

## 2023 CIVIL BUDGET RECOMMENDATIONS

### EXECUTIVE SUMMARY

1. The Budget Committee recommends for Council agreement the total 2023 Civil Budget in the amount of EUR 370.8 million, comprising EUR 308.7 million for the core Civil Budget (including EUR 5.2 million for the IBAN<sup>1</sup>) and EUR 62.1 million for pension liabilities (Table A). Allies contributions will be reduced by the projected level of income to the 2023 Civil Budget of (EUR 16.9 million) and mitigation measures of (EUR 3.3 million).

**Table A**

Description	2022	2023	2023-2022 Change	% Change
Core Civil Budget (excluding IBAN)	233,244,216	303,489,089	70,244,873	30.1%
IBAN Budget	3,788,857	5,215,238	1,426,381	37.6%
<b>Total Core Civil Budget</b>	<b>237,033,073</b>	<b>308,704,327</b>	<b>71,671,254</b>	<b>30.2%</b>
NATO Pension Schemes	53,114,300	62,079,670	8,965,370	16.9%
<b>Total Gross Civil Budget</b>	<b>290,147,373</b>	<b>370,783,997</b>	<b>80,636,624</b>	<b>27.8%</b>
<i>Projected Income</i>	<i>(13,400,335)</i>	<i>(16,868,858)</i>	<i>(3,468,523)</i>	25.9%
<i>Budget Committee Mitigation Measures</i>		<i>(3,306,868)</i>	<i>(3,306,868)</i>	-
<b>Total Estimated Civil Budget Contribution</b>	<b>276,747,038</b>	<b>350,608,271</b>	<b>73,861,233</b>	<b>26.7%</b>

2. Over the last decade, NATO has undergone pivotal shifts. Since 2022 and the Russian Federation's war of aggression against Ukraine, the Alliance has faced a critical time for security, international peace and stability. A series of decisions by Heads of State and Government (HOSG) at the 2021 Brussels Summit and the 2022 Madrid Summit shaped the Alliance's politico-military priorities and set a higher level of ambition. NATO's Civil Budget delivers to the 2022 Strategic Concept<sup>2</sup>. It acts as one of the vehicles to execute the Alliance's level of ambition, priorities and HOSG's decisions on common funding. As a fundamental element of burden sharing, common funding will continue to evolve by resourcing NATO objectives and priorities in a radically changed security environment.

3. This Strategic Concept highlights NATO's three essential core tasks - deterrence and defence, crisis prevention and management and cooperative security. It emphasises national and collective resilience that is critical to the core tasks and underpins NATO's efforts to safeguard NATO nations, societies and shared values. It underlines the cross-cutting importance of investing in technological innovation and integrating climate change, human security and the Women, Peace and Security (WPS) agenda across all our core tasks.

4. At the 2022 Madrid Summit NATO Leaders committed to increase common funding year-on-year, in real terms, by 10% annually starting in 2023 for the Civil Budget to support the delivery of the 2022 Strategic Concept and the NATO 2030 Agenda set by HOSG. The Budget Committee notes that such increase needs to be

<sup>1</sup> International Board of Auditors for NATO

<sup>2</sup> 2022 Madrid Summit, 29<sup>th</sup> of June 2022

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realistic and gradual, starting by frontloading enabling conditions while addressing systemic underfunding.

5. The Budget Committee acknowledges that 2023 marks the first stage in Allies' multi-year programme to deliver Leaders' increased ambition under NATO 2030. This is the first Civil Budget since the Russian Federation's war of aggression against Ukraine, in a context of a contested security order and with stark inflationary pressures to the global economy.

6. The increase in the total core 2023 Civil Budget over 2022 of (EUR 71.7 million reflects the intensification of work in key areas addressing political objectives agreed by Allies, the need to address systemic underfunding and the impact of inflationary pressures (on both prices of services, goods and asset replacements and consequent need for adjustments to salaries and pensions). Cost increases were driven by inflation-induced salary adjustments and higher utility prices. The Budget Committee exercised due diligence through the screening of submitted budgetary needs to define what was realistic and necessary to be prioritised for 2023 in such context.

7. The Budget Committee notes the savings achieved through efficiency measures and cost-avoidance practices applied across NATO services and operations. The Budget Committee agrees to retain the 2022 uncommitted appropriations in 2023 to finance the security upgrade in the NATO Liaison Office in Georgia.

8. The Budget Committee recommends that some budget elements be taken at risk particularly in areas where requirements and cost estimates will be refined in 2023. In view of increased risks, it is important to increase efforts for efficiencies. The Budget Committee supports the reinforced mechanisms in place ensuring financial transparency, accountability and performance management.

9. The Budget Committee will continue to employ mechanisms used in 2022 to address budgetary pressures (such as the effect of rising energy costs as well as the NATO Communications and Information Agency asset replacements) and will consider extant tools and practices to ensure the implementation of 2022 Madrid Summit commitments by the Nations.

10. The Budget Committee will continue monitoring the Civil Budget performance based on the Operational Performance Measurement reports and may convene a Working Group to reflect on potential tools or other options that could assist the financial trajectory review in 2025.

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