

NATO UNCLASSIFIED

13 November 2018

NOTICE
AC/335-N(2018)0027-FINAL-ADD1-REV1
Silence Procedure ends:
16 Nov 2018 15:00

RESOURCE POLICY AND PLANNING BOARD

THE 2017 ANNUAL REPORT

EXECUTIVE SUMMARY

Note by the Chairman

1. Attached is the draft executive summary of the RPPB's 2017 Annual Report. It is a précis of the agreed language contained in the report approved by Council (C-M(2018)0043).
2. Reflecting discussions in the Board on 12 November 2018, the Executive Summary will be published on the NATO website with the following short explanatory note:

"The Executive Summary is a précis of the Resource Policy and Planning Board's 2017 Annual Report and reflects the status of issues as they were at the time that the report was published. Developments will be addressed as part of the RPPB's 2018 Annual Report."
3. As agreed, the executive summary is circulated for approval under silence ending at **15:00 hours on Friday 16 November 2018**.

(Signed) Marek Powalski



RESOURCE POLICY AND PLANNING BOARD

THE 2017 ANNUAL REPORT

EXECUTIVE SUMMARY

1. The 2017 Annual Report by the Resource Policy and Planning Board (RPPB) assesses the performance of common funded capabilities and programmes, provides information on what has been achieved, identifies deficiencies and weaknesses that need to be addressed, and provides a strategic overview of the resources provided to meet the Alliance's requirements. The report also reviews the financial situation of the NATO Security Investment Programme (NSIP), the Civil and Military Budgets, and a synopsis of the manpower requirements of the NATO Command Structure (NCS).
2. NATO common funding continues to be essential both for the solidarity and cohesion of the Alliance, and provides essential capabilities in support of Alliance priorities and objectives as well as paving the way for Allies to carry out their roles and responsibilities, particularly in Alliance Operations and Missions.
3. NATO continued to face persistent problems and deficiencies in the delivery of common funded capabilities. 2017 was a critical year in the RPPB's efforts to improve the delivery of common funded capabilities and the RPPB provided the key contribution to the development of the outline model for the revised governance arrangements endorsed by Defence Ministers in October 2017. Although several challenges remain, the new governance model includes all the elements and tools necessary to improve the delivery of common-funded capabilities but achievement of the intended benefits will only occur over time.
4. The RPPB, together with the Military Committee, has continued to focus attention on a number of key identified common-funded capabilities¹ and provided a high-level assessment to Council which highlighted serious concerns about the significant cost increases and considerable delays in the delivery of the ACCS and the Bi-SC Automated Information System (the collection of systems and services which provide operational and administrative support to the NCS). In response the RPPB commissioned a strategic and comprehensive assessment of the wider ACCS programme with the aim to provide the North Atlantic Council with a full report addressing issues with the programme.
5. The RPPB also dealt with a wide variety of significant policy issues in 2017, including a comprehensive resource assessment report on enhancing NATO's contribution in fighting terrorism.

¹ Air Command and Control (including ACCS); Ballistic Missile Defence; NATO Command Structure – Static Command Facilities; Joint Intelligence Surveillance and Reconnaissance Capabilities (including Alliance Ground Surveillance and NATO Airborne Early Warning (NAEW)); Readiness Action Plan - specific related capabilities; Air Basing; CIS security including Cyber Defence; Bi-SC Automated Information System (Core and functional services); Deployable Capabilities (CIS, including satellite communications (SATCOM) and HQ assets).

6. As part of its core business the RPPB continued to prioritise the screening and endorsement of Capability Packages (CPs) in 2017. Three CPs worth a combined total of €306.7 million were approved by Council in 2017.

7. Common funding supported the continued implementation and development of a wide range of capabilities and programmes including Ballistic Missile Defence (BMD), the Readiness Action Plan (RAP), Communication Information Systems (including cyber defence) and the sustainment of NATO-wide Air Command and Control capabilities (including air bases and radars). Common funding also provided essential support to the full range of RAP-related Assurance measures, the enhanced exercise programme and the requirements to support Montenegro's accession and integration into NATO's military structures.

8. Following the successful delivery of facilities and capabilities for the NATO Force Integration Units in 2016, NSIP expenditures also supported the implementation of the three other Readiness Action Plan-related Capability Packages (1. Pre-Positioning; 2. Reception, Staging and Onward Movement (RSOM), and 3. Force Integration and Enhanced Training (FIET)) agreed by Council in July 2016. Solid progress was achieved during 2017, with roughly two-thirds of the planned project authorization milestones accomplished by the 2017.

9. For the NATO Security Investment Programme (NSIP), total funding requirements in 2017 remained within the agreed ceiling of €655 million. Actual expenditures in 2017 were €417.7 million; of which €30.8 million were for Readiness Action Plan (RAP)-related expenditures, €61.7 million and €71.8 million respectively in support of the continued implementation and development of the Ballistic Missile Defence (BMD) and the Air Command and Control System (ACCS) programmes. More than 670 projects, with a total value of €1.2 billion, were financially and technically closed out in 2017 which compared well with performance in 2016.

10. Actual expenditures from the NSIP in 2017 were €417.7 million; 64% in comparison with the agreed ceiling. This is a further decline over the 2016 statistics and the lowest NSIP expenditure rate in 10 years. This reflects continuing problems with developing realistic planning forecasts, reliable cost estimates and implementation difficulties facing Host Nations in general and by the NATO Communications and Information Agency (NCIA) in particular.

11. All budgets were executed within the agreed ceilings for 2017. Overall, 88.5% (€1,250 million) of the 2017 Military Budget was expended with 4.3% (€55.4 million) committed and carried forward for expenditure in 2018. Nations agreed to the special carry forward of uncommitted appropriations of a further €56.7 million (4.4% of the 2017 approved Military Budget) and €36 million (2.8% of the 2017 budget) lapsed and was returned to the Nations.

12. Overall the level of funding from the Military Budget was sufficient to meet all high priority operational requirements in 2017 to provide the needed operation and maintenance of investment projects, common funding of headquarters and means of strategic support to Alliance Operations and Missions, particularly in Afghanistan.

13. Nations granted the core Civil Budget an increase by 4.78% to €193.4 million. During 2017 there was a continuing strong focus on the transition to the new NATO Headquarters and adaptation as part of continued efforts in support of the “One NATO Approach” including new ways of working to ensure the International Staff is as efficient and effective as possible.

14. Together with the 2017 estimates for the Pensions Budget in the amount of €41 million (a 7.9% increase from 2016), the 2017 Civil Budget totals €234.4 million with an overall increase of 5.31% in comparison to 2016. Actual expenditures in 2017 amounted to €186.2 million for the core budget and €39.9 million for the pensions, resulting in expenditure rates of 96.3% and 97.5% respectively, based on the 2017 revised budget authorisations.

15. The RPPB remained concerned with the less than required military manning fill rate for the NCS, the difficulty in Force Generation in AOMs, a shortage of specialist skill sets and of fully trained and qualified personnel assigned to the Peacetime Establishment posts. These issues will need additional attention for the NCS so as to allow the Alliance to continue to fully carry out missions and in moving the NCS Adaptation forward.

16. Although some progress has been made, the resource planning process does not yet adopt the real and meaningful performance measurement approach that the RPPB desires. More needs to be done to streamline the format of the Medium Term Resource Plan (MTRP) and make it more focused on the delivery of common-funded capabilities in order to allow for a better performance measurement of the resource allocation through the RPPB’s Annual Report. The establishment of clear plans and targets will enable improvement in the evaluation of performance by assessing clearly and objectively what was achieved for the common funded resources made available.

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