

Department of Defense

Military Construction Program



FY 2023 BUDGET

*North Atlantic Treaty Organization
Security Investment Program*

April 2022

Justification Data Submitted to Congress

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Budget Justification for FY 2023 President's Budget

NATO's Roles and Missions:

The North Atlantic Treaty Organization (NATO) is a defensive Alliance made up of 30 sovereign nations. NATO's greatest responsibility is to protect and defend Allied nations' territories and populations against attack. NATO remains the foundation for strong collective defense and the essential transatlantic forum for security consultations and decisions among Allies. NATO faces a dangerous, unpredictable, and fluid security environment, with enduring challenges and threats from all strategic directions.

At recent years' NATO summits, Heads of State and Government (HOSG) have recognized that the Alliance is at a defining moment for the security of its nations and populations and must be ready to respond swiftly and firmly to the new security challenges. Russia's aggressive actions most recently, as well as in previous years, have increasingly included the threat and use of force to attain political goals. China's predatory economic policies and other actions challenge the Alliance and are also undermining Euro-Atlantic security as well as the wider rules-based international order. Meanwhile, new threats like cyber and hybrid are increasing from many possible sources. Instability and continuing crises, particularly across the Middle East and North Africa, can make fertile ground for terrorist threats and contribute to challenges of irregular migration and human trafficking. Climate change has been recognized as a threat multiplier.

NATO has made considerable progress in strengthening its posture and delivering on commitments made by HOSG at Summits since 2014. During the 2014 Wales Summit, NATO approved the Readiness Action Plan (RAP), which included measures that address both the continuing need for assurance and the adaptation of the Alliance's military posture designed to make NATO forces more responsive, better trained, and better equipped. At the 2016 Warsaw Summit, NATO welcomed the RAP's implementation and agreed to further measures to enhance forward presence along the Alliance's periphery with expanded infrastructure to support reinforcing forces. NATO introduced the NATO Readiness Initiative (NRI) at the 2018 Brussels Summit. The NRI's purpose was to renew a culture of readiness across the Alliance, and particularly to provide an additional 30 major naval combatants, 30 heavy or medium maneuver battalions, and 30 kinetic air squadrons, ready to fight within 30 days or less, as further enhancements to the Alliance's existing rapid response capability. During 2020 Defense Ministers' Meetings, NATO further outlined a

Concept for Deterrence and Defense of the Euro-Atlantic Area (DDA), which sets a new framework for deterrence and defense (D&D) including operational planning across NATO's domains. NATO also outlined the Warfighting Capstone Concept (WCC), which outlines an overarching plan guiding warfare development for the next 20 years. NATO HOSG at the 2021 Summit committed to further implement the DDA and WCC over the coming years.

NATO Allied nations continue to take steps to invest and strengthen their respective militaries and thereby advance NATO's collective D&D capabilities. At the 2014 Wales Summit, Allies agreed to a Defense Investment Pledge, which calls for spending at least 2% of Gross Domestic Product on defense by 2024. While this remains an aspirational goal for some nations, the trend is positive. Total defense spending by European Allies and Canada has increased for 7 straight years and those Allies' cumulative total of additional defense spending from 2014 through 2021 was over \$260 billion.

NATO 2030

During the NATO Summit in 2019, HOSG requested the Secretary General to lead a forward looking process to strengthen the Alliance. At the 2021 Summit, based on his advice and Allies' negotiations, HOSG agreed to a "NATO 2030" agenda of eight major initiatives: deepening political consultation and coordination; strengthening deterrence and defense; improving resilience; preserving the technological edge; upholding the rules-based international order; boosting training and capacity building; combating and adapting to climate change; and developing the Alliance's next Strategic Concept. In addition, under NATO 2030 Allied HOSG committed to increase both national defense expenditure and NATO common funding as required to deliver on NATO 2030's "higher level of ambition" and on NATO's ongoing D&D and other core tasks, plus the new Strategic Concept. In one of the 2021 Summit's most noted decisions, HOSG stated in their Communique that *"Based on requirements, we agree to increase such resourcing, including as necessary NATO common funding starting in 2023,"* and added, *"when we meet in 2022, we will agree, alongside the Strategic Concept, the specific requirements for additional funding up to 2030, and the resource implications across"* all three NATO budgets: military, civil, and infrastructure (NSIP).

The Secretary General's early advice on NATO 2030 envisioned these common funding increases to be quite substantial. Now the advice on the specific requirements, as provided by NATO's top military commanders, appears similarly sizeable. However, agreement on the level of funding increases by Allied HOSG on the funding levels for this major initiative is not expected until the Summit in June 2022.

United States (U.S.) Interests in NATO:

The United States has an abiding national security interest in a stable, integrated European region. The political and military presence of the U.S. and of NATO fosters the conditions necessary to ensure that democratic and market-based institutions can flourish across the region. The U.S. – like all the Allies’ – share of the financial contributions to the Alliance was established long ago by mutual agreement. It has changed over time as more nations joined the Alliance, and for many years, the U.S. share has been a concessionary negotiated percentage, less than half of the pro-rated Gross National Income share that all other Allies pay. These contributions are necessary to allow the U.S. to participate and have a voice in NATO priorities and efforts, not only on military capabilities, but also on wider policy issues. The United States leads the key discussions within NATO, and the U.S. contribution to common funded programs is essential to a continued leadership role.

Overall Program Requirements

Prior to Russia’s aggression in Ukraine in 2014, NATO postponed many defense infrastructure investments across Alliance territory, focusing instead on urgent infrastructure needs supporting out of area operations and missions. Long-deferred operational infrastructure needs within the European Allies’ territories are now being addressed in the NATO 2030 process. Moreover, this renewed focus on infrastructure investment within Alliance territory now takes on far greater importance, in light of Russia’s further invasion of Ukraine, launched in February 2022. While NATO currently authorizes approximately \$1 billion per year in NSIP projects for ongoing programs and military operations, additional infrastructure requirements across the continent continue to grow and morph as new programs continually emerge. NATO authorizations are expected to grow based on requirements recommended in the common funded programs under NATO 2030 – and now, with the major further impetus of Russia’s invasion. The actual decisions will be made by HOSG during the June 2022 Summit. The U.S. representatives in related deliberations at NATO, including on the NSIP decision-making committees, continue to monitor European security developments and risks, including Russia’s further invasion, and ensure that NATO common funded programs anticipate and respond to existing, new, and evolving threats.

NSIP programs fulfill a wide range of Alliance military capabilities. Programs include the infrastructure to support both forward deployed and reinforcing forces, mobility within and between regions, enabling logistics and transportation support, and flexible command and control systems (including secure and reliable communications). NSIP funds are allocated based on what is considered an adequate level of support to cover restoration and upgrades for existing facilities and systems, payments for incrementally funded projects,

minor works, new capabilities, and recurring administrative and program support costs.

Program Priorities and Eligibility Criteria:

NSIP eligibility criteria for facilities construction and restoration are limited to requirements considered to be over the respective Allies' national needs and above what is reasonable for an individual nation to provide the Alliance. Consequently, NSIP does not support European Allies' national defense needs, but may be used for U.S. operational infrastructure at European bases that support NATO operational plans. With few exceptions, Allies will not support NSIP funding for the construction, restoration, or upgrade of facilities that are used specifically for a hosting nation's own permanently assigned forces. However, Allies will consider funding operational facility requirements for those NATO-assigned forces that are deployed outside of their national borders. As a result, some U.S. operational facility requirements in Europe are eligible for NSIP funding.

Program and Project Approval Procedures:

NSIP programming and authorization decisions are based on consensus decision-making among the 30 Allied nations. Procedures and project execution decisions are likewise arrived at by consensus. Absent U.S. agreement, NATO programs and projects will not be approved or executed. These procedures remain flexible and resilient, allowing NATO to respond to evolving world events and the changing geo-strategic environment.

NATO is shifting to a new governance process for fulfilling military capabilities under NSIP. All new programs will have Capability Program Plans, subject to nations' approval, that will consider alternative solutions and acquisition strategies, better identify risks at the outset, and enable agile development of technology. The process for developing a Capability Program Plan (CPP) begins with identifying and responding to anticipated threats and/or vulnerabilities for the Alliance. Allied Command Operations (ACO) outlines capability shortfalls and develops an Operational Requirements Statement that is validated by the NATO Military Committee (MC), which represents the national military authorities. Allied Command Transformation (ACT) subsequently develops a CPP to fulfill the Operational Requirements Statement, which is subject to review and endorsement by the MC and on the political side by the Resource Policy and Planning Board (RPPB). The MC scrutinizes the plan for operational effectiveness while the RPPB reviews the proposed technical solution, costs, acquisition strategy (including assigning the host nation for each project), and political perspective.

Upon endorsement of the CPP by the MC and the RPPB, the North Atlantic Council is asked for its approval of the plan and programming the necessary resources. Once the Council approves a CPP, the RPPB tasks the Investment Committee (IC) with overseeing the host nations' implementation of the CPP, which includes the individual project level execution to generate the capabilities as outlined. In the IC, project execution is scrutinized to ensure the projects align with the original CPP intent, scope, schedule, costs, and acquisition strategy and are approved once the Committee reaches consensus.

Under the current NSIP programming procedures, U.S. construction requirements are an integral part of the NATO Military Commanders' CPPs. Apart from urgent military operational requirements, all NSIP project requirements are stated in terms of capabilities, assembled, reviewed, and approved by the NATO Military Authorities (NMAs). Within CPPs, individual projects are prioritized for implementation in accordance with their criticality to enable the Strategic Commanders to meet NATO's military foundational capabilities, the Level of Ambition, and/or Response Plans for emerging threats. In some instances, projects for the restoration and upgrade of existing facilities are funded as "stand alone" projects but are still subject to a NATO priority analysis.

The most essential NSIP CPP categories are as follows:

- a. Alliance Operations and Missions. Infrastructure to support ongoing military operations and missions, including Iraq and Kosovo.
- b. Infrastructure Supporting Reinforcing and Deploying Forces & Capabilities. Airbase infrastructure, naval facilities, and associated fuel infrastructure, Reception, Staging and Onward Movement (RSOM) capabilities, facilities housing and maintaining prepositioned equipment and material, and joint training facilities and ranges.
- c. Nuclear Deterrence Facilities. Storage and monitoring infrastructure and security systems for special weapons.
- d. NATO Command Structure. Fixed and deployable headquarters infrastructure for NATO Military Commands.
- e. NATO-wide Air Command and Control (C2) Capabilities. Air C2 for the NATO Command Structure (NCS), NATO Airborne Early Warning and Control Force (NAEW&CF), and supporting Communications and Information Systems (CIS).

- f. NATO-wide Consultation, Command and Control (C3) capabilities. NATO Core CIS Network, Automated Information Systems (AIS), Satellite Communications (SATCOM), and a spectrum of communications infrastructure capabilities.

U.S. Benefit:

U.S. credibility, as well as the ability for NATO to make payments to U.S. contractors for NATO projects and U.S. operational support facilities, is directly related to the Department's ability to secure appropriations that will satisfy its negotiated concessionary share of NATO contributions.

NSIP remains a key source of funding for U.S. infrastructure within the U.S. European Command (USEUCOM) Theater of operations, restoring and upgrading existing NATO operational facilities, and providing new operational facilities at U.S. enduring and deployed locations, including European Deterrence Initiative (EDI) sites. NSIP investments and procedures were established following careful and extensive U.S. guidance to: (1) allow U.S. forces to obtain the maximum operational benefit, whether stationed in Europe, reinforcing Europe, or transiting to or from other regions; and (2) to position U.S. contractors to be competitive when bidding on project solicitations.

NATO continues to approve and fund infrastructure projects benefiting key U.S. ground forces. For example, NATO is currently funding \$285 million for the U.S. Army Corps of Engineers to build an equipment storage and maintenance site and munitions storage area in Powidz, Poland. This large new facility will pre-position over \$4.3 billion of equipment to outfit a 4,000 Soldier Armored Brigade Combat Team, which will enable rapid operational capability once the Soldiers are deployed. There are various other forward operating bases along the eastern European flank designed and built for U.S. Army and Marine Corps forces.

Notable maritime investments include projects at Naval Station Rota, Spain, where NATO has invested \$190 million in port infrastructure upgrades to provide logistics support and resupply facilities for NATO maritime forces. The pier improvements enabled the U.S. to immediately berth an Aegis vessel at Rota to support the Missile Defense program. There are on-going fuel upgrades at major ports across Europe that the U.S. Navy relies on for exercises and operations.

For new air capability, Allies have approved over \$2.9 billion in NSIP funding for programs to provide infrastructure for airborne early warning, alliance ground surveillance, communication jammer, maritime patrol, air-to-air refueling, air transport aircraft, fighter aircraft, and aviation bulk fuel. These significant NSIP-funded improvements will alleviate critical infrastructure

shortfalls at bases used by U.S. forces in Europe. In addition, NATO approved three RAP capability programs valued at approximately \$800 million, which include many U.S. EDI projects, offering the U.S. the opportunity to recoup the funding from NATO for portions of these projects. These RAP projects are being accelerated to provide infrastructure to support in-place force enablers on the territories of the Eastern Allies, including pre-positioning of equipment and supplies for NATO Headquarters to integrate reinforcing forces, and to receive and support Allied forces. NATO continues investing to enable U.S. reinforcement of the European Theater through these infrastructure improvements.

In addition, NATO funds infrastructure required to store special weapons within secure sites and facilities. NATO is wrapping up a thirteen-year, \$384 million infrastructure investment program at storage sites in Belgium, Germany, Italy, the Netherlands, the UK, and Turkey to upgrade security measures, communication systems, and facilities.

Allied agreement to fund the unique U.S. requirements noted above is particularly significant given that the allies must shoulder the bulk of the costs of NATO-required construction and facility restoration within their own borders, while NATO continues funding for U.S. facility requirements in Europe. The shift in the principal focus of the program to NATO-wide interoperability requirements such as command and control, communications, information management equipment and associated software, and other advanced technology also continues to offer opportunities for U.S. companies, which have been highly successful in winning contracts in NATO's international competitive bidding process.

In addition to U.S. specific requirements, there are several theater-wide and common-use systems and facilities which are important to the United States and must be maintained and upgraded. These facilities are essential for the conduct of military operations and political consultations. U.S. forces, as well as other Allied units and the NATO command structure, are dependent on NSIP support for properly functioning infrastructure, including:

- a. Facilities, communications, and utilities at ports of entry (air, rail, and sea) for the embarkation and RSOM for deployment and follow-on reinforcement, multi-modal strategic airlift and airbase capabilities, and pre-positioning facilities for use by U.S. and allied reinforcement forces;
- b. Cross-border pipeline systems supporting military fuel requirements that connect refineries, fuel depots, airfields, and other major NATO bases;
- c. Fuel and ammunition depots, and storage for pre-positioned equipment and materiel;

- d. Secure and reliable communications networks linking NATO static and mobile command centers with the national headquarters of NATO Allied nations;
- e. Other specialized strategic and tactical communications systems for the control of military operations;
- f. New or expanded/renovated headquarters facilities to support the NATO command structure;
- g. Interconnecting systems of early warning, coastal, and air defense radar; and
- h. Joint training facilities and ranges.

NSIP: FY 2023 U.S. Budget Requirements:

The U.S. national contribution to NSIP serves policy purposes in addition to meeting key military requirements for facilities and capabilities, allowing the United States to play a major leadership role in transatlantic affairs. Our active participation in the NSIP assures the United States of a continuing front-line role in shaping and influencing the collective defense posture of the Alliance. Moreover, works produced by the NSIP program provide direct, on-the-ground benefits to U.S. military service personnel across the European continent including along the Eastern Flank of NATO and forward deployed locations, as well as potentially much larger deploying forces.

Since 2005, the U.S.'s share of NATO common funding has been set at a concessionary level negotiated with Allies – now just over 22%. This is less than half the percentage that the U.S. would pay under the proportional Gross National Income (GNI)-share formula used for other Allies – the U.S. share of total Allied GNI is over 45%. In November 2019, the Allies agreed to a further four-year common funding cost sharing arrangement where the United States contributes no more to the NATO common funded budgets than the next largest contributor, currently Germany. This new arrangement has the effect of reducing the U.S. NSIP share from about 22.1% to 16.4%, for new programs agreed to in calendar years 2021 through 2024. Since NSIP projects are funded with the national cost shares in effect at the time of their programming (not at the time of the individual project authorizations), this U.S. cost share reduction is not anticipated to affect project authorizations at the lower rate until late in FY 2023 at the earliest. Thus, there will be no substantial impact on appropriation needs in the near-term.

The Department's FY 2023 NSIP budget request of \$210 million provides support for the currently established NATO resource requirements based on the

current FY 2023 program, NATO common funding cost shares, and budget exchange rates. One of the 2021 Summit's main decisions, as described in the earlier section on "NATO 2030", was that HOSG, at their next Summit this June, will agree on requirements and additional funding levels for NATO's common budgets to include NSIP. Moreover, Russia's further invasion of Ukraine now adds a very major impetus, both programmatic and political, to the support among Allies for defense resources. Accordingly, this Department of Defense FY 2023 NSIP budget request does not include provisions for the needs of NATO 2030.

