

2019 CIVIL BUDGET RECOMMENDATIONS

EXECUTIVE SUMMARY

1. 2018 was the first year of operation in the new NATO Headquarters, following the completion of the move in June of 2018. The 2018 gross Civil Budget was approved at the level of EUR 245,768,957, comprising EUR 43,534,700 to fund the NATO Pension Schemes and EUR 202,234,257 for the core Civil Budget. Within the level of funding provided, the International Staff has been able to execute 2018 planned requirements and respond to in- year emerging requirements.
2. The attribution of funding for 2019 continues to reflect the three core tasks of the Alliance (Crisis Management and Operations, Collective Defence and Co-operative Security) and covers all Civil Budget related requirements associated with the operation of the NATO Headquarters.
3. In 2017 NATO Headquarters was planning to move into its new facility in January 2018 and the level of funding provided with the 2018 Civil Budget had been predicated on this move date. However, the move was not completed until June 2018 and this meant that not all the resources authorised for the running of the new facility were finally needed, resulting in some lapses of approved appropriation. It also meant that no complete picture of the full costs for operating this new facility for a full year were available when the 2019 Civil Budget was developed and that therefore the amounts requested for 2019 for this purpose are based on the best information available at that stage.
4. The International Staff establishment changes to be implemented in 2018 benefit the three core tasks of the Alliance, particularly the areas of strategic emphasis. The 2019 establishment reflects the results of the functional prioritisation process that encompasses all staff functions including the implementation of the focal office for Business Continuity Planning, the staffing package for the Office of Financial Control and the Functional Review.
5. The 2019 Civil Budget Estimates, did originally not include the impact of the Functional Review since related requirements were not available in sufficient detail at the time the budget estimates were submitted. The requirements were subsequently reviewed by the BC in line with PO(2018)0491-REV1 and on the basis of a detailed submission by the IS and recommended to Council for approval at a total cost of EUR 5.27 million in 2019 and EUR 3.985 million in structural costs from 2020 and beyond, to be funded with lapsable 2018 appropriations. Viable structural savings of EUR 1 million, which will safeguard political priorities and programmes, to be implemented from 2019, with a further EUR 1 million in 2020, would allow the absorption of 50% of the additional recurring cost.

6. Requirements for the International Board of Auditors for NATO (IBAN) are recommended in an amount of EUR 3,637,056, i.e. virtually unchanged compared to 2018.

7. Requirements for the NATO Pension Schemes continue to increase, driven mainly by the increase in the NATO Defined Contributions Pension Scheme (DCPS). The recommended amount for 2019 Pension requirements is EUR 44,759,500. This is an increase of 2.8% in comparison to 2018. The impact of the Functional Review on the Pensions budget in 2019 will be marginal and costs will be absorbed within approved 2019 appropriations.

8. Efforts also continue to further improve the efficiency of the NATO Headquarters and the staff completed the development of an initial Efficiency Plan and a mechanism for tracking the delivery of efficiencies. As a result, a number of efficiencies were achieved in 2018 and continuing efforts have identified further efficiencies for 2019 most significantly through implementation of the new CONOPS, reductions in travel and the application of new policies for allowances, totalling some EUR 1.4 million. Nations are eager to see this work continued with a view to achieve further structural efficiencies. Furthermore, the implementation of Operational Performance Measurement (OPM) will continue to allow nations to directly relate the resources provided to the Civil Budget deliverables.

9. During its deliberations, the Budget Committee noted that the staff, through the application of acceptable risk management, had managed to formulate the 2019 Civil Budget estimates within 0.2% of the estimates included in the 2018-2022 MTFP. To ensure funding of requirements for the ongoing Functional Review, the Budget Committee approved the special carry forward and use of all lapsable appropriations into 2019 to fund, as a first priority, Functional Review related requirements in groups 1 and 2 in the amount of EUR 5.27 million, to remain frozen until a viable structural savings plan has been agreed. The BC further agreed to a special carry forward of EUR 3 million to fund potential requirements related to group 3 of the Functional Review, which will also remain frozen until the need for funding any such requirements has materialised and been agreed. In case these EUR 3 million are not needed, they will be returned to nations with the second call for contributions in 2019.

10. Taking these factors into consideration, the Budget Committee recommends a gross Civil Budget for 2019 in the amount of EUR 250,519,282, an increase of 1.9% compared to 2018. Nations' contributions are estimated to be reduced by EUR 13,717,560, i.e. the estimated income from commercial operations and services rendered to other NATO and non-NATO entities, noting that this amount is a best estimate at this stage. Based on the current estimated level of income, this will result in an estimated total Civil Budget contribution of EUR 236,801,722, an increase of 1.1% compared to 2018.

Description	2019	2018	Delta 2019-2018	Delta 2019-2018 (%)
Core Civil Budget (excluding IBAN)	202,122,726	198,592,785	3,529,941	1.8%
IBAN	3,637,056	3,641,471	-4,415	-0.1%
Sub-total core Civil Budget	205,759,782	202,234,256	3,525,526	1.7%
NATO Pension Schemes	44,759,500	43,534,700	1,224,800	2.8%
TOTAL GROSS CIVIL BUDGET	250,519,282	245,768,956	4,750,326	1.9%
<i>Estimated Income</i>	<i>-13,717,560</i>	<i>-11,553,695</i>	<i>-2,163,865</i>	<i>18.7%</i>
TOTAL CIVIL BUDGET CONTRIBUTIONS	236,801,722	234,215,261	2,586,461	1.1%

11. The 2019 gross Civil Budget amount is composed of EUR 205,759,782 for the core Civil Budget, including IBAN and EUR 44,759,500 for NATO Pension requirements, an increase of 1.7% and 2.8%, respectively, in comparison to 2018.