

2022 ANNUAL REPORT ON NATO COMMON FUNDING

Report by the Resource Policy and Planning Board and the Military Committee

2022 AT A GLANCE					
€2.6 BN	10	70+	€1.5 BN	€779.6 M	€296 M
Total Common Funding Spent in 2022 on core NATO Capabilities	New Capability Products Approved by Governance (2 Capability Programme Plans –CPPs – and 7 Operational Requirement Statements)	CPPs and Capability Packages under implementation; 61% within cost or with minor deviations; 19% within schedule or with minor deviations	Spent in support of military capabilities through the Military Budget	Invested to deliver NATO capabilities through the NSIP	Spent in support of the NATO HQ through the Civil Budget

1. 2022 was a unique year, marked by Russia's war of aggression against Ukraine, a radical change in the security environment, and a new baseline for NATO's deterrence and defence posture. As the Alliance faces a critical time for security, key decisions taken by NATO Heads of State and Government shaped the Alliance's politico-military priorities and a higher Level of Ambition. These had direct resourcing implications, turning 2022 into a defining year for NATO common funding.

2. In the 2022 Strategic Concept, Allies committed to ensuring our Alliance remains fit and resourced for the future, and to provide all the necessary resources, infrastructure, capabilities and forces to deliver fully on NATO's core tasks and implement Leaders' decisions. More concretely, building on the 2021 Brussels Summit decision to adjust and broaden the use of common funding, at the 2022 Madrid Summit Allies decided as follows: taking into account affordability, accountability and sustainability, as well as the need for efficiency, and noting that increases should be gradual and realistic, Allies committed to a financial trajectory for common funding. A core 2022 priority for the Resource Policy and Planning Board and the Military Committee were to lay the groundwork for the implementation of these decisions.

3. In 2022, common funding continued to serve the distinctive purpose of supporting and enabling NATO overall, including the implementation of significant politico-military decisions and priorities, the three core tasks, and Military Concepts and Plans, such as the Concept for Deterrence and Defence of the Euro-Atlantic Area, and the NATO Warfighting Capstone Concept. It also reinforced its role as a key enabler and force multiplier in meeting NATO's Level of Ambition.

4. Common funding demonstrated it continues to serve NATO's objectives and be an indispensable contribution not only to the delivery of key capabilities benefitting all Allies, but also to Allied solidarity, cohesion, and burden sharing. By covering requirements *over and above* what could reasonably be expected for an Ally to bear individually, common funding contributed to the principle of collective effort in equipping NATO with necessary capabilities, demonstrating an equitable share of responsibilities, and risk-taking by Allies.

5. In 2022, common funding was employed to achieve specific outcomes for the Alliance: strengthen and support the NATO Command Structure, provide core military capabilities, and fulfil the responsibilities assumed by NATO in Alliance Operations and Missions. Common funding also enabled the provision of fixed infrastructure (air, land and naval facilities, bulk fuel pipeline systems and storage), and core Communications capabilities. It supported Allied consultations and decision-making, as well as the implementation of those decisions and of civilian-led programmes. Ultimately, resourcing these capabilities added value to deterrence and defence, crisis prevention and management, and cooperative security, as well as to interoperability fostering within the Alliance.

6. Common-funded commitments amounted to a total of EUR 2.6 billion¹. The financial performance of the Military Budget demonstrates an increasing trend of execution from 88% in 2021 to 96% in 2022. The NATO Security Investment Programme has also made almost full use of the contributions available (EUR 789.5 million against a ceiling of EUR 790 million). Its overall expenditure was EUR 779.6 million, dedicated to the delivery of key NATO capabilities. Year-on-year, the Civil Budget demonstrates overall consistency in its execution. In 2022, its expenditure was EUR 296 million against a final budget authorised of EUR 298.4 million (99% execution rate).

7. Cognisant of the new security environment, the Resource Policy and Planning Board and the Military Committee have responded to ensure the Alliance is equipped with the capabilities needed to operate at scale, at speed, and at pace. This was particularly salient in the activation of NATO's defence plans, and in enabling the resourcing of Intelligence, Surveillance and Reconnaissance capabilities and requirements.

8. A notable 2022 accomplishment was the Board's first step to broaden common funding eligibility. More specifically, the Resource Policy and Planning Board approved the renewed common funding policy for Education, Training, Exercises and Evaluation. This policy which enables SACEUR to more effectively train the Command and Control architecture prevalent in the NATO Force Structure and other entities. The Board also approved the initial broadening of common funding eligibility for deployable Communication and Information Systems connectivity between the NATO Command Structure, the NATO Force Structure and partners, strengthening interoperability, flexibility and communication. Broadening common funding eligibility will continue to be priority in 2023 and beyond, driven by the submission of justified military requirements.

9. This end-of-year analysis by the Resource Policy and Planning Board and the Military Committee, confirms that of the 70+ Capability Packages and Capability Programme Plans currently under implementation, only 61% are within cost or with minor deviations, and only 19% are within schedule or with minor deviations. This reaffirms the need for a step change in common-funded capability delivery performance, and a more in-depth analysis of delivery, particularly for capabilities suffering from significant deviations in cost, schedule and scope. Moreover, in the

¹ Provided through the Military Budget, the Civil Budget, and the NATO Security Investment Programme.

spirit of continuous improvement, greater emphasis on capability delivery governance, performance and management of operational risk should be embedded in future end-of-year analyses.

Towards 2023 and Beyond

10. If 2022 was a year of initial adaptation, and preparation in effectively implementing the 2021 Brussels and 2022 Madrid Summit decisions, 2023 will likely be a year of accelerated adaptation and evolution. In 2023, the Resource Policy and Planning Board and the Military Committee plan to finalise decisions on future common-funded capabilities strengthening the Alliance's deterrence and defence. 2023 will also witness the submission of Military Concepts and Plans. The joint objective of the Resource Policy and Planning Board and the Military Committee is to effectively frame their respective advice to facilitate discussions and decisions at the highest political level, and ultimately, to improve and expedite capability delivery.

11. Another core objective is to deliver the additional measures for enhancing financial transparency, accountability, management performance, and long-term efficiencies in common funding at the 2023 Vilnius Summit. Going forward, to support the implementation of these taskings, particularly on accountability and management performance, the potential applicability of a more methodical input/output/outcome model when analysing the delivery of common-funded capabilities will be more thoroughly assessed, with a view to including it in subsequent Annual Reports on NATO Common Funding. This is in full recognition of the importance of promoting culture change, earnestly building stakeholders' implementing capacity, and mainstreaming this approach in a cyclical manner, from resource planning to budgeting and reporting.