

## **2017 CIVIL BUDGET RECOMMENDATIONS**

### **EXECUTIVE SUMMARY**

1. 2016 was considered a transition year for the Civil Budget. This was recognised by nations in the level of funding provided as NATO Headquarters continued to adapt to the changes in the security environment and prepared itself for the move to the new NATO Headquarters (NNHQ) facility. The 2016 gross Civil Budget was approved at the level of EUR 222,558,900, comprising EUR 37,958,900 to fund the NATO Pension Schemes and EUR 184,600,000 for the core Civil Budget to fulfil core and other operational requirements, including tasks stemming from the Wales Summit. Requirements associated with the one-off start-up costs of the NATO Headquarters (NNHQ) facility were funded through the use of prior years' appropriations and the Long Term Programme Budget (LTPB), this included appropriations for the Dual Operation of the current and new sites. Within the level of funding provided, the International Staff has been able to execute 2016 planned requirements and respond to in-year emerging requirements.
2. The attribution of funding for 2017 continues to reflect the three core tasks of the Alliance (collective defence, crisis management and operations, and cooperative security). New and/or additional resources have been allocated to the three areas of strategic emphasis reaffirmed by Heads of State and Government at the 2016 Warsaw Summit: deterrence and collective defence, crisis response and risk reduction and projecting stability. NATO Headquarters will also move into its new facility in 2017. The resources required to operate and maintain a technologically advanced facility are significant. This too is recognised in the level of funding recommended for 2017.
3. The International Staff Establishment changes to be implemented in 2017 benefit the three core tasks of the Alliance, particularly the areas of strategic emphasis. The 2017 International Staff Establishment reflects the results of the post prioritisation process that encompasses all staff functions. This outcome was facilitated by the Secretary General's extended delegated authorities and has enabled the reprioritisation of resources to meet the highest priorities of the Alliance and to partially offset the 2017 annual salary adjustment. Regarding the annual adjustment of salaries, nations, concerned with the new methodology for the calculation of salary remuneration for the International Staff and, cognisant of the impact this potentially poses to the Civil Budget in future years, have invited the Secretary General as a matter of urgency to act upon nations' request to determine a mechanism that can be put into effect for the 2018 salary calculations to moderate remuneration adjustments.
4. Requirements for the International Board of Auditors (IBAN) are recommended in an amount of EUR 3,637,044. This is an increase of 2.28% over the 2016 allocation and is associated with the 2017 Salary adjustment. The salary adjustment is partially offset by the two further post reclassifications as the recommendations of the Business Case on Strengthening the External Audit Function in NATO continue to be implemented.

5. Requirements for the NATO Pension Schemes continue to increase, driven mainly by the increase in the NATO Defined Benefit Pension Scheme (DBPS). The recommended amount for 2017 Pension requirements is EUR 40,959,100. This is an increase of 7.9% in comparison to 2016. The Budget Committee has expressed concern regarding the upward trend in the NATO pension schemes and considers that this needs to be addressed by the Coordinated Committee on Remuneration (CCR)

6. Efforts also continue to improve the accountability and transparency in the way in which NATO's resources are governed and put to use. Adaptation efforts continue and the Secretary General remains committed to pursuing a "One NATO Approach" and introducing new ways of working to ensure the International Staff is as efficient and effective as possible. This will include the introduction of Operational Performance Measurement (OPM) for the 2017 Civil Budget, allowing nations to directly relate the resources provided to the Civil Budget deliverables.

7. Taking these factors into consideration, the Budget Committee recommends a gross Civil Budget for 2017 in the amount of EUR 234,380,100, an increase of 5.31% in comparison to 2016. Nations' contribution to the 2017 gross Civil Budget will be offset by EUR 10,370,260, the estimated income from commercial operations and services rendered to other NATO and non-NATO entities. This will result in a total Civil Budget contribution of EUR 224,009,840, an increase of 5.38% in comparison to 2016.

Description	2017	2016	Delta 2017-2016	Delta 2017-2016 (%)
Core Civil Budget (excluding IBAN)	189,783,956	181,043,937	8,740,019	4.83%
IBAN	3,637,044	3,556,063	80,981	2.28%
<b>Sub-total core Civil Budget</b>	<b>193,421,000</b>	<b>184,600,000</b>	<b>8,821,000</b>	<b>4.78%</b>
NATO Pension Schemes	40,959,100	37,958,900	3,000,200	7.90%
<b>TOTAL GROSS CIVIL BUDGET</b>	<b>234,380,100</b>	<b>222,558,900</b>	<b>11,821,200</b>	<b>5.31%</b>
<i>Estimated Income</i>	<i>-10,370,260</i>	<i>-9,978,302</i>	<i>-391,958</i>	<i>3.93%</i>
<b>TOTAL CIVIL BUDGET CONTRIBUTIONS</b>	<b>224,009,840</b>	<b>212,580,598</b>	<b>11,429,242</b>	<b>5.38%</b>

8. The 2017 gross Civil Budget amount is composed of EUR 193,421,000 for the core Civil Budget, including IBAN and EUR 40,959,100 for NATO Pension Requirements, an increase of 4.78% and 7.90%, respectively, in comparison to 2016.