,889,718	16,839,954
<i>TOTAL Core Civil Budget (inc. Cyber Adaptation)</i>				267,996,911	263,994,992	262,730,259	263,002,098
<i>% Change total core Civil Budget year-on-year</i>				13.1%	(1.5%)	(0.5%)	0.1%
<i>TOTAL Gross Civil Budget (inc. Pension Liabilities)</i>				322,270,311	320,525,092	320,193,359	321,661,298
<i>% Change total Civil Budget year-on-year</i>				11.5%	(0.5%)	(0.1%)	0.5%
<i>TOTAL Civil Budget Contributions (inc. projected income)</i>				308,555,993	306,680,175	306,214,583	307,519,027
<i>% Change total Civil Budget Contributions year-on-year</i>				11.9%	(0.6%)	(0.2%)	0.4%

¹ the 2021 core CB includes EUR 6,727,619 provided from prior years' lapsed appropriations

8. In the January/February 2022 timeframe, the Budget Committee will conduct a “lessons identified” exercise to inform the 2022/2023 Budget Guidance. The Budget Committee will also continue its consideration of the Commercial Activities and MWR Mandate and Commercial Business Plan, as well as initiate discussions on possible options to improve the situation in the Manfred Wörner Building to minimise future increases to the Civil Budget.

9. The International Staff will continue to further implement Operational Performance Measurement (OPM), particularly through the identification and measurement of key outcomes for the 2022 budget cycle. This is being done in concert with the ongoing review of programme management and the development of a Risk Management Framework for the NHQ.

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